



## AFRICA-EUROPE FAITH AND JUSTICE NETWORK

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## Call for Action

DEBT

JANUARY 2005

## CAMPAIGN FOR THE CANCELLATION OF ALL AFRICAN DEBTS

January – July 2005

*While the European Debt Campaign network still awaits the outcome of the NGO discussions on debt at the World Social Forum at Porto Alegre from 26 to 31 January, our colleague, Sr. Begoña Iñara, of the AMECEA JPIC Desk and former staff of AEFJN Brussels, called on religious, lay people and clergy of the 8 AMECEA in East Africa countries to join the campaign for cancellation of debt in Africa. AEFJN wants to join this effort, inviting in turn all the members of our network to join, whether they are in Africa or in Europe. We adapted her original text slightly so as to respect both the positions of NGO common positions reached at both the African and the European Social Forums.*

### The Indebtedness of African Countries

The \$300 billion that African countries owe to foreign creditors weighs heavily on the governments and the people of the continent. Each year African nations spend \$15 billion repaying debts to rich countries and to international financial institutions such as the International Monetary Fund (IMF) and the World Bank (WB). These payments (and the often accompanying loan conditionalities) serve oppressive blows to local economies and severely cripple governments' abilities to provide basic social services. Monies desperately needed for development, education, poverty eradication and the fighting of HIV/AIDS as well as preventable diseases instead are spent servicing loans at interest levels the poor of Africa cannot afford. For every \$1 received in aid grants in 1999, Sub Saharan Africa paid back \$1.51 in debt service. Likewise, Africa spends four times more on repaying its debts than it spends on health care. It is also said that each of Kenya's 15 million children already carries a debt worth \$500. Africans cannot continue to survive in a global economic structure designed to support wealthier nations at the expense of those struggling for basic living standards in developing countries.

### Remove all Doubt

While some argue that the creditor nations cannot afford such large-scale debt forgiveness, the truth is that these debts could easily be cancelled without hurting the world economy. In fact, what had seemed impossible to achieve for highly indebted poor countries in Africa for the last 15 years, suddenly proved to be both economically and politically possible for Iraq as on 21 November 2004, the Paris Club group of creditor nations agreed to cancel 80% of the US\$39 billion in bilateral debt owed to them by the Republic of Iraq. It is worth noting here that Iraq's GDP per capita is estimated to be US\$2,400 while for example, Ethiopia's GDP per capita is estimated to be US\$89 per year. Beyond this, Iraq's oil revenues in 2003 were said to be 35 times the value of Ethiopia's exports in 2002. This would seem to support the argument that debt relief does not follow rules established and agreed upon by the international community, but instead is decided according to arbitrary geopolitical considerations. With this understanding, if western nations stop using debt as a powerful tool to keep countries in bondage, debt forgiveness for African nations could be possible.

Industrialized countries ought to be held to their promises reiterated at the 2002 Monterrey Conference, to spend 0.7% of their GDP on Official Development Aid (ODA). The IMF should be encouraged to consider selling part of its gold reserves (\$30 billion) to help cover the cost of loans owed to the WB and other multilateral parties. Similarly, the International Bank for Reconstruction and Development (IBRD) could be prompted to mobilize more than \$10 billion of its profits and reserves to contribute to debt cancellation.

## Now is the time to act

Since the outbreak of the debt crisis in the 70ies, a world-wide movement has emerged calling for the cancellation of Third World debt and for the rejection of adjustment policies and conditionalities that have only contributed to economic regression and the generation of more extreme poverty wherever they have been implemented.

On 1-3 October 2004, in the meeting of Finance Ministers of the G7, gathered in Washington, two proposals were tabled to write off 100% of multilateral debts owed by the world's poorest countries. While France, Germany and Japan remained sceptical due to the US agenda to obtain debt cancellation for Iraq, the G7 countries nonetheless decided that the issue of debt cancellation for poor countries needed further discussion. Remaining differences among the G7 countries regard the financing of the plan.

Currently, momentum is growing around the United Kingdom presidency of the EU (July-December 2005), when the UK will also be chair of the 2 July 2005 G8 summit in Edinburgh, Scotland as Prime Minister Tony Blair has promised to take action to eradicate poverty from Africa. The Edinburgh summit is a decisive moment for debt campaigns attempting to push governments to grant further debt cancellations for highly indebted poor countries (HIPC) in Africa and for a *fair and transparent arbitration process (FTAP)* to prevent future over-indebtedness of African countries. Likewise campaigns are pushing for an extension of the 100% debt cancellation beyond the 42 HIPC to all impoverished African nations.

On different occasions, the Catholic Church has lobbied international institutions and creditor countries to advocate for the total cancellation of the external debt of poor countries. The Pope, bishops, Christian organizations, Christian communities and individuals have been dynamic actors in the world-wide movement for debt cancellation. Seeing the situation of the African countries and the suffering that the debt represents for millions of children, women and men in Africa, AEFJN joins Church and lay organizations around the world in the 2005 Campaign for debt cancellation for African nations.

Aware of commencing discussions within the G7 (particularly proposals by the UK and US governments), the IMF, the WB, and other forums about the possibilities for 100% (full) multilateral debt cancellation, AEFJN calls on the G-7 Finance Ministers and the Boards of Directors of the World Bank and IMF to cancel these debts without harmful conditions.

## ACTION

### WHO?

We invite all Churches, dioceses, parishes, religious congregations, Christian groups, schools and institutions, as well as all people of good will, to join in the campaign to alleviate the suffering of the African population, predominately the poor. YOU can help by writing letters to the G8 Chiefs of State and to the G8 Ministers of Finance requesting the cancellation of all African debts.

### WHEN?

On February 4<sup>th</sup> and on June 11<sup>th</sup> 2005 the finance ministers of the G7 countries will meet. Following up the discussions on debt cancellation of multilateral debt during their October 2004 meeting in Washington, the issue of debt will be discussed and there it will be decided if or not the debt issue will be on the agenda of the G8 Summit of Gleneagles, Scotland-UK on July 5<sup>th</sup> 2005.

**Write TODAY**

**in preparation of the G7 Finance Ministers Meeting,**

**that will take place in London on 4 and 5 February 2005**

AEFJN, together with other debt campaigns will invite you again with updated demands for action in the beginning of June for the G7 ministers of finance meeting in London and again in July targeting the G8 Summit in Gleneaegles (Scotland-UK).

## HOW?

**Write today a letter to ask for debt cancellation for African countries. To help you in this, find hereunder a model letter.**

*Please write your letter on paper with the official letterhead of your institute, diocese, parish, institution, or group. Feel free to adapt the letter to your local situation and write a short introduction to present the group you represent.*

Dear .....

### **February 4<sup>th</sup> G7 Finance Ministers meeting in London and call for cancellation of multilateral debts of African countries**

Our Institution (*Name of the group/Institute*) works in (countries where you are present). We represent (number of persons working or belonging to the Institution) Catholic citizens. We are a member of (*join us to*) the Africa Europe Faith and Justice Network (AEFJN), an international organisation of 44 Catholic missionary Institutes, that works for equitable economic relations between Europe and Africa. Our members bear witness to the daily the increasing sufferings of the African people caused by poverty and the funds paid as interest on the multilateral debts of African countries.

The option of the International Financial Institutions and of some members of the G8 to take new measures to cancel the African debt in order to combat poverty fills us with hope. Indeed, a durable peace and security for all can only be obtained through concerted action against the terror of poverty and hunger that affects a huge part of our world population.

Over-indebtedness hampers the economic integration of all Sub-Saharan African countries and is a major cause of poverty for their populations. The resources needed for development and basic social services instead go to paying the debt service. Total debt cancellation is needed and has proven to be effective in alleviating poverty. Although not on the official agenda of the 2005 G8 Summit, we believe that debt cancellation should be a major concern.

We expect from the Summit's declaration bold steps towards debt cancellation as a means of poverty reduction in our world.

#### **We support and recommend:**

- Definitive cancellation (100%), not just the reduction or rescheduling of debt service, of all UNPAYABLE debts, by fair and transparent means for all Sub-Saharan African countries. For most of these countries this means all debts.
- Multilateral debt cancellation must apply to all impoverished nations, not just the 42 HIPC. Non-HIPC countries (Kenya, Nigeria) must be included in efforts towards 100% debt cancellation.
- This cancellation should be delivered without harmful conditions imposed by creditors in the form of adjustment programs, such as privatisation, trade liberalization, opening of markets, fiscal and monetary targets, etc.
- The only conditionality should be an internal monitoring mechanism, with the participation of civil society, to make sure that the earnings from the debt cancellation go to poverty reduction.

#### **We expect:**

- The creation of a fair and transparent arbitration process (FTAP) framework with the participation of both creditor and debtor countries. This framework will prevent developing countries from falling again into a situation of over-indebtedness after debt cancellation, and will bring about the

resolution of the debt crises without compromising the ability of poor countries to meet the basic human needs of their peoples.

- That the HIPC program be adjusted in order to allow the HIPC countries to deduct from their export earnings the funds needed for their poverty reduction strategies, before calculating the level of sustainable debt service.
- That, resources to achieve the debt cancellation could come from the creditor countries and from the multilateral financial institutions. The IMF and WB could contribute the bulk of the resources to finance debt cancellation. The IMF could sell part of its gold reserves (\$30 billion) and use the proceeds to cover debt owed to the World Bank and other multilateral parties. The IBRD could easily mobilize more than \$10 billion of its profits and reserves toward debt cancellation.

**We remind:**

- Industrialized countries, of their promises, reiterated at the Monterrey Conference, to spend 0.7% of their GDP on Official Development Aid (ODA) and ask the G8 countries to commit themselves to a calendar so as to make their promise come true within foreseeable time.

May wisdom and compassion guide you in all your decisions.  
Yours sincerely,

**TO WHOM?**

1. **The Ministers of Finance of the G8 countries** (see list below)
2. **The Minister of Finance of your own country**
3. **The President of the EU commission and the Commissioners for Development and Trade**  
**President José Manuel Barroso**  
 European Commission,  
 Rue de la Loi 200, B-1049 Brussels [Jose-Manuel.Barroso@cec.eu.int](mailto:Jose-Manuel.Barroso@cec.eu.int)  
**Commissioner Louis Michel**  
 DG Development,  
 Rue de Genève 12 B-1140 Brussels [Louis.Michel@cec.eu.int](mailto:Louis.Michel@cec.eu.int)  
**Commissioner Peter Mandelson**  
 DG Trade,  
 Rue de la Loi 200 B-1049 Brussels [Peter.Mandelson@cec.eu.int](mailto:Peter.Mandelson@cec.eu.int)
4. **The Heads of State and Finance Ministers of the G8 countries** (see list below)

Head of State	Minister of Finance
<p><b>Canada</b>            Prime Minister            Suite 309-S            Centre Bloc            House of Commons            111 Wellington St            Ottawa – Ontario K1A OA2 CANADA</p>	<p><b>Canada</b>            Minister of Finance            House of Commons            Room 5155 Centre Block            Ottawa-Ontario K1AZ OA6            CANADA</p>

<p><b>France</b> Président Jacques Chirac Président de la République Palais de l'Elysée 55, rue du Faubourg St-Honoré F-75008 Paris FRANCE</p>	<p><b>France</b> Mr. Le Ministre des Finances Ministère de l'Économie, des finances et de l'industrie Rue De Bercy 139 F-75572 Paris CEDEX 12 FRANCE</p>
<p><b>Germany</b> Mr. Chancellor Schroeder Bundeskanzleramt  Willy Brand Strasse 1  D-10178 Berlin GERMANY</p>	<p><b>Germany</b> The Federal Minister of Finance BM der Finanzen  Willemstrasse 97  D-10117 Berlin GERMANY</p>
<p><b>Italy</b> Sr. Presidente Silvio Berlusconi Presidenza del Consiglio dei Ministri Palazzo Chigi Piazza Colonna 370 I-00187 Roma ITALY</p>	<p><b>Italy</b> Sr Ministro delle Finanze Ministero delle Finanze Viale America 242 I-00140 Roma ITALY</p>
<p><b>Japan</b> Mr. Prime Minister Junichiro Koizumi Prime Minister's Office 2-3-1 Nagata-cho Chiyoda-ku Tokyo 100-0014 JAPAN</p>	<p><b>Japan</b> Mr. Sadakazu Taginaki Minister of Finance 1-1 Kasumigaseki 3 – chome Chiyoda-ku Tokyo JAPAN</p>
<p><b>Russia</b> President Vladimir Putin The Kremlin Moscow RUSSIA</p>	<p><b>Russia</b> Mr. Mikhael Kasyanov Ministry of Finance UL. Ylinca 9 - Moscow RUSSIA Moscow 103097 RUSSIA</p>
<p><b>United Kingdom</b> Prime Minister Tony Blair 10 Downing Street London SW1A 2AA UK</p>	<p><b>United Kingdom</b> Mr. Gordon Brown Chancellor of the Exchequer HM Treasury Parliament street London SW1P 3AG UK</p>
<p><b>United States</b> President George Bush President of the United States The White House Washington, DC 20500 USA</p>	<p><b>United States</b> US Secretary of the Treasury Department of Treasury 1500 Pennsylvania Avenue NW Washington DC 20220 USA</p>