

CANCELLATION OF THIRD WORLD DEBT

Resolution D017

Title: Episcopal Network for Economic Justice

Topic: Cancellation of Third World Debt

Committee: Standing Committee on International Concerns

House of Initial Action: _____

Proposer: _____

Resolved, the House of _____ concurring, that the Episcopal Church, in order to help to cut in half extreme world poverty (Millennium Development Goal #1), support legislation that:

Extends cancellation of debt to additional heavily indebted impoverished countries with “IDA only” status at the World Bank and a per capita income of less than \$3 a day (Jubilee legislation),

Includes strong safeguards to ensure that the money freed up by debt cancellation will be used to combat extreme poverty in qualifying countries,

Calls on the U.S. Treasury Department to prevent the practice of vulture funds by designing legal remedies to curtail vulture fund activity, providing legal support to countries being sued by vulture funds, and providing technical assistance to developing country governments.

EXPLANATION

(This resolution is endorsed and supported by Episcopalians for Global Reconciliation and the Episcopal Network for Economic Justice.)

In keeping with Jubilee 2000 criteria, this resolution limits eligibility to those countries with only International Development Association status (the poorest countries). It also adds provisions to prevent “vulture funds” from taking advantage of these countries (by buying up their debt for pennies on the dollar and then trying to recover up to ten times the purchase price from the indebted countries.)

Many of the poorer countries of the world have received loans and cannot afford to make the loan payments. In fact, they often haven’t even been able to make the interest payments. In order to make the payments, they have had to substantially cut money from

programs needed by the poor of their countries. The example of Haiti is illustrative of the seriousness of the problem and the need for debt cancellation:

Haiti is the most impoverished country in the Americas. 80% of Haiti's population lives in abject poverty and one out of twelve children dies before reaching their fifth birthday. Life expectancy is 59 years and nearly half the population cannot read. Haiti's government is forced to divert \$58 million per year from fighting this poverty to reimburse International Financial Institutions (IFIs) that were established to help countries like Haiti fight poverty. Over half of Haiti's \$1.46 billion debt is for loans granted to Haiti's dictatorships, especially the brutal and corrupt Francois "Papa Doc" and Jean-Claude "Baby Doc" Duvalier dictatorship.

Canceling Haiti's debt could increase the environmental budget tenfold to reverse the environmental degradation that leaves Haiti vulnerable to tropical storms and mudslides that have claimed thousands of lives in recent years. Alternatively, the amount could double the resources spent on education or triple the funds spent on AIDS prevention (from a Jubilee USA study paper).

The leaders of the G8 countries, under pressure from the Jubilee Movement, cancelled some debts of some countries in 1999 and again in 2005. However, there is far more to be done.

Together with Official Development Assistance (ODA) and just trade policies, expanded debt cancellation forms a critical part of efforts to meet targets that the United States and nearly every other nation in the world set in 2000 to halve extreme poverty. Halfway to the target date of 2015, the world is still falling short of meeting the Millennium Development Goals. The World Bank and the United Nations have estimated that anywhere from \$40 billion to \$75 billion annually will be needed globally if we are to achieve the MDGs. Some of this can be achieved through additional aid, but expanded debt cancellation is critical as well.

Debt cancellation is not merely another "pot of money" for development, it makes our development assistance more effective. As Jeffrey Sachs and his team pointed out in the 2005 United Nations Millennium Project Investing in Development report, "Dozens of heavily indebted poor and middle-income countries are forced by creditor governments to spend large proportions of their limited tax receipts on debt service, undermining their ability to finance vital investments in human capital and infrastructure. In a pointless and debilitating churning of resources, the creditors provide development assistance with one hand and then withdraw it in debt servicing with the other." (from the website of the Jubilee 2000 Network).