ONE THE CAMPAIGN TO MAKE POVERTY HISTORY
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FACT SHEET:

Debt Cancellation

ISSUE: Debt that fuels deadly poverty

Debt cancellation is central to the fight to eradicate deadly poverty and disease around the world and achieve the Millennium Development Goals (MDGs). Every year, poor countries spend tens of billions of dollars repaying old debts to wealthy countries and international-financial institutions like the World Bank and International Monetary Fund (IMF). This is money that could be used to put children in school, fight AIDS, ensure access to clean water, and deliver anti-malaria bed nets.

Many poor countries spend more money in debt payments each year than they receive in poverty-focused foreign assistance from countries like the United States, with some poor countries spending more on debt repayments than on health and education combined. Sub-Saharan Africa, the world's poorest region, receives just over $13 billion per year in foreign aid but pays close to $15 billion in debt repayment.

BACKGROUND: How the debt accumulated, and why we should cancel it

There are many reasons poor countries are in debt. Some debts are the result of reckless borrowing by past corrupt regimes that spent the money in ways that had little to do with the well-being of their people. Other debts were accumulated as a result of irresponsible lending by rich governments and international-financial institutions which – in the face of collapsing currency prices and interest rates in the 1960s and 70s – loaned money indiscriminately to poor countries without considering the countries' ability to repay the loans. In nearly all cases, the loans are decades old and the burden for repaying them has fallen on people living in poverty who had no role in amassing them in the first place.

Debt Cancellation Works!

Debt cancellation has been among the most successful of the world's responses to deadly poverty and disease. Uganda – the first country in the world to benefit from debt cancellation under the HIPC program – brought clean water to 2.2 million people, doubled primary-school enrollment, and reversed the rates of HIV infection. Also as a result of HIPC, Mozambique has increased rates of childhood immunizations and vaccinations by more than 80 percent, Tanzania and Benin have eliminated school fees and put millions of children back in school, and Burkina Faso has built hundreds of schools and significantly expanded the national-health ministry.

These successes have been significant, and in most cases, immediate. **Other poor countries now need to see the same opportunities. Poor-country governments stand ready to invest in the health and well-being of their people if the resources are made available.**

Since 1970, poor countries in Africa have paid more than $550 billion in loan payments to wealthy creditors, *more than $10 billion above the original value of the loans.* Despite this, these countries still owe close to $300 billion in payments. Because of the stranglehold this cycle places on poor-country governments, the Millennium Development Goals (MDGs) challenge the industrialized world to cancel the remaining debts of poor countries as part of a comprehensive approach to poverty reduction that also includes fairer trade rules and expanded foreign aid. **Debt cancellation is not a silver bullet in the fight against poverty, but the MDGs cannot be achieved without debt cancellation.**

U.S. AND INTERNATIONAL POLICY: Building on past success

Beginning in the early-1990s, people of faith and other citizens around the world began advocating for rich governments to begin the 21st Century by canceling the debts of poor countries. Under the banner of "Jubilee 2000," the movement included tens of millions of people and drew support from diverse religious figures like Archbishop Desmond Tutu, Pope John Paul II, Episcopal Presiding Bishop Frank Griswold, and the Rev. Pat Robertson. These efforts resulted in world leaders agreeing in 1999 to a major expansion of the **Highly Indebted Poor Countries' Initiative (HIPC),** a program of the World Bank and IMF to relieve the debts of more than 40 poor countries with good governments committed to investing in the health and well-being of their people. The United States added to HIPC by canceling debts owed directly to the U.S. by countries in HIPC.

HIPC did not cancel **all** debts, however, and many countries still spend too much money on debt, often taking on new loans to repay old ones. As a result, the leaders of the world's eight most-industrialized countries – the so-called G8 – agreed in 2005 to free HIPC countries from all remaining debts owed to the World Bank, IMF and the African Development Bank. **Even with these gains, however, there are still dozens of countries that need immediate and complete debt cancellation to achieve the MDGs.** In his 2007 State of the Union Address, President Bush called upon Congress to expand on past debt-relief efforts. Since then, the House has passed the Jubilee Act (see sidebar) to bring debt cancellation to the remaining countries that need it to meet the MDGs and are well-governed enough to ensure that the money will be used to meet the health-and economic needs of their people. The Senate Foreign Relations Committee also has passed the legislation, and it now awaits a vote in the full Senate. **The Senate should pass this critical legislation by year's end so that the next American President begins his term with a Congressional mandate to work with G8 allies to finish the work begun with Jubilee 2000 in fighting poverty by canceling poor-country debt.**

WHAT YOU CAN DO

Join the ONE Episcopalian campaign at www.episcopalchurch.org/ONE. **Call or email your Senators today and ask that the Jubilee Act be passed by the end of 2008.** If you're interested in deeper engagement in the ONE Episcopalian campaign in your local community, email Alex Baumgarten at abaumgarten@episcopalchurch.org.

The Jubilee Act

The biblical concept of Jubilee – highlighted throughout the Old Testament and expressed in the ministry of Jesus – means a season in which God's people work to relieve the various bonds that enslave the world. Prisoners are released, captives set free, and debts forgiven so that the world may be drawn back into God's sense of justness and righteousness for his people and his world. The **Jubilee Act for Responsible Lending and Debt Cancellation** (S 2166, HR 2634) embodies these concepts to bring debt cancellation to countries which need it to meet the MDGs but have not yet qualified under past debt deals.

The bill would direct the U.S. Treasury Secretary to begin negotiating with partner governments in the G8 to achieve a deal that would cancel debts owed by poor countries to multinational lenders like the World Bank and IMF. It would also cancel debts owed by qualifying countries to the U.S. and require that future assistance be made in the form of grants rather than loans. The bill requires that qualifying countries be well-governed, have good public-financial management, and demonstrate commitment to investing in the health and well-being of their people. It was passed by the House in April 2008, and subsequently by the Senate Foreign Relations Committee. **It now awaits Senate floor action**.

GENERAL CONVENTION RESOLUTIONS RELATED TO DEBT CANCELLATION

The 71st General Convention in 1994 provided the Episcopal Church's first endorsement of debt relief through resolution D029, a position re-affirmed in 1997 (D015) and 2000 (B040), and through the Church's endorsement of the MDGs in 2003 (D006) and 2006 (D022). The Anglican Communion also has endorsed debt cancellation in several settings. The 1998 and 2008 Lambeth Conferences of Bishops have endorsed expanded debt relief for the world, a call that has been echoed by the Anglican Consultative Council and communiqués of the Primates' Meetings.