

# **Caritas Aotearoa NZ / Christian World Service**

## **MAKEPOVERTYHISTORY SEMINAR** 1 July 2005

### **Thoughts on Dropping the Debt in 2005**

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As the first in this line up of speakers, I am addressing international debt. You may actually be wondering why, because a couple of weeks ago, the Finance Ministers of the G8 group of the world's wealthiest countries, met and announced a package of debt cancellation totalling some \$56 billion USD. \$56 billion certainly sounds like a lot of money by anyone's standards. Surely this should deal with debt?

To work out just much money, I thought to compare it with how much the world spends on the military. It turns out to be equivalent to 6% of annual world military spending! In fact, the one-off debt relief package is far less even than the annual rise in world military expenditure which in 2003 was \$96 billion. If you add together all the aid given by all donor countries each year, it comes to 78.6 billion. Aid is rising a little at the moment, even in New Zealand. But the world is adding the equivalent of its entire aid budget, to military spending every year. This is part of what Make Poverty History means when it says our generation has the resources. But there are choices about what we choose to spend these resources on.

It would be nice to think that the new debt package might be funded from a reduction in military expenditure. Sadly it won't. It is much more likely to be raided from the world aid budget. More on that later.

Suffice to say, that in the race between arms and the giving of alms, it is the more lethal variety that is winning hands down.

But putting this cynicism aside - most campaigners around the world including Caritas New Zealand and Jubilee Aotearoa welcomed the G8 proposal. After all the proposal is for 100% cancellation of the debt stock to the IMF, Africa Development

Bank and World Bank. This is quite an advance. In the past, what has really been on offer has been rescheduling or relief of debt, not its cancellation. It is a real step forward, but I am less inclined to pay tribute to the G8 leaders, than to the long years of toiling and campaigning which people around the world in indebted and wealthy countries alike, have put in on this issue for decades now, but particularly since the mid-1990's.

But while broadly good news the G8 package is also not all it seems. Campaigners have a few worries – worries derived from bitter experience:

1. **It only applies to some countries** - It only applies immediately to 18 countries which have “graduated” from the World Bank's Heavily Indebted Poor Country of “HIPC” Initiative.<sup>1</sup> A further 9 countries *may* benefit if they also graduate in the next year and a half. There are well over 50 countries which are desperately poor, failing to make progress toward the Millennium Development Goals, and heavily indebted. Together, just those in Africa owe over 300 billion, a sum that can never be paid back.
2. **It may be funded from existing aid** – Donor countries will be required to contribute a total of US \$1.2 Billion total per year over the next three years. The fear is that many of the donor countries will, like New Zealand, simply raid their aid budgets to make the contributions required, and as most of these countries fall far short of the 0.7% GNI international commitment, this just further robs Peter to pay Paul, leaving poor countries with no additional funds to address poverty.
3. **No movement on Gold Sales** – the IMF still continues to sit on a mountain of gold, which is undervalued and could be either revalued or sold, to finance 100% debt cancellation.
4. **The Conditions** - The HIPC initiative has been heavily criticised by NGOs for delivering too little debt relief too slowly and for imposing damaging conditions which require trade liberalisation (by poor countries) and privatisation of state assets including basic services, both of which are also

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<sup>1</sup> 14 of the 18 countries are in Africa - Benin, Burkina Faso, Ethiopia, Ghana, Madagascar, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Tanzania, Uganda and Zambia - plus Bolivia, Guyana, Honduras and Nicaragua.

regular causes of increased, rather than decreased poverty. Countries which reject these policies will not get debt relief.

With over a billion people living on less than \$1 a day, 800 million without enough food to meet their energy needs, and 30,000 people dying every day from poverty related causes, we need more than debt cancellation for 18 very poor countries: we need a 100% write off of debts for the over 50 countries which cannot otherwise meet the Millennium Development Goals. Debt cancellation is not sufficient to make poverty history, but it is a basic condition.

And even as we welcomed the news, I keep having a sense that I had written the press release before! It is all a bit like ground-hog day.

Haven't we mobilised people before? To mark the millennium 24 million people (63,000 of whom were from New Zealand and I am sure many of you were among them) signed the international Jubilee 2000 petition calling for total debt cancellation for 52 indebted countries and an end to harmful economic conditions like privatisation and trade liberalisation.

And didn't the G8 respond then, and announce that they were cancelling the debt 5 years ago? That time it was \$100 billion in debt relief was announced. At that point, Jubilee campaigns around the world also welcomed the news and began wondering what to do. Should they close down? Some did, but Jubilee Aotearoa did not. Caritas and CWS shut the office and thanked our two hardworking coordinators. But we continued to follow the issue. In doing this, we were strongly influenced by the plea from Jubilee South, not to drop the debt issue, because the debt had not really been dropped.

And this was a wise move. Three years after the Millennium Year announcements, put forward amidst fanfare and media attention, Jubilee Aotearoa had to report that:

*“Only 8 countries have received substantial debt write off under the initiative to date, well below the target of 19 by the end of 2002. 16 HIPC countries have yet to even reach decision point and 8 are unlikely ever to do so. The*

*HIPC is failing to achieve even its own narrow criteria for debt sustainability much less levels that would allow countries the resources they require to invest in effective poverty reduction. Indeed four countries are expected to exit the HIPC with higher debt service payments than when they entered and a further 5 will be paying almost as much as they were before HIPC”<sup>2</sup>*

So all of this is a round about way of saying, don't trust the headlines. Let us make poverty history, but let us remember that poverty will not be history in 2005. Making Poverty History is a long, slow, but vital struggle and we in rich countries have only just begun to add our contribution. And let us not forget, that we are adding less to fighting poverty than we are to fighting people. That is not the way to Make Poverty History.

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In my work on this issue, I am sometimes challenged very sincerely by people who do not think debt should be cancelled.

In New Zealand we have a culture of fairness in which people expect to make good on their obligations to others, and be treated fairly themselves. There is also a culture of *utu* by which relationships are kept in balance and where actions create obligations which must be fulfilled. These cultures combine to make it normal in New Zealand to expect to pay back what you owe. And people also fear that cancelling the debt will not solve anything. It may reward governments which have not served the interests of the poor. It may fuel corruption, jets for Presidents. Or it may be ploughed into arms to wage wars or oppress movements.

These are valid and important concerns. Because the fact is, that significant amounts of the original loans which gave rise to the debt, did precisely that. Is it not astounding, that during the 1970s and 80s, International Banks would lend vast sums

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<sup>2</sup> Jubilee Aotearoa Debt Action Network – Advocacy Platform 29 August 2003.

to some of the most brutal and undemocratic of governments. To Marcos, to Suharto, to Mobutu. Did they not know that they were feeding corruption? Of course they knew. But the great thing about lending to a Government is that no matter how poor it gets, it cannot go bankrupt. You can always demand payment. These are sovereign debts.

That is why the international banks practically threw money at developing country governments, providing highly paid consultants who could dream up huge projects, funded by loans, much of which flowed back to the same set of consultants. New Zealand had its share of Think Big white elephants. The Developing World is littered with them.

What possible responsibility do the citizens of the Philippines, Indonesia, or Congo have for the debts run up by these unaccountable rulers who enriched themselves. Did they see benefits from the loans. Did they have a say in accepting them? Who bears the greater obligation? In terms of fairness, or *utu* it is not ordinary people in these countries who have an obligation to repay.

Will debt cancellation fuel further corruption. The evidence from those countries which have received substantial debt relief suggests not. In these countries, spending on health and education has gone up dramatically, and countries such as Tanzania and Uganda now stand a good chance of achieving universal primary education. In both countries there is a vibrant civil society, working as hard and against much more difficult conditions as civil society in New Zealand, to hold their government to account for this debt relief. That is my answer to government corruption. Let governments be accountable to their citizens.

When you hear that there is rampant corruption in developing governments and that that is a reason we should not share our wealth with them, don't you believe it. The developing world, as every society, is filled with people both inside and outside of government doing their best for their families, their communities and their countries. The fact that such people struggle daily against problems of corruption and human rights abuse is precisely why we should be supporting them.

And if we are to talk of poor countries spending on arms, then this is also an issue that cuts both ways. 75% of military spending happens in wealthy countries. The G8 countries who together have the power to really make poverty history, are also the primary makers and sellers of arms. As we rush to condemn spending by poor country governments on arms, let us also condemn even more loudly, those governments who give aid in one hand, and sell arms in the other.

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But I think we need also to leave aside this talk of money and politics for a moment. We must talk people. That is what the Church says of economics. The economy must be at the service of people. All the people. And particularly those who suffer poverty and oppression. People must be at the centre of the system, every living person has a right to sufficient that they can live in dignity. These are the economic rights proclaimed by the Church.

- The reality of debt is not about the balance sheets of the IMF and the World Bank. It is about the balance sheet of humanity.
- When we are talking about debt repayments, we are really talking about whether poor governments should continue to pay precious revenue to the banks and governments of the rich world, while their population lacks basic health and education.
- It is the reality for the father who must make a choice of which of his three children he can send to school because one set of school fees is as far as his income will stretch.
- It is the young woman who dies in her first childbirth, because there is no money for a midwife in her area.
- It is the landless farmer in Nicaragua who received his dream of a small plot of land through land reform, who fails because he received neither credit, nor training to get going.

Some of you may be familiar with the Millennium Development Goals. These were the hard and visionary targets adopted by world leaders in 2000 to half the number of

people living in poverty and suffering from hunger, to achieve universal primary education for boys and girls, to dramatically reduce the incidence of maternal and infant deaths, among other things, all by 2015. Five years, on, while many countries are making progress toward these goals, sub-Saharan Africa and Oceania are not. In fact they seem to be deteriorating.

Caritas and the agencies who come together as Jubilee argue that people come first.

We put this to NZ Treasury last year and said that World Leaders have committed themselves to achieving the MDGs. To do this, you need to work out what kind of investment in health, education, support for farmers, and the like to do this, against what poor governments are able to fund now, and then to resource this, through debt cancellation, increased and better aid, and trade reform.

Treasury did not agree with our approach, and did not favour new initiatives such as that announced by the G8. But they did agree that if they did follow our approach, the entire debt stock would need to be cancelled.

But perhaps there is hope. In his message to the G8 meeting, the New Zealand Government has indicated: “Debt repayment must not be allowed to stand in the way of ensuring that the poor have access to good health, education, and other essential services.” This has not been current policy. We may be making progress.

**The whole thrust of this campaign – MAKEPOVERTYHISTORY -** in 2005 is to challenge people’s perceptions about poverty.

During the 1980’s and 90’s in New Zealand there were those who said we should just accept poverty as inevitable. It was the price to be paid for growth and progress, for efficiency and wealth as a country. And the seeming relentlessness of poverty in the world can also make it seem that this is a reality which will never go away. There too, poverty has been seen as collateral damage in the drive for economic competition and foreign investment. The poor will always be with us.

When the campaigns were for the abolition of slavery in the American South, apart from the bitter opposition by slave owners, there were also well developed economic arguments which said it was impossible. The plantation system would collapse. Whole industries would fail. Trade would plummet. Wealth and investment would dry up. Both the American and the world economy would collapse, impoverishing both slave owners and slaves alike. For their own good, slaves needed slavery.

This, of course this was baloney. Thus far the US economy has not collapsed, though it has to be said there does still seem to be a fair amount of wage slavery there.

Cancelling debt is not impossible. 0.7% aid is not impossible. Trade justice is not impossible. They must not be impossible.