



NSW.ACT

Synod Resolution Cancelling Debt

That the synod

- a. Endorse the Jubilee 2000 Drop the Debt Campaign and call upon the World Bank and IMF to implement the measures proposed by that campaign, namely end the HIPC initiative for dealing with unpayable debt, and instead cancel the unpayable debt of highly indebted poor nations.
- b. Endorse calls for an international mechanism for dealing with insolvency of nations in a consistent and transparent way that allows nations to give priority to the subsistence needs and human rights of their citizens ahead of debt, and allows an exit from unpayable debts
- c. Request UnitingCare NSW.ACT to monitor the situation, liaise with other relevant organisations, and to take further actions as appropriate, including conveying this resolution to the Australian government and the World Bank.

Rationale

1. The [Jubilee 2000 Drop the Debt](#) Campaign has been operating for several years, and has been endorsed by many churches and community agencies in Australia and around the world. It was endorsed in 1998 by the Assembly Standing Committee of the Uniting Church. It is about cancelling the unpayable debt of the poorest nations of the world. It is about cancelling debt owed to governments and to international institutions such as the World Bank.
2. This proposal is brought to synod because UnitingCare NSW.ACT has recently found itself involved in the ongoing campaign. It is important that the church be aware that this campaign continues to be relevant, and know the latest issues.
3. The Bible portrays a God who is on the side of the poor, rescuing them from their difficulties and giving them life. God calls all humankind to justice and compassion - the kind of justice that gives priority to the survival needs of the poor of this world. The concept of Jubilee, the ending of debt every 50 years, has inspired this campaign that says: humankind must not imprison people in debt forever. God calls us to forgive debt that enslaves people.
4. The Jubilee 2000 Campaign is not only about cancelling debt, but about lobbying for an international insolvency mechanism. This is becoming increasingly important in dealing with the debts poor nations owe to the World Bank. The commercial world takes for granted the concept that society will organise exit from unpayable commercial or personal debt. Sometimes this involves billions of dollars. In personal and commercial insolvency, there is a neutral arbitrator who assesses the subsistence needs of those involved, and what can reasonably be repaid. In international debt, there is no such mechanism. It is not unreasonable to suggest that there can be an equivalent mechanism for cancelling national debt.
5. For some time, the World Bank has resisted calls to cancel debt, arguing that its HIPC initiative was a better approach. The Australian government has also resisted

calls to cancel bilateral debt with a similar argument. It is now evident that the HIPC initiative is not working and will not solve the problem for most countries.

6. According to AidWatch:
The IMF and the World Bank are major creditors, owed about \$70 billion by the poorest people in the world. This debt constitutes 33% of the debt of these highly indebted poor (HIPC) countries. A total of \$5.8 billion was transferred by the HIPC countries to the World Bank in the period 1992-1998. The negative transfer of funds from the poorest people in the world to one of the most powerful and well-resourced banks in the world, was balanced only by taxpayer donations to the poor countries, channelled via the World Bank's soft lending facility, IDA. A significant proportion of aid, intended for development, is instead used by the poorest countries to finance debt repayments to the IFIs* (* International Financial Institutions)
Under the HIPC, the Bank plans to write off only 32% of the debts owed to both its lending arms, and it will take many years before these write-offs take effect. This is simply not enough. According to the Jubilee 2000 Coalition, the Bank has sufficient resources to write off 100% of the debts owed to its market lending arm, the International Bank for Reconstruction and Development (IBFRD), and at least two thirds of the debts owed to its soft-loan arm, the International Development Association (IDA). The additional resources should come from the richest nations in the world, the G7. (Letter to World Bank 1 August 2001)
7. The issue of debt of the HIPCs needs to be set in the context of international human rights and the United Nations Charter. These recognise the importance of all members of the UN promoting respect for human rights and taking measures "to secure their universal and effective recognition and observance". Relevant articles include the right to a reasonable standard of living including food and housing, the right to health and the right to education. Other relevant articles are the right to self-determination in pursuit of development, and the right to freely dispose of a nation's wealth, the right to the means of national subsistence, the right to international cooperation in development.
8. The 41HIPCs between them have a population of about 2 billion people.
9. The World Bank program to reduce and restructure the debt of the Highly Indebted Poor Countries is about reducing debt to sustainable levels (that is, a level that countries can service). It is not about reducing debt to a level where nations can afford to sustain their populations.
10. To be part of the HIPC initiative of the World Bank requires a number of years of structural adjustment programs. These emphasise creating exports at the expense of meeting the basic human needs of the local population.
11. The structural adjustment programs and debt servicing regimen required by the rich nations through the World Bank involves putting debt serving ahead of meeting domestic needs, often by abolishing food subsidies, and limiting expenditure on health, education, wages, legal systems and other basic social and physical infrastructure. They therefore involve a violation of basic human rights in the HIPCs - a violation of the right to food, health, and education. It also prevents these nations paying adequate wages to workers. It undermines the rule of law, since these nations cannot afford to pay for a genuinely unbiased legal justice system and police force.
12. For example, in Tanzania, half the population is illiterate, but it spends a third of its budget on debt repayments and spends four times as much on debt repayments as on primary education. In Niger, life expectancy is 44 years, and two out of five children under the age of 3 are unable to achieve proper physical development because of lack of food, but the nation spends more on debt repayments than it does on health and education combined. Altogether, the Sub-Sahara region of Africa spends four times as much on debt repayment as it does on health care. Debt is a serious health hazard.

13. In fact, debt kills. Jubilee 2000 argues that debt is killing 7 million children under the age of 5 each year. They die from preventable diseases, because the debts have to be paid off first.
14. Debt also leads to destruction of the environment, for example through problems such as deforestation and erosion, as forest is turned over to cash crops to earn export dollars.
15. The World Bank's HIPC Initiative is not working. Jubilee Plus has evaluated the way the HIPC initiative affects the 23 countries that have been accepted so far. Their report shows that only a fraction of debt is dropped, and that the debt servicing arrangements mean that for most nations, the debt will become unsustainable again in the future, because the level of debt servicing does not deal with all debts. The report is available at http://www.jubilee2000uk.org/analysis/reports/flogging_process_text.htm .
16. Drop the Debt commissioned a leading independent London accounting firm, Chantrey Vellacott, to test the World Bank claim that it could not afford to cancel these debts. Their report, which is available at www.dropthedebt.org, shows that the World Bank and the IMF could "easily afford" 100 per cent cancellation of HIPC debt without detrimentally affecting their ability to operate according to their stated aims.
17. It is contrary to basic principles of law that the same institutions who are creditors also evaluate the ability of nations to repay debt and impose the conditions (it amounts to being the judge in one's own cause). There are a number of credible proposals for debt insolvency mechanisms, that is, about how to declare a nation bankrupt and allow it to exit from unpayable debt so that it can get on with its life - something that is taken for granted in commerce. The Jubilee Plus report mentioned above outlines some of these possible mechanisms.