



DEBT CANCELLATION

Why is debt cancellation central to the fight against poverty?

Debt cancellation for the world's poorest countries is central to the fight against poverty and key to ensure the achievement of the Millennium Development Goals (MDGs). Many poor countries spend more each year to repay decades-old debt to the world's wealthiest countries and international institutions like the World Bank and International Monetary Fund (IMF) than they do on the fight against poverty, including stopping the pandemic of HIV/AIDS, putting children in school and ensuring access to clean water.

Debt is draining the budgets of poor countries. Most poor countries spend as much of their annual budget on debt repayment as they do on social services like health and education. Moreover, many highly-indebted poor countries also spend more on debt repayment than they receive in foreign aid. For example, Sub-Saharan Africa, the poorest region in the world, receives about \$13 billion annually in international aid but spends nearly \$15 billion every year repaying old debts.

How did poor countries accumulate so much debt?

Many poor countries began accumulating debt in the 1960s when international currency prices and interest rates collapsed, which launched banks into an international financial crisis. To avert the crisis, banks sought to lend money – and lots of it – quickly.

Thus, significant amounts of money were lent to poor countries with little thought as to how they would pay the money back. Moreover, many of the loans were either lent to former corrupt regimes that did not use the money in ways that benefited their people (known as 'odious debt'), or in the self-interest of rich countries or financial institutions (known as 'illegitimate debt').

Today, many poor countries are trapped in a deadly cycle of indebtedness – forced to borrow more money to make payments on the interest accrued from the principle loan that has long since been paid in full. For example, according to CEPAC, the Economic Commission for Latin America, external debt practically doubled from \$439 billion to \$762 billion between 1990 and 2004.

Has anything been done about the debt crisis?

Yes, in large part because of political engagement and advocacy by people of faith throughout the world, several major initiatives to relieve debt burdens of the world's poorest countries have emerged, including:

- **Jubilee 2000:** In the mid-1990s advocates for the world's poor began working together to put the crisis of debt on the agenda of the world's political leaders. In 1999, billions of dollars of poor countries' debt were cancelled through the reform and expansion of the World Bank and IMF's Highly Indebted Poor Countries (HIPC) program, which began in 1996. The HIPC program provided debt relief to countries with good governments committed to fighting corruption and poverty and investing in the health and well-being of their people.

Canceling Debt to End Poverty - It's the Lutheran Thing to Do!

Inspired by the principles of equality and justice expressed through the concept of Jubilee in the Bible, Lutherans have advocated for debt cancellation since 1997.

- In 1999 the **ELCA Churchwide Assembly** called for "reduction of overwhelming international debt burdens in ways that do not impose further deprivations on the poor, and cancellation of some or all debt where severe indebtedness immobilizes a country's economy."

- In 2003 the **Lutheran World Federation's 10th Assembly** issued a statement on the debt crisis that in part called on "member churches in the industrialized countries to challenge their governments to advocate for the cancellation of illegitimate or odious debts."

- In 2008, you can help pass the Jubilee Act (H.R. 2634 / S. 2166). This legislation will cancel the debts of impoverished countries that otherwise will not achieve the Millennium Development Goals.

ONE Lutheran fact sheet

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- **June 2005 G8 deal:** Because the HIPC program does not completely cancel poor countries' debt, advocates worked to secure a new debt deal from the world's richest countries in 2005. They succeeded when the Finance Ministers of the wealthiest eight countries in the world (G8) agreed to cancel 100 percent of 18 HIPC countries' debt – totaling \$40 billion dollars.

Still, it is estimated that more than 67 of the world's poorest countries will not achieve the MDGs without further debt cancellation.

How has debt cancellation helped fight poverty?

Debt cancellation has proven to save lives and reduce poverty because it frees up critical financial resources that governments commit to investing in the well-being of their people. For example, Mozambique has increased rates of childhood vaccination by more than 80 percent; Uganda has provided clean water for 2.2 million citizens; and Tanzania has eliminated school fees for primary school, putting an estimated 1.6 million kids back in school.

While debt cancellation alone will not end extreme poverty, the MDGs will not be achieved without it as part of a comprehensive approach to poverty reduction adopted by industrialized nations that includes fair trade and increased foreign aid (MDG 8).

How does my faith inform my advocacy for debt cancellation?

The biblical idea of **Jubilee** that is highlighted in the Old Testament and expressed throughout the ministry of Jesus is one of the most powerful concepts that inspire Christians working for debt cancellation.

In the Book of Leviticus and Deuteronomy, God speaks to Moses and commands that every seventh year, Israel keep a Sabbatical or **Sabbath Year** in which all are to rest from working the fields and vineyards. God then commands that after seven sets of Sabbath years (seven times seven) the fiftieth year is to be a Year of **Jubilee**. In the Jubilee Year, God calls his children to allow the land to lie untouched, to set slaves free, to return land to its original owners, and to cancel debts. In 2007, advocates declared a “Sabbath Year” and were successful in introducing important debt relief legislation, the Jubilee Act.

What can I do as a ONE Lutheran?

As a **ONE Lutheran**, you can help ensure world leaders keep promises made in 2005 while extending 100 percent debt cancellation to all poor countries whose debt burden prevents them from meeting the Millennium Development Goals (MDGs). **Join the *Measure Up! Rule Out Debt!* campaign by urging your Members of Congress to support the Jubilee Act. Visit jubileeusa.org for more information on this campaign and join the ELCA e-advocacy network at www.elca.org/advocacy to stay informed about how you can take action in support of further debt cancellation.**

Debt Cancellation: Key to Achieving the Millennium Development Goals

Since 2000 more than 190 countries, including the United States, have adopted the MDGs -- a set of eight inter-related targets toward the elimination of extreme poverty by 2015. Debt Cancellation will help the poorest countries achieve the goals, which include:

1. Eradicate extreme poverty and hunger;
2. Achieve universal primary education;
3. Promote gender equality and empower women;
4. Reduce child mortality;
5. Improve maternal health;
6. Combat HIV/AIDS, malaria, and other diseases;
7. Ensure environmental sustainability
8. Create a global partnership for development with targets for foreign aid, debt cancellation and fair trade.