

## A JUBILEE CALL FOR DEBT FORGIVENESS

*A Statement by the Administrative Board of the United States Catholic Conference*

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*The existence of a foreign debt which is suffocating quite a few countries of the American continent represents a complex problem. . . . The Church in her pastoral concern cannot ignore this difficult situation, since it touches the life of so many people. . . . I too have frequently expressed my concern about this situation, which in some cases has become unbearable. In light of the imminent Great Jubilee of the Year 2000, and recalling the social significance that Jubilees had in the Old Testament, I wrote: "In the spirit of the book of Leviticus (25:8-12), Christians will have to raise their voice on behalf of all the poor of the world proposing the Jubilee as an appropriate time to give thought, among other things, to reducing substantially, if not cancelling outright, the international debt which seriously threatens the future of many nations."<sup>1</sup>*

—Pope John Paul II

*I come from a country, Zambia, where every woman, man, and child owes \$750 in external debt [per capita income in Zambia is just over US\$250<sup>2</sup>]. What servicing this debt means for Zambians [is] lack of education opportunities, inadequate health care facilities, poor housing, water and sanitation structures, insufficient productive investments for promoting jobs, etc. These are the serious wounds that Zambians experience because of debt and the demand for debt servicing. . . . The debt problem is not simply an economic issue. It is*

*fundamentally an ethical issue because it is radically a human problem, affecting the well-being of families, the survival of the poor, the bonds of community, and the security of the future.*<sup>3</sup>

—Archbishop Medardo Mazombwe of Zambia

## Introduction

As bishops, pastors, and teachers in the United States, we take up the issue of international debt for three fundamental reasons. First, the burden of the external debt of the poorest countries is crushing the lives and dignity of vulnerable children, women, and men. In most cases, those who bear the burden of repaying the debt had no voice in the decision to borrow and did not benefit from it; in some cases, the borrowed funds were wasted, used for extravagant activities, or even stolen by unprincipled officials. Second, debt is symptomatic of a larger unfinished agenda of this century: the problem of underdevelopment in so many parts of our world. The debt crisis is one critical aspect of a much wider problem of development that must be addressed if large segments of the world's population are to avoid a future of marginalization, despair, and hopelessness. Third, the coming of the Great Jubilee in 2000 offers us a time to make new beginnings and to right old wrongs. Pope John Paul II has called repeatedly for forgiving international debt as a sign of true solidarity. In this statement, we join our voice to his to inform the public about the moral urgency of the debt question and to offer some considerations about responding to it.

The need for debt relief remains as great today as it was in 1989 when we issued *Relieving Third World Debt: A Call for Co-Responsibility, Justice, and Solidarity*. Since then, the bishops of Africa have called upon us and our fellow bishops in Europe to forgive their debts.<sup>4</sup> The bishops of Latin America have issued similar calls. The continued urgency of this problem is also brought home to us by Catholic Relief Services and others whose efforts to promote development in the world's poorest countries are frustrated by the debilitating effects of debt.

Focusing attention on international debt is especially appropriate as we prepare to celebrate the Great Jubilee Year 2000. In the Hebrew Scriptures, the jubilee was to be a time to free slaves, to return land to its rightful owners, and to forgive debts. The jubilee was to be both a time of repentance when injustices were put right and the symbolic beginning of a new era. Jubilee called for a fresh start for the poor, an opportunity to reestablish justice and equity. These same themes challenge us today. Pope John Paul II described the demands of jubilee in his apostolic exhortation *Tertio Millennio Adveniente*:

The jubilee year was meant to restore equality among all the children of Israel, offering new possibilities to families which had lost their property and even their personal freedom. . . . The riches of creation were to be considered as a common good of the whole of humanity. . . . The jubilee year was meant to restore this social justice. . . . If we recall that Jesus came to "preach the good news to the poor" (Mt 11:5; Lk 7:22), how can we fail to lay greater emphasis on the Church's preferential option for the poor and the outcast? (nos. 13, 51) He then issued a challenge to all of us, which he has repeated since:

In the spirit of the book of Leviticus, Christians will have to raise their voice on behalf of all the poor of the world, proposing the Jubilee as an appropriate time to give thought, among other things, to reducing substantially, if not cancelling outright, the international debt which seriously threatens the future of many nations. (no. 51) In response to this appeal, last year the Holy See, our bishops' conference, and Seton Hall University co-sponsored a meeting of top policy makers, academics, church leaders, activists from creditor and debtor nations, and officials from international financial institutions to examine the ethical implications of international debt. Our work on debt and this statement have been greatly informed and enriched by that dialogue. We hope that further dialogue on this urgent question will contribute to building a consensus for decisive action to relieve the burden of debt.

## **I. The Context of International Debt**

The Jubilee Year 2000 can be a time for a new beginning for impoverished nations and an opportunity to reestablish relations of justice by finding a solution to the problem of international debt. Yet it is not only the approach of the third Christian millennium that makes this a time ripe for change. The end of the Cold War has enabled the world to escape the destructive and paralyzing polarization between East and West. The emergence of new communications technology and a truly global economy have contributed to a growing interdependence among nations. Yet despite the weakening of old animosities and the creation of new alliances, the divide between the wealthy and poor nations is deepening. This divide is based less on conflicting ideologies than on radically different living standards that threaten to relegate the most impoverished nations to a permanent underclass status.

These widely different levels of development reflect in part an increasingly volatile global economy as well as failed or inadequate development policies of the past. Fluctuations in the world prices of commodities can destroy the economy of a country that depends largely on a few products, such as coffee and copper, for its income. The volatility of international capital flows contributes to

instability in foreign exchange markets and can leave a country financially devastated. Misguided or inadequate development programs have left many countries impoverished and saddled with a heavy burden of debt. Furthermore, such financial instability can wreak havoc on the political stability of fragile democracies, particularly those emerging from years of civil conflict. The most impoverished nations are extremely vulnerable to changes in the global marketplace and are likely to be marginal players in the global economy.

In this context, the impact of debt on the world's poorest countries is especially crushing. The total external debt of the developing countries is more than \$2 trillion; that of the forty-one most impoverished and indebted countries is more than \$200 billion. In contrast to the 1980s, when the debt crisis was focused in Latin America and private banks held much of the debt, today's most heavily indebted poor countries are primarily in Africa and their loans come mostly from the U.S. and other governments and from multilateral institutions such as the World Bank, the International Monetary Fund (IMF), and the Asian, African, and Inter-American development banks.

In many cases, the poorest countries cannot even pay the interest on their debts, let alone the principal, without an unacceptable cost to human development. Although sub-Saharan African countries owe less than 10 percent of the total debt of all developing countries—a relatively small amount—the cost of repaying their debt comes at the expense of investments in health, food, education, and other basic needs. For example, Ethiopia spends four times more on debt service repayments than on health care, yet 100,000 children die each year from easily preventable diseases. In Tanzania, debt service repayments were equivalent to nine times the government's spending on primary health care in 1997, yet almost a third of the population dies before reaching the age of forty. In 1998, Mozambique's annual debt service obligation was more than half of its public revenue. In a country still emerging from a sixteen-year civil war, half the rural population does not have access to safe drinking water; 200,000 children die annually from preventable diseases such as malaria, measles, and respiratory infections; two-thirds of adults are illiterate; and most children do not go to primary school. Mozambique's debt service repayments, even though they fall well short of the amount due, are made at the price of investing in human development. In Africa as a whole, one out of two children does not go to school, yet governments transfer four times more to foreign creditors in debt payments than they spend on the health and education of their citizens.<sup>5</sup>

The causes of the current debt crisis are complex, rooted in economic policies and development choices dating back to the 1970s and 1980s. Mismanagement and corruption on the part of debtor countries; irresponsible or unwise lending by banks, governments, and international institutions; and complex and often

unanticipated changes in the global economy have all contributed to the current debt crisis. In the past decade, commercial banks, governments, and international financial institutions have sought to address the problem by rescheduling loans and in some cases by providing limited debt relief.<sup>6</sup> Despite these efforts, the debt of many of the world's poorest countries remains well beyond their ability to repay it.

Overcoming poverty and inequitable development will take more than debt relief. It will require private and public investment, foreign assistance, fair trade, better-monitored and regulated flows of capital, economic policies that favor growth, government decision making that is accountable and open, and the growth of a vibrant civil society in developing countries. Nevertheless, debt relief is often a prerequisite for long-term, sustainable development of the poorest countries.

The United States has a special responsibility to help find a solution to the debt problem and to promote human development in countries that cannot meet their basic needs or that risk being left in the margins of the global economy. In some cases, U.S. lending practices and economic policies have contributed to the crisis. As a major creditor, the United States has the resources and the leadership in international lending institutions that can make a difference. Through debt relief, the United States can directly contribute to overcoming poverty and inequitable development to help achieve justice in the international economic system.

## **II. Catholic Social Teaching and the Debt Crisis**

The Catholic social tradition provides a set of principles and perspectives that offer a framework for considering the moral dimensions of the debt problem.<sup>7</sup> The Third World debt problem exemplifies a recurring theme of recent Catholic teaching: the meaning and moral implications of increasing global interdependence. The fact of interdependence is clear—the debt burden of poor countries is affected not only by domestic policies and practices but also by global economic factors, such as exchange and interest rates, terms of trade, and the general health of the global economy. The moral risks of interdependence in this case are also clear: the human costs of the debt in poor countries are being paid by the most vulnerable.

A more detailed moral assessment of the debt crisis involves several concepts and principles of Catholic social teaching.

## **Respect for the Life and Dignity of the Human Person**

The foundation of our moral concern lies in a fundamental respect for the life and dignity of every person. Each individual is created in the image of God. All persons are precious, no matter how young or old, how rich or poor, no matter what their gender, religion, race, or nationality. Ultimately, debt policies and the international economic factors that shape them must be measured by how well they protect human life and respect human dignity and human rights.

## **The Common Good**

The common good is the sum total of those conditions in society that make it possible for all persons to achieve their full potential. This broad concept suggests the need to consider a wide range of factors in assessing the moral adequacy of debt policies. Ultimately, debt policies must take into account the good of the whole society, not just segments of it, and the global common good, not just that of individual nations. A moral assessment of debt policies, therefore, must include the extent to which the debt burden undermines the ability of governments to fulfill their obligation to promote the common good, forcing them to spend their scarce resources on debt service rather than on critical investments in health, education, or clean water. Debt policies cannot be judged solely in terms of their impact on individual countries or institutions but must take into account the interests and needs of all those affected by debt, at home and abroad. From this broader perspective, the debilitating debt of poor countries far removed from our own is a problem because it erodes the global common good.

## **Subsidiarity**

The principle of subsidiarity helps define the different responsibilities for promoting the common good of individuals, private groups, governments, and international authorities. Subsidiarity has a two-fold significance for international debt. First, individuals, the family, and voluntary associations are the building blocks of society. Ensuring that the needs of the most vulnerable are met in a particular country or region requires the participation of civil society—individuals and non-governmental organizations who stand with and serve the poor—in decision-making processes around the debt issue.

Second, nothing should be done by a higher or larger entity that can be done as well by a lower or smaller one; conversely, problems that cannot be solved by individuals, civil society, or even individual nation states must be addressed by international structures. In the case of debt, international institutions and movements have a critical role to play in fostering authentic development in countries unable to do so themselves. In some areas, this will require the

establishment of new international norms and structures that can better address the global economic factors that have contributed to the debt crisis. At the same time, international institutions and creditor countries must be careful not to impose solutions on debtor nations without respecting the legitimate role of local governments and civil society in shaping their future.

## **Solidarity**

Concern for basic human dignity and the global common good must be shaped by the virtue of solidarity. Pope John Paul II described solidarity as "*a firm and persevering determination to commit oneself to the common good*"; that is to say to the good of all and of each individual, because we are *all* really responsible *for all*" (*Sollicitudo Rei Socialis*, no. 38). In the case of debt, solidarity is the virtue that motivates people around the world to work toward alleviating the debt burden in order to give new hope to the poorest of the poor. Solidarity also calls for *co-responsibility* on the part of debtors and creditors in finding fair and workable solutions to this crisis, as part of a broader commitment to protect human life and respect human dignity. They are co-responsible not because they share the blame for the debt crisis, though that is often the case, but because solidarity demands that those who have a capacity to resolve the crisis work together to find a just and effective solution. The failure to do so is not only a technical or political mistake, but also a failure of solidarity.

## **The Option for the Poor**

Scripture tells us that one way to judge the moral character of society is to look at how widows and orphans are treated. The preferential option for the poor incorporates this scriptural theme into Catholic ethical reflection. The option for the poor calls us to give a priority concern, arising out of considerations of charity and justice, to the needs of the most vulnerable—widows, orphans, the poor—in economic, political, and social decisions. Today, poor children in Africa are the orphans of the debt crisis; their mothers are the widows. Their poverty and hopelessness are an indictment of the national and international institutions that have caused—or failed to address—the suffering brought on by onerous debt. The option for the poor calls attention to the condition of those in debtor nations who had no voice in contracting the debts and who by and large derived no benefit from them but whose lives are often negatively affected by the choices made in resolving the debt problem. By assisting those who are most vulnerable, those animated by an option for the poor strengthen the entire community, becoming a true expression of solidarity.

## Justice

In Catholic teaching, lending money is a legitimate moral enterprise if conditions of basic fairness are met on the part of the lender and borrower. Such contractual obligations are governed by *commutative justice*, which calls for fundamental fairness in agreements and relationships between individuals and groups. The moral presumption arising from commutative justice is that debts should be paid. This presumption may be overridden, however, for a variety of reasons. While debt agreements, like other contracts, should not be easily invalidated, the conditions under which some debt was incurred should at least temper judgments about what and how much debt should be paid. Commutative justice demands, among other things, an awareness of global economic change, the legitimacy of debtor governments, and whether those suffering from the burden of debt had any say in incurring it.

Concerns of commutative justice must be located within the broader context of *distributive justice* and *social justice*. *Distributive justice* requires that the allocation of income, wealth, and power in society be evaluated in light of its effect on persons whose basic material needs are unmet. A debt burden that undermines the ability of people to meet their basic needs raises basic questions of distributive justice. It also raises questions of *social justice*, for debt can prevent people from being active, productive participants in the life of society and can hinder the ability of a society to develop the full range of social, economic, and political institutions that enable individuals to participate fully in shaping their future.

Pope John Paul II noted these concerns in his recent apostolic exhortation *Ecclesia in America*. While acknowledging that high interest rates, irresponsible lending decisions, and corruption all were factors in accumulating massive debt, he said,

It would be unjust to impose the burden resulting from these irresponsible decisions upon those who did not make them. The gravity of the situation is all the more evident when we consider that "even the payment of interest alone represents a burden for the economy of poor nations, which deprives the authorities of the money necessary for social development, education, health and the establishment of a fund to create jobs." (no. 22) Considerations of justice suggest that no single principle can govern the many different situations of indebtedness. While the moral presumption that debts should be paid should not be readily overridden, we believe that in many instances this presumption must give way because of other considerations, especially the social costs of repayment. To focus only on the terms of a loan—rather than the conditions under which it was contracted, the purposes for which it was used, or the impact



on individuals today as the terms of repayment are set—is to isolate a narrow understanding of commutative justice from broader considerations of distributive and social justice.

### **Care for Creation**

On a planet facing environmental degradation and conflict over how to resolve the tension between human development and environmental preservation, the Catholic tradition insists that we show our respect for the Creator by our stewardship of creation. In his 1999 World Day of Peace Message, the pope intimately links caring for creation with human welfare. He emphasizes that "the world's present and future depend on the safeguarding of creation, because of the endless interdependence between human beings and their environment. Placing human well-being at the center of concern for the environment is actually the surest way of safeguarding creation."<sup>8</sup>

The debt burden can lead to environmental degradation if the need to generate hard currency through exports in order to make debt repayments results in intensified or reckless use of natural resources. Over-emphasizing export-oriented sectors such as logging, mining, or mono-cropping, for example, can result in depleted soils, denuded forests, exhausted fisheries, and polluted waters.

These themes drawn from Catholic social teaching compel us to renew our calls for debt forgiveness as a step toward relieving the intolerable burdens on "the least of these" in the global human family. We join our call to the appeals of the Holy Father, our brother bishops around the world, and so many other people of good will, in urging debt relief as a sign of genuine solidarity as the world approaches the millennium. This jubilee call for debt forgiveness will be a priority for our own celebration of jubilee, our dialogue with national and international institutions, and our programs of education and advocacy. Our goal is clear—to see that the Great Jubilee of the Year 2000 marks a genuine commitment to address the moral urgency and terrible human consequences of the external debt of the poorest countries.

### **III. Criteria for Evaluating Debt Relief Programs**

The debt crisis should be measured in terms of its human costs and moral consequences. Who receives debt relief, how much is given, and what process is used to decide involve many considerations, but the fundamental moral question is whether priority is given to the protection of human life and human rights and to respect for human dignity.

The purpose of debt forgiveness is to give debtor countries new opportunities to make social investments that improve basic human development. Funds made available through debt relief must be used to improve the living conditions of the poor and the most vulnerable. We support debt forgiveness, not to adjust old accounts but to combat poverty.

We welcome the initiatives undertaken thus far to address this challenge. The leaders of international financial institutions have been increasing their focus on poverty and debt, in dialogue with religious and other concerned groups. The Heavily Indebted Poor Country (HIPC) Initiative of the World Bank and the IMF represents one serious, new effort to address the problem of debt. It should be expanded, enlarged, and built upon. It should be a first step, complemented by other efforts, that leads quickly and clearly to a more fundamental commitment to debt relief, with overcoming poverty as its basic goal.

The leaders of international financial institutions, U.S. policy makers, and corporate executives are not and should not be seen as adversaries; many share our concerns about addressing the debt problem and overcoming chronic poverty and underdevelopment. We will continue to work with them in a spirit of dialogue and good will to broaden, deepen, and improve our collective efforts to address the moral and human consequences of external debt and to ensure that aid programs are fully sensitive to the basic needs of people, especially the poorest of the poor.

The debt problem is complex and solutions sometimes elusive. There are no simple or single answers. The following criteria, which we derive from principles of Catholic social teaching, are intended to help evaluate and guide decisions about debt relief.

### **Direct debt relief to poor countries.**

Human development should be at the core of debt relief initiatives. Concern for the plight of the poor suggests that special attention be given to the vulnerable people in debtor nations who bear the consequences of repaying the debt. Debt relief should be given to countries to make essential investments in the basic human needs of people that otherwise would not be possible. Proposals that base debt relief on human development criteria deserve careful consideration.

To date, creditors have determined which countries should be eligible for debt relief based on how much relief is needed to bring the country's debt to an acceptable, "sustainable" level without adequately considering the human consequences of repaying the debt. In the HIPC Initiative, "sustainability" is

most often defined in terms of ratios of debt to export earnings.<sup>9</sup> Although these ratios attempt to capture the financial burden of debt in a particular country, they do not show the human cost of continuing to service the debt. Human development and related factors should be considered in determining which countries are eligible for debt relief and how much debt relief they should receive.

### **Use the resources freed through debt relief for poverty reduction.**

Directing debt relief to poor countries is not enough, however; the resources freed through debt relief must also be directed to poverty reduction. In our view, the purpose of debt relief is to invest in human development and sustainable, equitable economic growth in order to make a real difference in the lives of the most vulnerable.

One example of how a government could target debt relief to the poor is the case of Uganda, a highly indebted poor country that will receive some debt relief through the HIPC Initiative. The government indicated a willingness to establish a fund that would use the resources freed through debt relief for primary health care, primary education, and roads. It also agreed in principle to publish quarterly reports and conduct an annual independent audit on how the funds were used. The government may even channel some debt relief funds through nongovernmental organizations (NGOs.)

To be useful, debt relief must be substantial enough to make a difference. Simply suspending debt repayments for a short time or rescheduling debt service can take some pressure off an indebted country in the short run without reducing the country's indebtedness over the long run. In cases where the amount of relief from actual debt repayments is practically negligible, even the best efforts to ensure that it reaches the poor will be inconsequential.<sup>10</sup>

### **Overcome obstacles to ensuring that debt relief gets to the poor.**

As part of their shared responsibility in finding solutions to the debt crisis, debtors and creditors must work together to avoid the problems that prevent debt relief from benefiting the poor. In countries with serious human rights problems, civil conflicts, widespread corruption, or lack of participatory democracy, debt relief may not help those for whom it is intended.

### *Civil conflict or repression*

Ensuring that aid gets to those who most need it is extremely difficult, if not impossible, in countries experiencing ongoing civil conflict or with governments that do not respect basic human rights. It would be irresponsible and ineffective to provide debt relief to countries involved in serious internal conflict or conflict with their neighbors, or to governments engaged in grave human rights abuses.

Moreover, the poor do not benefit when governments divert the resources freed through debt relief to military use rather than to human development. Despite the efforts of the international financial institutions to discourage governments from military spending, such spending is still a serious problem, and both the international community and local citizens' organizations need to develop concrete ways to curb such destructive expenditures.

### *Corruption*

Corruption takes place when both parties involved shirk their responsibilities as stewards of their resources. The poor will not benefit from debt relief if the resources that are freed go into the pockets of unprincipled government officials, into projects that do not benefit the people of those countries, or into military purchases. Pope John Paul II addressed corruption in *Ecclesia in America*:

Corruption is often among the causes of crushing public debt, and is therefore a serious problem which needs to be considered carefully. "Respecting no boundaries, [corruption] involves persons, public and private structures of power and the governing elites." It creates a situation which "encourages impunity and the illicit accumulation of money, lack of trust in political institutions, especially the administration of justice and public investments, which are not always transparent, equal for all and effective." (no. 23) Slowing and eliminating corruption require strong leadership, appropriate oversight and monitoring of both creditors and debtors, transparency in decision making, and the participation of civic organizations in monitoring how funds are used.

### *Lack of participation and transparency*

The lack of participatory decision-making processes can result in uncoordinated or ill-informed spending decisions, and the lack of transparency and accountability in the use of funds can undermine development efforts. Inadequate accounting mechanisms may also make it difficult to quantify the amount of resources freed by debt relief.

Various types of conditions designed to reward or penalize the debtor have been developed to address these problems. There is little agreement, however, about the type and timing of conditions. Some creditors believe that the debtor country should establish a track record of adherence to structural adjustment and stabilization policies before becoming eligible for debt relief. Others argue that debt relief should be a reward for a demonstrated commitment to investment in human development. Still others point to the critical role of a strong civil society that can hold a government accountable. In the end, confronting endemic corruption and similar problems requires effective monitoring mechanisms and fostering of good governance, so that the rule of law is respected and democracy can grow and thrive. It also requires establishing mechanisms for democratic participation by individuals and organizations in policy-making processes.

### **Ensure that the voice of those affected by debt is heard.**

The principle of subsidiarity (i.e., that civic institutions are essential for promoting the common good and higher authorities should not make decisions that are easily and competently made at lower levels) and the concept of social justice (i.e., that all have a right and duty to be active and productive participants in the life of society) lead us to call for greater participation of ordinary people and civil society in decision making about debt.

There is widespread agreement that the participation of churches, associations, philanthropic organizations, and other nongovernmental organizations is essential to formulating national development plans that reflect the needs and priorities of the poor. Civic organizations can also play an indispensable role in helping their government define and meet appropriate conditions for debt relief. Given their knowledge of the local situation, these groups can offer insights regarding local priorities and capabilities that should be taken into account by

foreign creditors if the conditions they impose are to be effective and respectful of local development needs.

For example, the Catholic Commission on Justice and Peace in Zambia monitors how the government uses its funds and publicly critiques the government's budget every year. Catholic Relief Services works directly with organizations in indebted countries to strengthen their participation in discussions on projects and policies supported by the international financial institutions.

In recent years, the World Bank and the IMF have begun to recognize that participation by civic organizations is a legitimate component of decision-making processes. In evaluating their own lending programs, they acknowledge that development strategies do not work unless both government and civil society "own" them. The World Bank now tries to take into account the views of citizens groups in formulating country assistance strategies; its Partnership in Development Initiative is a step in recognizing the need to involve civil society in decision making. These and other appropriate mechanisms should be further developed to ensure that governments and international financial institutions are open and transparent in their decision-making processes and benefit from the broad input of those who will be affected by their decisions.

### **Make poverty reduction a central goal for economic policies associated with debt relief.**

In the hope of preventing fragile economies from deteriorating, the major creditors require that a country implement structural adjustment and stabilization policies before becoming eligible for debt relief. These policies are designed (1) to stabilize faltering economies by reducing inflation and correcting the balance of payments, (2) to increase growth by making economies more productive and efficient, principally by opening them to market forces, and (3) to increase the role of the private sector and reduce the size of government.

We know that in the short run, these policies can have a strongly negative impact on the poor, such as when health, education, welfare, and other social expenditures are cut back in order to meet targets for reducing fiscal deficits. Structural adjustment policies tend to emphasize export-led growth, which can result in the rapid depletion of natural resources and a sharp drop in production

of food for domestic consumption. These policies can also result in cutbacks in government funds for environmental protection, regulatory oversight, and land reform.

In the long run, however, structural adjustment and stabilization policies may help a country become more competitive in the global arena and thus could create opportunities for economic growth and job creation. The evidence does not point to a clear answer, in part because economic reform policies have been applied in different ways to countries with different political, economic, and social contexts.

There are many legitimate approaches to economic reform. Whatever approach is chosen, every effort should be made, in consultation with civic institutions, to ensure that structural adjustment and stabilization programs are designed and implemented in ways that make poverty reduction a central goal and make adequate provision for the poor and others who will suffer most from these policies in the short term.

### **Develop effective institutional mechanisms to ensure that debt relief works.**

To be effective, debt relief programs must be implemented in a way that fulfills the purpose for which they were adopted. In practice, this means that they need to be timely, flexible, coordinated, and participatory. Delaying relief may provide time for an indebted country to establish a track record of needed reforms, but it also delays investment in education, health, and other services. Flexibility is needed to adapt debt relief programs to changing country situations, such as natural disasters or the end of civil conflict. Coordinating structures are needed to ensure that all the stakeholders contribute to the debate in a meaningful way. Transparency and openness on the part of all are required so that the intentions and capabilities of each are made clear.

Debt relief programs must be negotiated in fairness. Recognizing the fundamental imbalance of the debtor/creditor relationship, some have proposed an international bankruptcy procedure that would provide a framework for fair negotiations. Such a procedure could incorporate some of the principles that inform U.S. bankruptcy law; namely, that (1) government expenditures for basic services must be maintained, (2) taxes cannot be increased unless necessary

and feasible, (3) creditors accept reasonable payments under the circumstances, (4) public officials are held personally responsible for illegal acts, and (5) debtors, creditors, and taxpayers have the right to be heard before a court. Finally, fairness in negotiating debt relief programs must be accompanied by fairness in sharing costs.

### **Integrate debt relief into a long-term program of sustainable development.**

The effectiveness of debt relief also will depend upon global economic factors. Some fear that debt cancellation would signal a country's weakened financial situation and raise questions about whether it would be able to repay future debts. Others believe debt relief would improve the financial health of and increase private investment in poor countries.<sup>11</sup> Clearly, such considerations must be part of any evaluation of debt relief programs.

Since debt is only one of many problems facing indebted and impoverished countries, debt relief must be judged according to how well it is integrated into a broader development effort. This development effort requires, among other things, much more generous programs of foreign assistance for sustainable development on the part of the United States and other wealthy nations. Sustainable development requires domestic private investment, appropriately regulated foreign private investment, and fair trade. It also requires concerted efforts to end conflicts that plague many of the poorest countries and to foster the growth of authentic democracies, where the rule of law and basic human rights are fully respected. Just as these areas are interrelated, so too should the solution to the debt problem be viewed as one aspect of a much more concerted approach to development for the world's most vulnerable countries.

### **Summary**

Our analysis of the debt problem begins with the presumption that when countries, like individuals, contract a loan, they have an obligation to repay it. But this presumption may be overridden in certain circumstances. One such instance is when a country cannot repay its debt without critical reductions in spending for health, education, food, housing, and other basic needs, and when debt has become a serious obstacle to development.



We welcome the efforts of creditor institutions to provide some debt relief for some countries. We also recognize the laudable efforts of individuals and organizations throughout the world that are calling attention to the debt crisis in their countries. We hope the Jubilee Year 2000 marks a beginning in the way policy makers view debt relief, bringing new attention to the role debt relief can play in promoting human development in the poorest countries.

Specifically, we propose that debt relief programs:

- Include the full range of poor countries that now have to make unacceptable sacrifices in human development in order to repay their debt
- Ensure that resources freed through debt relief are, in fact, used for poverty reduction
- Foster the active participation of civil society in decision-making processes
- Ensure that economic reform policies associated with debt relief make adequate provision for those adversely affected and have poverty reduction as a central goal
- Include mechanisms of accountability, so as to overcome corruption and other obstacles that prevent debt relief from benefiting the poor
- Be fully funded, with costs shared equitably among creditor governments and international financial institutions
- Be part of a much broader, coordinated effort to promote sustainable development for the poorest countries

### **Conclusion: A Response of Christian Solidarity**

For many years, we have been working with numerous groups and institutions on this issue. Through regular dialogue with those touched by debt and with the international financial institutions, we have developed an understanding of the complexities of this problem. The major conference we hosted with Seton Hall University and the Holy See on the ethical dimensions of debt is a recent and notable example of this commitment to dialogue. At the same time, we have shared our urgent concerns that the needs of the poor be addressed. We have collaborated with bishops' conferences and Catholic relief and development agencies around the world to develop coordinated responses to the issue. In heavily indebted countries like Zambia and Malawi, we are supporting the efforts of national justice and peace commissions to develop their own campaigns for debt relief. Throughout the world, other faith-based groups have issued strong calls for debt forgiveness. And concerned people around the world are involved

in Jubilee 2000 movements for debt cancellation, a powerful expression of solidarity with the poor.

There is much more to do to promote debt relief and to fulfill Pope John Paul II's challenge to respond as part of the Jubilee Year 2000. Through our education programs and advocacy we need to help create the political will to find solutions to the debt crisis. We need to support those individuals and organizations that hold debtor governments responsible for using debt relief to benefit the poor at the same time that we urge our government and other major creditors to recognize that appropriate debt relief is morally right and economically prudent. Above all, we must make sure that, however important they might be, the numbers in which the debate over international debt is discussed—the scale of debt, the amount of repayments, the line items in national budgets, and interest rates—do not hide the human dimensions: children without health care and education, communities without roads and water, women without equality, people without hope.

For most Americans, debt means their mortgages, student loans, car loans, or credit card balances. For believers, debt cannot be mere numbers on a page or credit card bills. Debt is not simply about those things. It is about how children live and die half a world away. It is about poverty and people. It is about what kind of world we live in. Debt must become a call to action, an opportunity to stand up for the least of these, a chance to make a difference. As we approach the Great Jubilee, our faith and our Church call us to stand with the poor in their just call and urgent hope for debt relief.

## Notes

<sup>1</sup> John Paul II, *The Church in America (Ecclesia in America)*, post-synodal apostolic exhortation (Washington, D.C.: United States Catholic Conference, 1999), no. 59.

<sup>2</sup> Cf. *Human Development Report*, United Nations Development Program (New York: Oxford UP, 1998), p. 142.

<sup>3</sup> Archbishop Medardo Mazombwe of Zambia, Conference on the Ethical Dimensions of International Debt, Seton Hall University, Newark, N.J. (October 22-23, 1998).

<sup>4</sup> The Bishops of Africa, "Forgive Us Our Debts: Open Letter to Our Brother Bishops in Europe and North America," *The African Synod: Documents*,

*Reflections, Perspectives*, ed. Africa Faith and Justice Network (Maryknoll, N.Y.: Orbis Books, 1996), p. 114.

<sup>5</sup> The data in this paragraph come from Oxfam International Position Papers issued in April 1997, August 1997, and April 1998.

<sup>6</sup> Notable examples are the Brady Plan of 1989 in which commercial banks reduced about 20 percent of the commercial debt owed by middle-income debtor countries and the various proposals of the Paris Club to reduce some debt of qualifying low-income, heavily indebted countries. And in 1996, the multilateral creditors agreed upon the Heavily Indebted Poor Country (HIPC) Initiative to reduce multilateral, bilateral, and commercial debt, which has provided limited relief for Bolivia, Uganda, Mozambique, Burkina Faso, Cote d'Ivoire, Mali, and Guyana as of January 1999.

<sup>7</sup> For additional background on the debt crisis, see Pope John Paul II's *Tertio Millennio Adveniente* (1994), *Sollicitudo Rei Socialis* (1987), and his World Day of Peace and Lenten Messages; the Vatican's statement *Ethical Dimensions of the International Debt* (1987); the U.S. bishops' statement *Relieving Third World Debt* (1989) and their pastoral letter *Economic Justice for All* (1986). See also *Putting Life Before Debt* (1998), published by CIDSE and Caritas Internationalis, and other documents published by Catholic aid agencies whose relief and development work offers a perspective on debt from the vantage point of the impoverished people they serve.

<sup>8</sup> John Paul II, *Respect for Human Rights: The Secret of True Peace* (Washington, D.C.: United States Catholic Conference, 1999), no 10.

<sup>9</sup> In the HIPC Initiative, this level is usually defined as debt service payments of 20-25 percent of the country's annual export income and an overall debt stock of 200-250 percent of the country's annual export earnings.

<sup>10</sup> Mozambique, for example, paid on average only one-quarter of its debt service obligations before receiving debt relief through the HIPC Initiative. The relief eased Mozambique's overall debt obligation but not enough to significantly change its debt service payments.

<sup>11</sup> Germany, for example, received substantial debt relief that enabled it to rebuild its economy after World War II. More recent examples indicate that debt relief for post-conflict countries can contribute to a stronger financial position.

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