Did the G8 Drop the Debt?

Five years after the Birmingham Human Chain, what has been achieved and what more needs to be done?

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Foreword

On 16 May 1998 it was very clear. People were suffering and dying – because of poverty compounded by debt. Seventy thousand people came to Birmingham fired by moral outrage at this injustice and filled with hope that the new millennium would be marked by a Jubilee that would break the chains of debt.

Then came the promises, the pledges, the pronouncements. The millennium moment arrived… and went. Was the debt cancelled? Was the problem over? What remained to be done? Clarity was replaced by uncertainty.

So this report is timely. It tells the story in detail and brings it up-to-date. It is full of clarity – and needs to be widely read, so that the ongoing debate is fuelled by fact rather than supposition.

On 16 May 2003, the day on which this report is published, one thing remains clear. The same longing for justice still fills the hearts and minds of campaigners. The moral outrage remains. For many individuals in Birmingham five years ago, the Jubilee experience was intensely spiritual – full of longing, full of hope, full of solidarity, full of commitment.

It is this longing for justice that lies behind the words of this report, and the way forward that it charts. It is this substance also that leads us to call for the institution of a *World Debt Day* – a moment in the international calendar set aside to remember past and present victims of unpayable debt, and focus attention on the pressing need to rapidly develop effective solutions to the debt crisis.

The individuals who together set out five years ago to change the world know that something has indeed been done. But the demand and the imperative still remain. An end to debt. An end to poverty.

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Jubilee Debt Campaign (JDC) and Jubilee Research @ NEF (regd charity no 1055254) are both successor organisations to Jubilee 2000 UK, concentrating on campaigning and research respectively. Jubilee Research and CAFOD (regd charity no 285776) are both members of the JDC coalition. Jubilee Debt Campaign is the campaigning arm of Jubilee Debt Coalition (regd charity no 1055675).

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Executive summary

In 1998 seventy thousand people formed a human chain around the G8 Summit in Birmingham, UK. Their demand for an end to Third World debt pitched the issue to the top of the G8's agenda. This report, published five years later to the day, examines in detail the undeniable progress that has occurred to date – to the benefit of millions of impoverished people – but also delineates the immense progress that remains to be achieved. Even more importantly, it describes the essential steps that need to be taken to finally resolve the ongoing debt crisis. Given the scale of the outstanding problem and the inadequacy of existing procedures for addressing it, we also call for the institution of a *World Debt Day* – a moment in the international calendar which is set aside to remember past and present victims of debt, and focus attention on the pressing need to rapidly develop effective solutions to the debt crisis.

Responding to a coalescence and amplification of campaigning forces that began with the Human Chain (described in some detail in this report), the G8 enlarged the scale of the Heavily Indebted Poor Countries (HIPC) debt relief process in 1999. Despite this, we find that since then:

- Only eight countries have so far received substantial debt write-off under HIPC.
- IMF 'structural adjustment' conditionalities are still designed to protect the assets and interests of creditors – they are holding up debt cancellation, forcing deflationary policies on poor countries, and in some cases reversing even the debt service relief offered under HIPC.
- HIPC is failing to restore countries to debt 'sustainability' even according to its own, narrow criteria – 19 of the 26 countries currently in receipt of assistance will not have 'sustainable' debts even after completing their passage through HIPC.
- The additional finance provided by the G7's pledge to go beyond HIPC's limited terms (by cancelling all, and not just a proportion, of the debts owed to them by HIPC countries) is in some cases doing nothing more than reducing the costs borne by the World Bank and IMF under HIPC, with no additional benefit to poor countries.
- Non-participating creditors (such as big commercial companies, but also countries like Iraq) are further undermining HIPC, causing severe problems for poor countries, and moving them even further away from debt 'sustainability'.

In terms of the total debt stock of poor countries, the amount that has actually been written off to date (as opposed to that notionally in the pipeline for cancellation) is a mere $36.3 billion. This is less than one third of the $110 billion promised in 1999 and not much more than 10% of the $300 billion (at a minimum) of unpayable debt owed by a group of 53 countries that have been identified as very poor and indebted.

On the positive side, HIPC has reduced annual debt servicing for 26 countries by an average of 40%. However, this benefit is not shared evenly amongst the 26. For example:

- Four of the countries that have entered the HIPC initiative will have annual debt service payments due in 2003–2005 which will actually be higher than the debt service paid in 1998–2000.
- A further five countries will be paying almost as much as they were before HIPC.
- Senegal's debt service jumps by 61% in 2004; Nicaragua's rises by 60% in 2002; Mauritania's rises by 46% in 2007, and Honduras faces an increase of 93% in 2002.

An examination of net resource flows (i.e. combining changes to debt servicing, new loans and variations in aid over the period) shows that the benefits of HIPC have been weakened by new loans and reductions in aid – these latter two factors have had an even more alarming impact amongst those not in receipt of assistance under HIPC:

- The 26 HIPC countries have seen an increase in net resource flows between 1998 and 2000, from $6.9bn to $8.2bn (an increase of around 20%).
- However, total flows to the 53 countries identified as poor/indebted have reduced quite sharply, from

$6.2bn in 1998 to $4.3bn in 2000 (being a drop of around 40%).

Conversely, our calculations show that total (or near-total) debt cancellation *plus* increases in aid will be necessary if the internationally-agreed 2015 Millennium Development Goals are to be met. HIPC flows must not be used as a reason for reducing aid, and the issuing of new loans rather than grants risks perpetuating the debt crisis.

Moreover, there is ample evidence to show that debt cancellation is an effective means of mobilising resources. For example:

- In 1998, debt service took up twice as much (in terms of resources) as spending on health in the ten HIPC countries for which data was available. Since then, spending on health has risen by 70% (and is now one third higher than debt repayments) and total social spending has risen by 20%.
- Mozambique, for example, has introduced a free immunisation programme for children. School fees for primary education have been abolished in Uganda, Malawi, Zambia and Tanzania, as have fees in rural areas of Benin.
- There is no evidence to suggest that debt cancellation is being used to fuel military expenditures. In the countries reviewed, we found no increase in military spending over the period.

Nonetheless, the overall outlook is bleak, primarily for two reasons: (a) debt relief is based on the creditors' willingness to pay (expressed in arbitrary 'debt sustainability' criteria) rather than the need to fund basic social expenditure; (b) there is no proper mechanism in the international financial architecture to handle insolvency at the national level. We therefore call upon the international community in general and the G8 in particular to:

- **Replace the World Bank, IMF and G8's arbitrary and discredited view of what debt poor countries can 'sustain' with a 'human development' approach.** In the first instance this should be focused on achieving the 2015 Millennium Development Goals. Looking at the issue in reverse, it would be untenable to reach 2015 only to find that the Goals have been missed for want of effective debt cancellation. Given the extent of annual debt repayments by poor countries, and given the relative efficiency and durability of providing finance through debt cancellation, we reaffirm that fully writing-off poor country debts is an essential step towards meeting the Millennium Development Goals. Debt cancellation processes must therefore be recast to make meeting the Millennium Development Goals a defining feature, but without conditionalities that harm the poor.
- **End the continuing attempt by the international financial institutions to impose discredited and harmful macroeconomic conditionalities on the poor through the debt relief process.** These conditionalities continue to be present as criteria for the granting of debt relief, undermining the latter and causing grave social and economic problems in their own right.
- **Create a fair, transparent and comprehensive international insolvency process for allowing creditors and debtors to resolve debt crises without compromising the basic social needs of the debtors' populations.** Presently there is no mechanism by which poor and indebted nations can declare a standstill on their repayments without severe consequences, and the current process of establishing the levels of debt cancellation needed is controlled by the creditors alone. As with a domestic or municipal bankruptcy, the human needs – and rights – of poor country populations must be protected in a way that only an independent, comprehensive and accountable process can do. We call for such a process to be instituted.

Irrespective of detailed policy questions, we reiterate that ultimately debt cancellation is a matter of simple justice. It is demanded as such by the South, and indeed the 70,000 people who gathered in Birmingham five years ago believed that the suffering and loss of life that was directly or indirectly attributable to Third World debt was intolerable and avoidable. They believed that with enough political will and relatively small sums of money, this injustice could be erased. That remains the belief of our coalition today.

Did the G8 drop the debt? As this report shows, no. But they can, and they must. Jubilee Debt Campaign and members such as Jubilee Research and CAFOD will not rest until they do.

1 Introduction

When 24 million people worldwide spoke in unison, the world sat up and listened. Their demand, expressed in the Jubilee 2000 petition, was for an end to the debt slavery afflicting the world's poorest countries. The myriad voices that comprised the Jubilee 2000 Coalition changed the world: they secured commitments from creditor countries to tackle the debt crisis once and for all, and showed that a new kind of politics was possible. But in the calm that followed those heady days it was apparent that the world hadn't changed nearly enough. The debt crisis was far from over, and a framework had yet to be created that would truly write off all unpayable poor country debts. Today, the world's poorest people still await their promised Jubilee, with only a fraction of unpayable poor country debt cancelled, or ever likely to be.

In the light of this, Jubilee Debt Campaign (of which CAFOD is a member) has been established to continue the campaigning begun by Jubilee 2000 (UK). Comprising a coalition of 90 local and regional groups, and 60 national organisations, JDC continues to press the case for full cancellation of unpayable poor country debts with the public, media and officialdom. Sister organisation, Jubilee Research, also works to support economic justice campaigns worldwide through research and data analysis, and by promoting a new method for handling international insolvency by fair and transparent means. In this present report we examine in detail the undeniable progress that has occurred to date in the cancellation of poor-country debts – to the benefit of millions of impoverished people – but also delineate the extent of the progress that remains to be achieved. Even more importantly, we describe the essential steps that need to be taken to finally resolve the ongoing debt crisis.

In many ways, it all began on 16 May 1998. On a day that will be remembered by all who were there – or who simply watched from afar – many ripples of concern over Third World debt coalesced into a single wave of profound, peaceful protest that rocked the world's most powerful leaders. On that day, 70,000 individuals from all walks of life gathered in Birmingham UK to surround the G8[1] Summit. They called for nothing less than the total eradication of Third World debt, which they believed was a crippling and punitive burden on the world's poor. Surprised and stunned by this unprecedented display of popular feeling, the G8 – who had become used to ordering the world's affairs in isolation from mass public scrutiny – began to wilt under the glare of the negative publicity. The clear image that skimmed across the world was of an international leadership that was dragging its heels over debt; a leadership being shamed by a grass roots movement acting not out of sectarian or personal motives but to defend their fellow human beings from poverty and injustice. Phones rang in, urgent meetings were convened, statements and communiqués issued. The leaders and officials of the most powerful countries on earth were forced to at least acknowledge an agenda they had been avoiding, by a movement comprising many who had never before taken to the streets. Maybe it was the show of unity, perhaps it was the simple and compelling message; almost certainly it was the rainbow nature of this international coalition of 'ordinary' voices, that propelled the G8 into realising that they could no longer preside over a moribund debt cancellation process. Something more effective had to be instituted to tackle poor country debts, or history would judge them ill.

Insofar as any substantial change can be attributed to any single action, this seminal protest jolted the G8 out of their torpor. Within a year they had promised a major revision of the programme to roll back poor country debts. Across the rich world, politicians of all hues became anxious to align themselves with those who called for a 'Jubilee for the poor'. The issue of Third World debt became a talking point at all levels in society. Those 70,000 people in Birmingham had an impact on international and popular politics that probably eclipsed even their own hopes and expectations. Nobody was subject to the illusion that the debt crisis had been ended – but perhaps for the first time that vision appeared to be truly realisable.

Five years on, it is legitimate to ask what has been achieved, and what remains outstanding. Without prefiguring what is contained in subsequent pages, it can simply be stated that the official international

1 The world's richest countries – the 'G7' – plus Russia.

programme that was established after 1998, ostensibly to reduce debt to 'sustainable' levels for an initial subset of the world's poorest countries, has struggled to meet even its own heavily circumscribed ambitions – too little debt has been cancelled, too slowly. Yet, arguably, the issue of international development has never had a higher political profile. A flurry of post-millennial summits and conferences, particularly that of Monterrey in 2002, has edged thinking towards the question of how to marshal finance, in a global fashion, for the development of the poor countries. As 2015 creeps closer, attention is increasingly being focused on the policy instruments needed to achieve the Millennium Development Goals (a group of human and sustainable development targets that the global community has agreed should be met by that date) – including via a new International Finance Facility proposed by the UK Government. And at a time of war, conflict and insecurity, there is a nascent awareness that global prosperity and peace can and must be founded on economic justice, and that no system of international political and economic relations can be considered just if it merely disguises and perpetuates what campaigners have long termed 'debt slavery'.

Consequently, the fifth anniversary of the Birmingham Human Chain is an apposite moment to take stock – literally and figuratively – and return to the root of what must be achieved. In the fog of debates over financing mechanisms and debt 'sustainability', and despite the 'debt fatigue' of the international body politic, sight has been lost of three quintessential facts:

- The majority of the world's poorest and most indebted people remain enslaved by debt, with no real hope under existing policies of being freed from indebtedness.
- The international financial institutions continue to try to impose discredited macroeconomic conditionalities through the debt relief process.
- The prospect of meaningful reform to the global financial system, to bring about a fair, transparent and independent process for resolving sovereign debt crises, remains almost as distant as ever.

The good news is that public opinion is still supportive of an end to Third World debt. Moreover, debt cancellation, inasmuch as it has occurred, delivers measurable improvements to human welfare. Equally – and whilst remaining cautious over the long term prospects – it is also worth recognising that the raft of recent meetings and communiqués on sustainable and human development indicate a willingness in many quarters to address both poverty and its systemic causes. As this report shows, recasting the current process of debt relief into one which sets full cancellation of unpayable poor country debts as its goal, together with reformation of the architecture of global finance – including the establishment of a truly just sovereign bankruptcy procedure and an end to damaging conditionalities – would provide a foundation for transforming this willingness into tangible reality.

This theme is fleshed out in the following chapters. The next summarises the origins of the debt crisis and the social forces that led to the 1998 Birmingham Human Chain. (A 'pen portrait' of the development of Jubilee 2000 itself is given in the Appendix.) Chapter 3 is a description of what happened on the day – the apprehension, excitement and political responses – in the form of a personal reflection by Ann Pettifor, then Director of Jubilee 2000 (now Director of Jubilee Research). The after-effects of events in 1998, in particular the 'Cologne Promise' made by the G7/8 the following year, are detailed in Chapter 4, and Chapter 5 offers a critical analysis of the true extent of debt cancellation in the five years since the Human Chain. Chapter 6 describes how effective debt cancellation can be, and points to the way forward. The final Chapter, 7, brings together the strands of what the UK debt movement is calling for – the package of principles and measures that must be adopted for there to be a realistic chance of ending the debt crisis.

2 Origins of the debt crisis, the genesis of Jubilee 2000 and the 1998 Human Chain

Early debt relief efforts

The mobilisation of 70,000 people in Birmingham on Saturday 16 May 1998 was not a spontaneous event; nor did it take place in a vacuum. An international movement against debt had been in existence long before Jubilee 2000 gathered in Birmingham. The movement was, of course, strongest in the South. It had its origins in the resistance to colonialism; and in opposition and resistance to the IMF's economic austerity policies, known as 'structural adjustment programmes'. Campaigners in the South had long demanded debt cancellation. They were responding to a string of debt crises; crises which exploded in the 1840s, in the 1880s, the 1930s and the 1980s.

And the idea that debt cancellation was needed to kick-start economies emerging from conflict or crisis was not new either. In 1953, Germany was offered levels of debt cancellation that were beyond the wildest dreams of today's heavily indebted poor countries. In the early 1970s, President Suharto of Indonesia, seen as a capitalist bulwark against the 'marauding hordes' of communist Asia, was offered a similarly generous deal – one which enabled Indonesia to defer payments by up to eight years if they proved too onerous.

But it was Mexico's threatened default in 1982 that triggered a crisis in western financial circles, cut living standards in Mexico and persuaded campaigners in the North to respond to appeals for solidarity made by campaigners in Mexico. Creditors did not meet the challenge. Indeed, their only response to the Mexican crisis was to offer a series of half-hearted debt rescheduling efforts which did much to maintain the balance sheets of western financial institutions and little to return poor countries to genuine solvency. The Brady Plan followed the Baker Plan; in the Paris Club group of rich country creditors, Houston Terms followed London Terms which followed Naples Terms. Each offered a smidgen more debt rescheduling over a slightly longer timer period for a slightly larger group of countries. None came anywhere near to the massive scale of debt cancellation needed, especially for the poorest countries.

Meanwhile, interest rates were kept sky-high as a result of the monetarist experiment being played out in the US and UK – and on the rest of the world by default. Commodity prices continued to plummet and debts continued to mount. Total debt owed by developing countries more than doubled between 1980 and 1990, and shot up by half as much again by 1995. Except for a handful of 'lucky' middle income countries in South America, by the early 1990s it was clear the debt problem was far from being solved.

In the UK, a variety of individuals and organisations had been arguing for debt cancellation since the early 1980s, and a Debt Crisis Network (DCN) had been formed to co-ordinate their lobbying. In 1996, DCN launched a round-Britain tour of African leaders. They had decided to provide a platform for distinguished Africans, led by ex-President Kenneth Kaunda of Zambia and Archbishop Makhulu of Central Africa, to put the case for debt cancellation to the British people. That exhausting tour took place in the bitter winter weather of February that year. The African leaders spoke to large audiences in London, Manchester, Edinburgh and Glasgow. A small group of students, of the Lloyds and Midland Bank campaign, arranged for the leaders to address an audience of no fewer than 1,000 students on a freezing, snowy evening in Manchester that February. In Scotland the African leaders were greeted by hundreds of Scottish campaigners; and honoured by Scotland's Regional Assembly. This helped open the door to meetings with politicians and officials, including a critical meeting with the IMF, involving Cardinal Hume, that led to the IMF agreeing to discuss a comprehensive debt relief programme with the World Bank.

The birth of HIPC

Over and above these high profile meetings, a wide coalition of aid agencies, trade unions, churches and campaigning groups was raising the profile of the issues amongst their own supporters. It was primarily this discreet activity that went towards building an informed and motivated (and angry) mass movement.

Responding to this pressure in the spring of 1996, the World Bank and IMF finally launched a new initiative –

the 'Heavily Indebted Poor Countries' (HIPC) initiative, which aimed to 'reduce the external debt of eligible countries as part of a strategy to achieve debt sustainability.' HIPC I, or the 'original' HIPC initiative, was in some senses a radical departure from previous debt relief efforts. For the first time in their 50 year history, the debts of the World Bank and the IMF ('preferred creditors' to whom debts have always to be repaid first) were included for write-off under the scheme. HIPC was also the first attempt by creditors to deal with the debts of the poorest countries in a comprehensive way. Previously, debtor nations negotiated separately, and at great cost, with sets of bilateral (government to government) or multilateral (institutions owned by a range of governments) or private creditors. As a result, their debts were not viewed as a whole. HIPC changed that.

Nevertheless, the original HIPC initiative was widely criticised for providing too little relief, too late: calls which were echoed later in the debt campaign, as we shall see. At this point, it was clear that a socially broader-based, more international debt campaign was needed to press home these concerns.

The Jubilee 2000 campaign

Three years of public meetings, leafleting and campaigning followed the 1996 African leaders' tour and Cardinal Hume's crucial meeting. In that time, much water flowed under the bridge. The HIPC initiative, while a big theoretical step forward, was slowed down by the IMF's insistence that debtor governments would have to 'perform' against a set of conditions laid down by the IMF.

At the grass roots, the British campaign crystallised and began to mobilise under the 'Jubilee 2000' banner. In October 1997, the Debt Crisis Network transformed itself into the Jubilee 2000 Coalition, with a broader base of membership that for the first time included black refugee groups, the trade unions and organisations like the Mothers Union and the British Medical Association.

By the time of the Birmingham G8 Summit, Christian Aid, CAFOD, WDM and Tearfund had campaigned enthusiastically behind the Jubilee 2000 campaign and ensured that almost every available church hall was used to organise a Jubilee 2000 meeting. Their staff and volunteers organised and spoke at meetings, distributed leaflets, wrote articles, mobilised petitions, staffed stalls, and chained themselves to railings! All the while, educating, educating, educating. By the time the big day – 16 May 1998 – arrived, a huge swathe of the British public and a fair section of the media had been taught the basics of international debt and finance. To the astonishment of politicians and to the surprise of the G8, millions had a firm grip on the issues.

The stage was now set for one of the most significant demonstrations ever organised in the UK – and for an event that would put the cancellation of the debts of the poorest countries at the top of the international agenda.

3 That Was the Day that Was: a personal view, by Ann Pettifor

Ann Pettifor was formerly Director of Jubilee 2000 in the UK and is now the Director of Jubilee Research at the New Economics Foundation.

Just thinking about it makes me shudder. An emotionally charged, positive, uplifting – but also scary – day. A roller-coaster of a day. The teams in London and Birmingham consisted of a small core of paid staff, supported by a wide circle of committed volunteers. Both teams started the day exhausted, drained, and fearful. Exhausted by all the hard work, drained by the stress. Afraid that few would turn up. That we would not raise enough money to pay our bills. That the logistics would go wrong. That someone would get hurt. Above all, that the massive, collective efforts of thousands of volunteers would fail to make sufficient impact on powerful, indifferent G7 leaders.[2] So it was that I found myself, early that Saturday morning, outside the Jubilee 2000 HQ, the United Reformed Church's Carr Centre, apprehensively staring across at the Birmingham station exits.

The good news was that the sun was shining. It was a glorious day. The bad news was that Frank Sinatra had died and his death would fill the columns of newspapers, crowding out our story. Worse still, it was Cup Final day, and we knew that key supporters had been diverted there. Would we get sufficient numbers? Would journalists take note? Suddenly the floodgates opened, and thousands of colourfully decked out supporters poured out of Birmingham station, waving banners, carrying chains, wearing silly top hats and holding posters high…

By 11 o'clock, Birmingham was packed with Jubilee 2000 campaigners. Thanks to the magnificent energy, professionalism and skill of our 'ballistically motivated' regional organisers and volunteers, trains carried thousands from Scotland, Manchester, Nottingham, Newcastle, Leeds, London and Cardiff. Many thousands more came by road – in coaches, cars and on bicycles. One supporter even turned up in a coracle! There were supporters too from the USA, from Finland (with their own national TV crew!), from Germany, France and Austria. Many of our coalition partners had brought people from Africa, Latin America and Asia – who inspired and moved us through the day with their speeches.

But there were absentees too. The G7 leaders. Those we had come to lobby.

G7 sensibilities

In what we thought of as a calculated move to demobilise our supporters (but which they argued was just a security measure), the Foreign Office had made a surprise announcement the Tuesday before: G7 leaders would not be in Birmingham on Saturday 16th! The very purpose of this demonstration was to make an impact on the G7. Now they were going to be whisked away to a secret venue.

It had come to this, after months of endless, exhausting negotiations with the Foreign Office, Birmingham City Council, Birmingham police and the CIA. Thanks largely to Michael Taylor's diplomacy, we had managed to negotiate the making of a 9km human chain around the venue the leaders were to meet in. To reduce its impact, as we saw it, the police insisted that part of the chain be diverted behind empty warehouses, into deserted squares and far-away streets. Birmingham Council required a risk assessment of every inch of road and pavement likely to be used by human chain makers. Paul Miller, a volunteer, tirelessly mapped every inch of the route. Despite all this careful and constructive co-operation, the demonstration was going to be snubbed by world leaders.

Why were they running scared? From what we have since been able to piece together, it appears that Helmut Kohl, Germany's then leader, was the main problem. He had apparently taken offence at a campaign launched by Erlassjahr in Germany and led here by Christian Aid (CA). It was aimed at the German Protestant churches. Thousands of CA postcards were sent, calling on the German people to remember that *their* debts had been cancelled in 1953. That debt write-off had given German children a future. Could African children be given the same hope?

Just before the big day, International Development Secretary Clare Short called in a small group of Jubilee

2 The 'G8' 1998 Summit was formally that of the G7, with Russia in attendance.

2000 leaders. In the presence of senior officials and advisers to Archbishop Carey and Cardinal Hume, she reflected the Government's anxiety about achieving a successful Summit outcome. She did not want the Prime Minister or other G7 leaders embarrassed. We assured her that we had every intention of running a peaceful, constructive and co-operative event. Julian Filochowski, CAFOD's director, was less diplomatic. The people of Britain had a democratic right to demonstrate, he said, and were not going to be intimidated by foreign leaders even if they *did* belong to the most powerful and exclusive club in the world!

A strategic error

And so it was that on the day, at 11am, Birmingham was brimming with 70,000 peaceful, cheerful Jubilee 2000 campaigners, their banners and posters. Present also, were about 3,000 journalists, sent to cover the event. Only the G7 leaders were absent, giving the journalists very little to write about. So, naturally, they turned to the demonstrators. Overwhelmed by calls from hacks, we had done dozens of interviews by 11am. It did not take long for No.10's spin doctors to realise that a major strategic error had been made. Soon the call came. The Prime Minister, Tony Blair, was flying back from the country-house meeting earlier than expected. Would it be possible to meet with Jubilee 2000's leaders?

For those of us who were there, 16 May 1998 gave us precious memories. Of the joy and delight of uniting with friends around an issue of justice. Of the deep well of love and concern that unites large swathes of humanity. And of the powerful potential of human solidarity. Above all, it gave us hope, courage and energy – to do more, and to give more. We owe it to millions of the world's poorest people, in the world's most indebted nations, to keep alive that hope, that courage and that energy.

I am weary… I am angry…

Each of us has been led here by the circumstances of our own life story and by our conscience. I am here to join with you as a sister in the struggle to reclaim the lives of my people in Zambia.

As I am with you here today, I must confess I am also weary and angry. I am weary because I am tired of seeing too many of the poorest, of the weakest of my countrymen and women, having their lives bled dry. I am wearied by the sight of too many life chances being suffocated before they have learned to walk and talk. And I am weary of seeing people being squeezed to pay off the debts imposed on them, while at the same time fighting off the violence of poverty.

I am angry also. Angry because this is no accident. Angry because this is the result of policies decided on by the world's most powerful. Angry because powerful leaders seem to feel no urgency in ending this disaster.

Too many times I have witnessed the poorest of the world's children being born and dying owing money to the world's richest. Too many times I have witnessed parents desperately scratching around for the life-saving drugs for their sick child.

Let me tell you about the parents of a child I was with three weeks ago in southern Zambia. They spent two days desperately borrowing and begging the money from their neighbours and friends. Two days looking for the money to afford the anti-malarial drugs to save their eight month old baby. They then spent two hours walking through the bush to the nearest clinic. At the gates of the clinic, the mother called to the father who had gone ahead. Their child had died. Two days to borrow £1 for life saving treatment. When that child was born it owed the world's richest creditors more than it could ever repay. If he had lived to the average age in Zambia – 42 years old – if he had lived to earn the average income in Zambia – about £1.80 a week – he could not have possibly repaid what he owed to the world's richest. The truth is that in his short life, he only stopped being in bankruptcy when his parents buried him.

When no political leader can claim ignorance of what is happening in the poorest parts of the world – we are asking for the richest part of humanity to reach out in all humanity and conscience to the poorest.

We are asking for the cancellation of the unpayable debts of the world's most impoverished countries. But calling from Zambia, from Africa, standing by ourselves, we have to beg for debt relief. But calling from Zambia, from Africa, and standing alongside you my brothers and sisters from Britain, the rest of Europe and North America, standing alongside you: *we are in a position to demand justice.*

We want *nothing less* than to enter the new millennium as one world. So thank you for your presence here today. Thank you for making your voice heard. And thank you for engaging in the struggle for justice.

May God bless you all.

An extract from Mulima Kufekisa Akapelwa's speech, made at St Chad's Cathedral, Birmingham, during the G8 Summit – 16 May 1998

4 Birmingham 1998: the after-effects

There can be no doubt that at a time when 'aid fatigue' was considered endemic to British society, the turn-out of 70,000 people at a G8 Summit to protest about a development issue caused astonishment. No-one was prepared. Ministers had privately derided the campaign as irrelevant, the result of trouble-making by a group of leftists. So they were not prepared when a huge swathe of middle England turned up on the day – united by a sense of justice that cut across the lines of party politics.

The media regarded the issue as remote and arcane – and could not believe that so many people felt passionately about it. There was welcome relief from our friends in the South – pleased that amongst the rich and the privileged there were people who cared, people who had not forgotten their plight, and who acknowledged rich country culpability.

But the immediate impact on the G7/8 was less striking. This was their first encounter with a strong movement demanding justice, not charity, for poor debtor nations, and they were ill-prepared. Their final communiqué announced they had *'discussed the progress of the HIPC initiative which will'* they confidently asserted *'relieve the poorest countries of the unsustainable burden of past debts and thereby improve their development prospects'*. They looked *'forward to determined and speedy extension of debt relief to more countries, in line with the terms of the initiative.'* All eligible countries were encouraged to *'take the policy measures needed to embark on the process as soon as possible.'* Campaigners were disappointed. A Jubilee 2000 spokesman noted that the communiqué had not even gone as far as Gordon Brown's proposal in his 'Mauritius Mandate' whereby three quarters of all eligible countries were to qualify for debt relief by the year 2000.[3] Even the UK Prime Minister Tony Blair, who had taken the lead in pushing debt onto the G8 agenda, admitted that 'I think the honest answer is to say that we did not go as far as many would have liked us to go.'

However, the big achievement of Birmingham '98 was to put the unpayable debts of the poorest countries firmly on the international political agenda. So by early 1999, G8 leaders were competing against each other to make new proposals for further debt relief. In January 1999, when then US Vice President Al Gore announced that the US administration wanted more debt relief, the usually conservative US newspaper, the *Wall Street Journal,* described Gore as *'riding a crowded wave – one nearly every European leader from Tony Blair to Gerhard Schroder has scrambled to catch recently'*.[4] And scramble they did. On 27 January 1999, Schroder wrote in the *Financial Times* that *'It is clear that without a radical debt reduction in many of the poorest countries there is no hope of bringing about a fresh start.'* UK Chancellor Gordon Brown proposed that total debt cancellation under HIPC should be increased to $50bn and that the initiative should fold together HIPC's 'Decision Point' (when a commitment is made to cancel a certain proportion of a country's debt, and there is some reduction in annual debt service payments) and HIPC's subsequent 'Completion Point' (when debt stocks are actually written off). Other G8 leaders made similar proposals, all trying to curry favour with an increasingly demanding popular movement, a movement that was no longer content to remain in the dark about the brutal reality of international financial relations.

By summer 1999, the debt campaign was at fever pitch. The Jubilee 2000 petition, launched in 1996, had collected 17 million signatures worldwide. The G8 knew that they could not meet once more in Cologne without a new deal on debt cancellation. Sure enough, a new deal was announced that was described by then US President Bill Clinton as '*an historic step to help the world's poorest nations achieve sustained growth and independence.'* For Blair, the Summit was *'a huge step forward … the biggest step forward in debt that we have seen for many years.'* Meanwhile, the Jubilee 2000 Coalition, recognising that the numbers had been 'spun' upwards to include debt cancellation that had in fact already been agreed and, mindful of the economic austerity conditions attached to the deal, condemned it as inadequate, providing only 'crumbs of comfort'. But in truth, Cologne *did* represent a step forward for poor

3 Source: *The Independent*, 18 May 1999

4 Quoted in *Crumbs of Comfort: The Cologne G8 Summit and the chains of debt* Jubilee 2000 Coalition, 1999

countries in terms of debt cancellation. The HIPC initiative was to be expanded, with a broader set of aims and a lower set of 'debt sustainability' thresholds which would mean more debt cancellation for more countries. The new aims included providing a permanent exit from debt rescheduling, promoting growth and releasing resources for increased social spending.' The six year qualification period would be reduced, with Completion Point shifting from a fixed three year period to a 'floating' point based on a set of 'triggers' – generally, IMF-style economic austerity policy conditions.

The Cologne Summit also put, for the first time, a global figure on how much debt cancellation could be expected. $100bn in total was committed (Box 1). This figure may sound large – and, in fact, is large compared to the actual relief that has so far been delivered – but it still represented just one third of the $300bn (out of $375bn) of unpayable debt which the Jubilee 2000 Coalition had estimated needed to be cancelled.

Moreover, debt campaigners remained concerned that the debt cancellation process would retain its oft-criticised link with IMF-style economic conditions – designed to protect the assets and interests of international creditors, both private and official. Countries were forced to remain 'on-track' with their IMF programmes – programmes which, despite their much vaunted re-launch as 'Poverty Reduction and Growth Facilities', still retained the essential elements of 1980s-style 'structural adjustment policies' (SAPs), such as the privatisation of poor country assets (which were often purchased at knock-down prices by rich country creditors/investors). In line with the neo-liberal doctrines of both the IMF and its G7 shareholders (economic doctrines often not applied to rich countries), government budgets and support for local producers were cut; fees for primary education and even primary healthcare were introduced; whole sectors were deregulated; poor country markets were opened up to dumping by rich countries. Despite the manifold evidence of the negative impacts of such policies on poverty reduction, growth and social and political stability, poor countries were still left with little choice but to toe the line or forsake debt cancellation.

Debt campaigners were incensed. They felt that not only were these conditionalities harmful, they also had precious little to do with debt cancellation. Sure,

Box 1 **The Cologne Commitment: $100bn of debt relief**

The G8 Summit in Cologne in June 1999 is still the high point of commitments made on debt relief. Cologne proposed a historic $100bn of debt relief to be provided to the 42 most heavily indebted poor countries (HIPCs).

The $100bn of debt relief was to be provided through four separate mechanisms:

'Traditional' debt relief – $30bn This is the relief that is provided to countries by the Paris Club group of bilateral creditor countries – generally rich western nations – before they even enter the HIPC process. The G7 calculated that this 'traditional' relief for the HIPC countries would amount to $30bn. However, including it within their announcement was slightly disingenuous, on the grounds that this is relief that would probably have been provided anyway.

HIPC I – $25bn The G7 calculated that HIPC I – or the 'original HIPC initiative' – would eventually provide a total of $25bn, once all eligible countries had passed through it.

HIPC II – $25bn As explained below, the Cologne Summit also saw the birth of HIPC II, or the 'enhanced' HIPC initiative. HIPC II brought down the debt sustainability thresholds used in HIPC I and, as a result, committed more relief to a wider group of countries.

Bilateral cancellation of ODA debts – $20bn The G7 leaders called for the cancellation of all remaining ODA debts (or 'aid debts') by the rich countries – cancellation which they estimated would lower debt burdens by around $20bn.

'Enhancing' HIPC…

One of the major outcomes of the 1999 Cologne Summit was the creation of the 'enhanced' HIPC initiative with a broader set of objectives, and more relief, for more countries. HIPC II differed from HIPC I in that:

- The definition of 'debt sustainability' was brought down from 200–250% of a country's exports to 150%.
- The debt-to-revenue threshold through which some countries were qualifying for HIPC was similarly brought down to 250%, and the qualification thresholds were brought down from an export-to-GDP ratio of 40% to one of 30%; and a revenue-to-GDP ratio of 15% rather than 20%.
- The number of countries eligible for debt relief was increased from 29 to 33.
- Another $25bn would be written off poor countries' balance sheets.

countries needed to demonstrate that the funds saved from debt repayments would be used effectively, but this was a far cry from the requirement to privatise and deregulate all and sundry. The campaign instead demanded a process that would give meaningful voice to those who were most affected by the decisions of creditor bodies. They called for national parliaments, but also grass-roots organisations, to have a real influence in the key decision-making processes (Box 2).

Box 2 **The birth of Poverty Reduction Strategy Papers (PRSPs)**

While the different national campaigns of the Jubilee 2000 movement held differing views over the justification for debt cancellation, there was one issue that united all campaigners. Debt activists the world over wanted a different, more transparent and accountable way of resolving debt crises, and of managing any money freed up from debt repayments.

By July 1998, thanks largely to the work of the churches, the medical profession and trade unions, the Jubilee 2000 campaign had expanded internationally, with groups in very many countries. Three campaigns – Jubilee 2000 in Sweden, the UK and Italy – co-operated to assemble a representative gathering of the international movement in Rome. More than 100 delegates attended, from countries as diverse as Bolivia and Japan; Ghana and the US; Sweden and Honduras. The North/South representation was almost equal; Southern campaigners resolved to caucus separately.

The outcome of their day-long debate was to recommend a new strategy to the international movement: that debt cancellation should be accompanied by tough conditionalities. But that these conditions should be shaped, overseen and monitored by civil society (parliaments, the churches, trade unions, etc.) in those countries. Jubilee 2000 campaigners in the South were very concerned at the corruption associated with debt – the corruption of both lenders and borrowers. They urged all to campaign for more transparency and accountability in the whole process of borrowing and lending; but also in the resolution of debt crises.

The new buzzwords in the global Jubilee movement became 'civil society participation' and 'democratisation of international financial relations'. The campaign demanded a meaningful voice for those who were most affected by the decisions of creditor bodies. They called for national parliaments, but also civil society organisations, to have a real influence in the key decision-making processes.

This advocacy and pressure was applied particularly to European development ministers, including women like Clare Short, the British development minister, and Evelyn Herfskens, the Dutch development minister. A group of four European development ministers subsequently lobbied the Managing Director of the IMF, Michel Camdessus. They argued that taxpayer funding for the IMF's Enhanced Structural Adjustment Facility would be withheld if poverty-reduction and increased participation did not become key elements of the IMF's lending facility. While insisting on these changes, they nevertheless accepted the key elements of the IMF's macro-economic austerity programmes.

As a result of this pressure, the IMF and World Bank responded with the promise that poverty reduction would become central to debt reduction, and civil society participation should be officially recognised as a part of a new planning process, known as PRSPs (or Poverty Reduction Strategy Papers). Under this process, debtor country governments would have to consult widely on how to spend the proceeds from debt cancellation. All low-income countries now have to undertake PRSPs in order to qualify for debt cancellation or new World Bank and IMF loans.

Two years after their introduction, there is some controversy about the degree to which elected parliaments or civil society in debtor countries can really influence a country's PRSP. Consultation is particularly inadequate if parliamentary or civil society proposals for poverty reduction are pre-empted and overridden by IMF economic austerity programmes. In some countries, like Zambia, civil society groups claim their activity has led to some positive benefits and changes that have produced a greater emphasis on poverty reduction in government planning. They still want to see a greater oversight role for civil society in managing the proceeds from cancellation. But they do feel that there has been a new opening for their interaction with government. Other groups – for example in Bolivia, Mozambique and in Bangladesh – feel that their governments have sidelined or ignored civil society, or that the World Bank and IMF have not changed the requirement of economic liberalisation as a condition of any new lending or debt cancellation. .

Nevertheless, most groups in the South believe that the unified Jubilee 2000 call for increased democratic civil society participation in economic decision-making has provided a new opportunity to pressurise their governments, the World Bank and the IMF; it has resulted in a new recognition that elected parliaments and broader civil society have a legitimate role to play in resolving debt crises, and in the pursuit of pro-poor policy change.

Post-Cologne Commitments

While the G8 Summit in Cologne was the major milestone in achieving a debt cancellation deal for the poorest countries, the grand statements did not stop there. Under continued pressure from Jubilee 2000 campaigners, G7 leaders and other rich-country creditors began a competitive bidding process to offer countries more relief. In an implicit acknowledgement that the Cologne Summit had not gone far enough, rich country leaders agreed to cancel 100% of the bilateral debts owed to them by the poorest countries. This added a further $10bn to the $100bn committed at Cologne – a welcome addition, though still one which failed to make a dent in the colossal stock of debt which would remain outstanding even after the full implementation of the Cologne commitments. Moreover, the additional bilateral relief was committed within the HIPC framework – meaning that countries which had not entered HIPC would see no benefit.[5] And some creditors (in particular Japan) until very recently continued to provide debt cancellation in self-serving ways, designed to minimise both the benefits to the country and the costs to themselves.

Finally, in the summer of 2002, the G8 agreed to provide a miserly $1bn more in 'topping up' for countries which were facing continued unsustainable debt burdens because of commodity price falls and lower than expected export projections. This $1bn was condemned at the time in falling far short of what would be needed to make good the HIPC commitments.

5 One exception to this is the UK's 'Beyond 100%' debt cancellation rule, whereby debt service payments for countries that are before Decision Point are kept in trust to be returned to the country once they reach Decision Point.

5 Birmingham five years on: what has changed?

The death of HIPC

The one common factor in all the debt cancellation deals announced between the Birmingham Summit in 1998 and the puny $1bn offered by the G8 in 2002 was the linkage with the HIPC initiative. Despite campaigners' concerns that HIPC was measuring debt cancellation in the wrong way, for too few countries and with the wrong set of conditions, leaders of the major creditor countries continued to maintain their faith in HIPC as an appropriate mechanism for providing debt cancellation.

Five years on from Birmingham, however, HIPC's track record could scarcely be worse:

- It is much too slow, with only eight countries having received substantial debt write-off under the initiative to date.
- In order to get debt relief, countries are still required to follow IMF 'structural adjustment' conditionalities. In the view of debt campaigners, such conditionalities are designed to protect the assets and interests of creditors, rather than promoting growth, poverty-reduction and stability in debtor nations. They are holding up debt cancellation and forcing deflationary policies on poor countries; and in some cases reversing even the debt service relief offered under HIPC.
- HIPC is failing to restore countries to 'debt sustainability', even according to its own, narrow criteria.
- Non-participating creditors (like big commercial companies, but also countries like Iraq) are further undermining HIPC, causing headaches for poor countries and moving them even further away from debt sustainability.

By the end of 2002, 19 countries should have fully passed through HIPC and received a substantial write-off in their *stock* of debt. However, as of May 2003, only eight countries – or less than 50% – have actually done so. As campaigners feared, delays have occurred because of the failure of countries to stay 'on-track' with stiff IMF conditionalities – conditionalities which, as we have already noted, are designed to defend the interests of creditors, rather than to ensure that savings from debt relief money will be well spent. Of the 18 countries that have passed HIPC's 'Decision Point' and are currently queuing up to reach its 'Completion Point', at least 13 have at some point gone 'off-track' with their IMF programmes. Going 'off-track' has not only delayed them in reaching Completion Point, it has also resulted in the suspension of some of the 'interim relief' (that is, reductions in debt service payments) that they should have been receiving between the Decision and Completion Points.

Delays in debt cancellation would be understandable if such delays were caused by corruption, human rights abuses or the failure of governments to account for the money saved from relief. Delays might also be justified if the government needed more time to consult civil society about the use to which funds freed up by debt cancellation should be put. But mostly, the reasons for delays have not been benign. Instead, they have been due to failure of countries to privatise at the rapid pace demanded by the IMF. Guyana, for example, was one of the first countries to reach Completion Point under the original HIPC initiative as far back as May 1999. She was supposed to reach Completion Point under the enhanced HIPC initiative in late 2001, and published her participatory Poverty Reduction Strategy Paper (PRSP) in November 2001. Even the World Bank has admitted that social spending in Guyana has been increasing steadily. However, Guyana is being held back from reaching Completion Point because she has refused to privatise Guysusco, the Guyanese sugar company, and to downsize her core civil service. Similarly, Senegal has been held back from Completion Point because of failure to privatise the peanut industry.

Moreover, HIPC is not providing enough relief to bring down debts to 'sustainable' levels, even according to the narrow definitions used within the HIPC initiative. Under the HIPC system, when a country reaches Decision Point the World Bank and IMF make a calculation of how much relief will be needed to maintain debt stocks at below 150% of exports for the foreseeable future. However, debt campaigners have accused the World Bank and IMF of cynically over-estimating the export growth that the heavily indebted countries could expect in order to minimise the debt stock reduction required to bring debts to within the 150% threshold. By April 2002, the World Bank and IMF had admitted that their export projections had in fact been grossly inaccurate and that up to half the countries that were expecting to reach Completion Point in the next few years would not achieve the HIPC debt sustainability targets.

By September 2002 it was clear that HIPC was falling apart at the seams. At the Annual Meetings of the World Bank and IMF it was agreed that creditors would make good their commitment to provide an additional $1bn in 'topping up' of debt cancellation, for countries facing debt sustainability problems at Completion Point. However, this topping up would not be automatic, and would instead depend on countries passing a set of seven tests – set as usual by the World Bank and IMF. What horrified campaigners even more was that, when calculating the amount of additional relief that would be needed, the World Bank and IMF were including the additional 100% cancellation promised by bilateral creditors such as the UK, US and other G7 creditors. In effect, therefore, the grand promises of the G7 Finance Ministers to provide 100% cancellation of the debts owed to them by the poorest countries were doing nothing more than reducing the cost of cancellation to the World Bank and IMF, with no additional benefit to poor countries.

HIPC also is being threatened from another quarter – non-participating creditors. These creditors, mostly private sector organisations but also including some 'non Paris Club' countries such as Taiwan and (ironically) Iraq, have been launching lawsuits left right and centre in order to recover claims that should have been cancelled under HIPC. This is fundamentally threatening the ability of HIPC to bring down debts to 'sustainable' levels, even according to the HIPC criteria. If all the creditors that refuse to participate in the HIPC initiative are taken into account, then 19 out of 26 HIPCs will never reach the debt sustainability aimed for by the Bank and Fund.

How much debt has been cancelled?

So HIPC has proved a far cry from offering the 'permanent exit' from unsustainable debt burdens which was trumpeted by the G8, IMF and World Bank with such enthusiasm back in 1999. But what has HIPC actually delivered? Are debt burdens any lower, and if so, how much of a difference is this making to government budgets? [6]

The Jubilee 2000 Coalition identified 52 countries which were considered to need total debt cancellation. Of these countries, 40 were at the time included within the World Bank's official list of 'Heavily Indebted Poor Countries' (HIPCs). However, the Jubilee 2000 Coalition had always criticised the arbitrary nature of the World Bank and IMF's HIPC list, arguing that other equally poor and heavily indebted countries also needed relief. Some of these countries – such as Nigeria – had been taken off the list for mysterious and highly politically charged reasons. Since 1998, only 1 of the additional Jubilee 2000 countries – The Gambia – has been added to the HIPC list, as has Comoros, which was not included in the original list at all (and whose debt, incidentally, is tiny). In looking at what has been cancelled, therefore, we look at figures for 53 countries – the Jubilee 2000 list, plus Comoros.

In 1998, these 53 countries owed a total of $375bn, to be repaid over time periods of up to 40 years. This was almost one and a half times their collective GDP. Using the World Bank and IMF's preferred method of assessing debt sustainability, the debt of these 53 countries equated to about 393% of their then aggregate exports, or more than twice the level considered to be sustainable under HIPC. (Jubilee 2000, on a country-by-country basis, estimated that at least $300bn of this debt was unpayable.)

Today, as Box 3 shows, only eight of the 53 Jubilee 2000 countries have passed Completion Point under HIPC and finally seen some cancellation in the stock of their debt. A further 18 are queuing up between Decision Point and Completion Point and *should* eventually see some debt stock cancellation, provided they stay on track with their IMF programmes. It should be noted, however, that some of these countries are already benefiting from 'interim relief' under HIPC, with debt service levels being brought down.

A further eight countries are currently in the 'pre-Decision Point' stage of HIPC. In most cases, this is because they are countries that are or have been at war, and have

6 Surprisingly, these questions are not as easy to answer as it might seem. Data on debt stocks are generally only available with a 2 year time delay. For most countries, therefore, we only have data on debt stocks for 2000 – before the impacts of debt cancellation were starting to be felt. Moreover, the HIPC initiative confuses matters by committing debt cancellation at Decision Point, but only actually providing it at Completion Point. World Bank, IMF and staff of creditor institutions are fond of over-blowing the amount of debt that has actually been cancelled by counting all the commitments to provide relief as if the relief had already happened.

Box 3 **Relief by lottery – the fate of the 'Jubilee 53'**

Completion Point HIPCs (8)	Decision Point HIPCs (18)	Pre-Decision Point HIPCs (8)	HIPCs not likely to reach Decision Point (8)	Other Jubilee 2000 countries (11)
Benin	Cameroon	Burundi	Angola**	Bangladesh
Bolivia	Chad	Central African Republic	Kenya**	Cambodia
Burkina Faso	Ethiopia	Côte d'Ivoire	Lao PDR	Equatorial Guinea
Mali	Gambia*	Comoros*	Liberia	Haiti
Mauritania	Ghana	Congo DR	Somalia	Jamaica
Mozambique	Guinea	Congo Rep	Sudan	Morocco
Tanzania	Guinea-Bissau	Myanmar	Vietnam**	Nepal
Uganda	Guyana	Togo	Yemen**	Nigeria
	Honduras			Peru
	Madagascar			Philippines
	Malawi			Zimbabwe
	Nicaragua			
	Niger			
	Rwanda			
	Sao Tome and Principe			
	Senegal			
	Sierra Leone			
	Zambia			

* *The Gambia and Comoros were not originally on the HIPC list in 1998 but have since been added*

** *Already considered to have a sustainable level of debt*

therefore been unable to establish the 'track record' of policy performance demanded by the IMF. There are also another eight countries which, while they are included on the HIPC list, are unlikely ever to see their debts cancelled – either because their debts are already considered to be sustainable, or because they are still in such a state of civil conflict (Sudan, Liberia and Somalia) that relief at the present time will be impossible. Finally, Lao PDR has indicated that it does not want debt cancellation.

Outside of this list are the remaining 11 countries which Jubilee 2000 had estimated were in need of debt cancellation but which remained outside of the HIPC programme. These countries are still out in the cold, and are never likely to receive debt relief beyond the inadequate and endlessly repetitive 'debt rescheduling' efforts offered by the Paris Club.

Box 4 and Table 1 show that we are very far from meeting the Cologne commitment, even four years after Cologne – and a full five years after those 70,000 people poured onto the streets of Birmingham to call for international economic justice. Total debt cancellation is now at a mere $36.3bn (Table 1), less than a third of the total commitment.

Table 1 **Debt cancellation for the 53 Jubilee 2000 countries**

TYPE OF RELIEF	COMMITMENT	ACTUAL
Traditional debt cancellation	$30bn	$19.8bn
Relief from HIPC I	$25bn	$6.2bn
Relief from HIPC II	$25bn	$8.8bn
Previous bilateral cancellation	$20bn	$0
Additional bilateral relief	$10bn	$1.3bn
'Topping Up'	$1bn	$0.23bn
Total relief	**$111bn**	**$36.3bn**

Stocking up

So, the debt cancellation commitments which came directly and indirectly out of the Birmingham Summit seem to have cut the debt stocks of the 53 Jubilee 2000 countries (the 'J2k 53') by around $36bn, or roughly 10%.

Box 4 **Going cold on Cologne**

It might be argued that the Cologne Summit did not commit to cancelling all $100bn immediately – but planned to do so over a number of years. But taking a closer look at the facts shows that this benign interpretation is not justified. In fact, by the end of 2002, a total of $68bn should have been cancelled, and 19 out of the 38 countries deemed to need relief should have had their debt stocks slashed.

It should also be emphasised that of the total $36.3bn cancelled, almost $20bn has been provided under 'traditional' debt cancellation mechanisms and as such would probably have been provided anyway – even without the Cologne commitment. HIPC relief, by contrast, has not performed well, with only $15bn being written off the books under the initiative.

The most mysterious element in the Cologne calculation is the $20bn of outstanding 'aid' debt that was also supposed to be cancelled. There seems to be very little evidence on how much of this debt has actually been written off. Indeed, as far back as July 2000, the Jubilee 2000 Coalition in the UK were worried that 'the assessment that $20bn would be written off through the cancellation of ODA (Overseas Development Assistance, or 'aid') debt by G7 countries is not backed up by the data available.'[7] In May 2000, concerns were raised that the cancellation of ODA debts would not be treated as additional to the debt cancellation that was being provided to bring down debts to 150% – i.e. it would not be additional. We have seen no evidence of any cancellation of ODA debts except in the figures already included in 100% bilateral debt cancellation and therefore exclude it from our calculation of the total debt cancellation which has taken place so far.

But this does not mean that debt stocks are that much lower. For in the meantime, the loan pushers of the World Bank and IMF have continued to bear down on African countries offering gilded loans with – conveniently enough for governments without a long life expectancy – a 10 year grace period. Despite the growing international attention being paid to the problems of long run debt sustainability, the loan pushers just keep on pushing. The World Bank alone has lent Uganda – the first HIPC country to reach Completion Point and an oft-quoted 'success story' of the initiative – $850m since the year 2000, against *total* debt cancellation under HIPC of around $2bn. Congo DR, a war-ravaged country with a colossal $12bn foreign debt and in desperate need of the kind of grants given to Germany in 1953, has instead received almost $1bn in loans from the World Bank between June and August 2001 alone. This new lending adds to her burden and undermines any hope that she will reach long term debt sustainability.

Unfortunately, because of the time lags in the compilation of data on debt stock cancellation, we do not have a clear picture of what has happened to the debt stocks of all 53 of the Jubilee 2000 countries. However, we do have approximate figures for the 26 countries that have so far passed Decision Point under HIPC (including the eight 'Completion Point' countries). These 26 countries have received all of the debt cancellation which has so far been on offer under HIPC, additional bilateral debt relief and the majority of the 'traditional' debt cancellation offered by the Paris Club.

Table 2 **Debt stocks for 26 HIPC countries**

Stock of debt 1998		$101.3bn
Less: Total debt relief		–$29.0bn
of which: Traditional debt cancellation	*$12.5bn*	
HIPC relief (inc topping up)	*$15.2bn*	
Additional bilateral relief	*$1.3bn*	
Less: Total debt service paid 1998–2002		–$14.5bn
Plus: New borrowing 1998–2002		+$24.2bn
Equals: Debt stock 2003		**$82.0bn**

Table 2 shows that although these 26 countries have seen debt cancellation of $29bn since 1998, they have nevertheless transferred $14.5bn over the same period – or $8m a day – to the rich North in debt service payments. Moreover, their debt *stocks* have only fallen by $19bn because of the volume of new loans they have taken on. While the new loans do at least represent a positive transfer of resources to these poor countries, the implications for future debt sustainability are worrying, to say the least.

7 *Island Mentality: The Okinawa Summit and the failure of leadership* Jubilee 2000 Coalition, July 2000

Going with the flows

Of course, what really matters to poor countries – and the poor people in poor countries who ultimately end up footing the debt service bill – is not just the stock of outstanding debt, but also how much must be paid to service that debt on an annual basis. And this matters not just in itself, but in relation to how much is being given in new aid flows. One of the central successes of the Jubilee 2000 campaign was to demonstrate that aid flows – donated by a willing public in donor nations believing that their precious tax revenues would be going to build schools and hospitals – were merely flowing into the coffers of creditors. In a boomerang effect, a substantial proportion of the aid flows to the South were bouncing back as fast as they left, leaving no discernible impact on the countries which desperately needed the money.

So, when looking at the successes and failures of debt cancellation efforts to date, we need to ask two questions. Firstly, what has happened to debt service payments for the J2K 53 countries? And secondly, what has happened to the total transfer of resources to the countries – i.e. aid flows minus debt service payments?

The effect of HIPC on *debt service payments* should be much greater than the impact on *debt stocks*. This is because all 26 countries that have passed Decision Point should have had their debt service bill slashed by HIPC, and by the additional commitment of creditors such as the UK not to bill countries that have passed Decision Point for any debt service payments. Indeed, Box 5 shows that for these 26 countries, debt service has been reduced by some 40% since 1998 (from $3.7bn per year to only $2.3bn a year by 2002). However, this overall picture does not necessarily apply for all HIPCs. For example:

- Four of the countries that have entered the HIPC initiative (Mali, Niger, Sierra Leone and Zambia) will have annual debt service payments due in 2003–2005 which will actually be higher than the debt service paid in 1998–2000.
- A further five countries (Ethiopia, Guinea-Bissau, Honduras, Nicaragua and Uganda) will be paying almost as much as they were before HIPC.
- Senegal's debt service jumps by 61% in 2004, Nicaragua's rises by 60% in 2002, Mauritania's rises by 46% in 2007 and Honduras faces an increase of 93% in 2002.

For the J2K 53 countries as a whole, however, the pictures is not encouraging. Once again, we are constrained by the availability of data and so can only look at trends up to 2000. But data that we do have shows that:

- Debt service paid by all J2K 53 countries has actually *increased* between 1998 and 2000, from $21.9bn per year to $25bn per year.
- This is due particularly to the increase in debt service payments made by non-HIPCs, from $13.4bn in 1998 to $17.4bn in 2000.
- Debt service for other developing countries has also increased substantially, from $296bn in 1998 to $374bn in 2000.

In terms of overall resource flows, the picture is, if anything, worse. Total resource flows to developing countries on a net basis will consist of new loans and grants minus the amount that is paid in debt service. It should be stressed that some loans are counted as 'ODA' when they are sufficiently concessional. However, not all loans are concessional – so it would be wrong to add grants and loans together and count all of this as 'aid.'

Total resource flows to the J2K 53 countries, and other developing countries, are shown in Box 5. In summary, the table shows that:

- The 26 post-Decision Point HIPCs have indeed seen an increase in net resource flows between 1998 and 2000, from $6.9bn to $8.2bn – an increase of around 20%.
- However, flows to the J2K 53 countries as a whole have reduced quite sharply, from $6.2bn in 1998 to $4.3bn in 2000 – a drop of around 40%. This fall is again mainly accounted for by significant negative net flows to the non-HIPC J2K countries, particularly the Philippines and Zimbabwe.
- Total flows to other developing countries have also become much more negative over the past few years. In 2000, other developing countries were paying out around $98.5bn per year on a net basis, up from only $37.1bn in 1998.

One of the charges often levied at the campaign for the cancellation of the debts of the poorest countries is that debt cancellation will merely result in the diversion of aid flows away from countries that may have the most need for it, and towards debt cancellation.

The limited evidence presented to date does indeed suggest that creditor countries have been using aid budgets to fund debt cancellation, leaving developing countries as whole no better off. In fact, the data presented in Box 5 show that developing countries as a whole were, as of the year 2000, significantly worse off than they had been before. Does this mean that debt cancellation is a waste of time, and that we should simply provide more aid?

In summary, no. First of all, debt campaigners have always called for debt cancellation to be *additional* to aid that would have been provided anyway. Creditor countries are being disingenuous at best, and outright deceitful at worst, if they merely shift money from aid budgets to fund debt cancellation, leaving countries no better off. Of course, it is always difficult to prove what would have happened in the absence of debt cancellation. Quite possibly, aid flows would have declined anyway and HIPC countries would have in fact have been much worse off. But this may be cold comfort to the thousands of people who took the time to protest on the streets of Birmingham.

Secondly, creditors also need to recognise that those debt campaigners who travelled far and wide to call for more relief were not just doing so out of concern for the poor of the world – although this was, of course, one of their primary motivations. They were calling for something more – for economic justice. The children and worshippers, students and specialists who all piled onto the streets that day did so in the belief that the current

Box 5 **Net resource flows ($billion)**

	1998	1999	2000	2001	2002
Post Decision Point HIPCs (26)					
Debt service	3.7	3.1	3.1	2.4	2.3
New debt flows	4.6	5.0	5.2	4.2	5.3
Grants	6.0	5.8	6.2		
Total flows	6.9	7.7	8.2		
Pre Decision Point HIPCs (16)					
Debt service	4.8	5.1	4.6		
New debt flows	3.6	3.1	2.6		
Grants	2.2	2.2	1.9		
Total flows	1.0	0.2	–0.1		
Other J2K countries					
Debt service	13.4	16.8	17.4		
New debt flows	9.5	15.3	11.8		
Grants	2.1	1.9	1.8		
Total flows	–1.8	0.4	–3.8		
Total J2K 53 countries					
Debt service	21.9	24.9	25.0		
New debt flows	17.7	23.3	19.6		
Grants	10.3	9.9	9.8		
Total flows	6.2	8.3	4.3		
Other developing countries					
Debt service	296.2	372.9	373.8		
New debt flows	314.7	262.7	255.2		
Grants	17.7	20.4	20.1		
Total flows	–37.1	–89.8	–98.5		

system was simply not fair. Why should countries repay debts that had been pushed onto corrupt leaders by over-eager western banks? Why should countries that had seen the price of their export crops fall by half still have to pay back the full amount that had been borrowed? Why should the debtor take full responsibility for the mistakes of the past while the creditor received yet another 'bail out' from western taxpayers? So debt cancellation was about justice, not just about old-fashioned notions of 'charity.'

In fact, prior to the birth of HIPC in 1996, many of the countries were not repaying their debts, to either government creditors like the UK or even to their 'preferred creditors', the multilateral institutions. Failure to make debt repayments to preferred creditors meant that debtor nations were punished by donors and creditors, who blocked aid and new lending. So debtor nations embarked on the debt relief path very reluctantly; and only because they were effectively insolvent. HIPC was a recognition of this reality by international creditors: that despite their huge power over these debtor nations, they were still not able to collect debt repayments. Jubilee 2000 always held that these creditors should be forced to accept this fact, and accept their losses, rather than insisting on being compensated for non-payment of debts out of precious aid budgets.

Of course, debt campaigners have never been against aid. But they also recognised that aid has its limitations – especially when a high proportion of it travels back in debt service payments. Aid often comes with stiff conditions, such as the requirement to use contractors or consultants from donor countries at many times the local price. New grants and loans must be negotiated, monitored, and reported on – a task that takes up precious staff time in already over-stretched and under-staffed government ministries. Moreover, aid budgets can be fickle, depending on the way the wind is blowing in the political capitals of the North. Countries which need to make long term plans – for example to employ more teachers or build more schools – have to have firm assurances of financing. Debt cancellation can provide this in the way that aid rarely can.

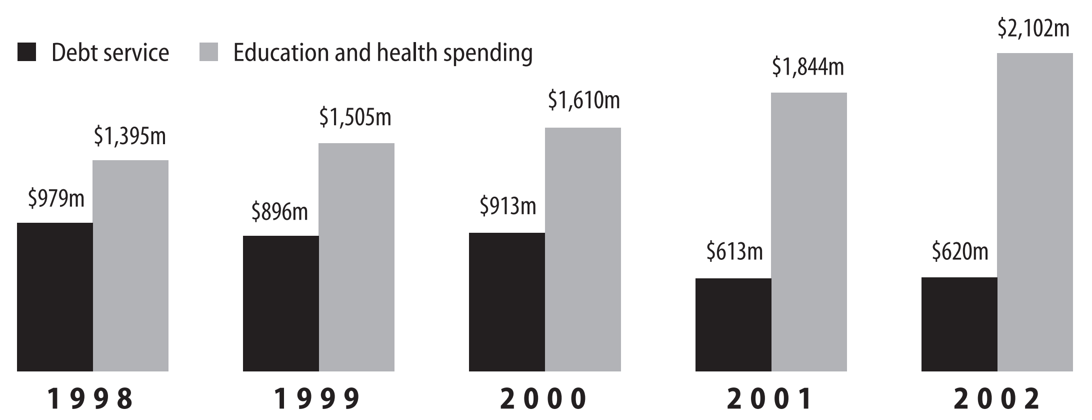
So, we are calling for real debt cancellation not just a transfer of resources from one hand to the other. We want more debt cancellation *and* more aid. This may sound demanding, but nothing less will be acceptable to the 70,000 people who made their voices heard so effectively that sunny day in Birmingham.

Debt cancellation works!

Inflows, outflows, aid, grants, new loans – numbers and more numbers. The debt campaign was indeed about numbers – but the numbers are not enough. What has actually happened on the ground, as a result of the debt campaign, in the countries that have started to benefit from relief? Has debt cancellation actually saved lives? Was it all worth it?

Of course, debt cancellation can only help poor country governments to invest more in crucial social services – such as health and education – if it actually transfers more money to debtor countries. The last section showed that this was only true in a limited sense. However, for the 26 countries that have passed Decision Point, net resource flows have gone up. So what difference has this made?

Chart 1 **Total spending on debt service and on education and health for ten African HIPCs**



Once again, we are frustrated by quite limited evidence on the impacts of debt cancellation. Obtaining figures on government spending on social services in debtor countries is easier said than done. And even extra government spending does not necessarily mean that people's lives in small villages, often far away from the budget department of the central finance ministry, will be affected. Nevertheless, early trends are very positive.

In August 2002,[8] Jubilee Research undertook a study of government spending on health, education and defence in ten of the African countries that had reached Decision Point prior to the year 2000. Using data supplied by the UK's Overseas Development Institute, the study showed that:

- In 1998, education spending in the ten countries was only $929m, less than the amount spent on debt service. Today it is $1,306m – more than twice what is being spent on debt service.
- In 1998, debt service took up twice as much, in terms of resources, as spending on health. Since then, spending on health has risen by 70% and is now one third higher than debt repayments.
- There is no evidence to suggest that debt cancellation is being used to fuel military expenditures. In the countries reviewed, we found no increase in military spending over the period.

Our findings are shown in Chart 1.

More detailed country-specific work by CAFOD has also helped to corroborate this picture. CAFOD have found that, as a result of the reductions in debt repayments under HIPC:

- Social spending across all HIPCs is estimated to have risen by about 20%.
- Mozambique has introduced a free immunisation programme for children.
- School fees for primary education have been abolished in Uganda, Malawi, Zambia and Tanzania, as have fees in rural areas of Benin.
- Mali, Mozambique and Senegal are due to increase spending on HIV/AIDS prevention.
- Uganda and Mozambique, among the early beneficiaries of debt cancellation and increased aid flows, have consistently sustained annual GDP growth rates over 5% and, in some periods, up to the 7% growth reckoned by the UN's Economic Commission for Africa as necessary to reduce by half the number of people living in absolute poverty.

Some debtor countries have also developed concrete mechanisms to show that the resource savings from debt cancellation are really being used to fund spending on human development. In Uganda, for example, the Poverty Action Fund (PAF) is often held up as a model case for other countries to follow. However, Uganda is not the only country to use such a mechanism. In Tanzania, for example, a similar Multilateral Debt Fund, through which debt service savings are channelled to social expenditures, was established in July 1998.

8 See *Relief Works: African Proposals for Debt Cancellation and Why Debt Relief Works* by Romilly Greenhill and Sasha Blackmore, Jubilee Research at NEF, August 2002, available at www.jubileeresearch.org/analysis/reports/reliefworks.pdf

6 Debt cancellation works, but HIPC does not: what is the way forward?

What this report has shown is that, while debtor countries are meeting their part of the deal and using the funds from debt cancellation effectively – as far as we can know – the creditor countries seem to be lagging behind. The HIPC initiative is failing; debt cancellation is way behind schedule, and for many countries net resource flows are actually falling rather than rising.

For debt campaigners, the debt cancellation offered is failing to deliver on the expectations of Birmingham 1998 for two main reasons:

- The measurement of 'debt sustainability' under HIPC is still too narrowly focused on exports, and pays no attention to the requirements of HIPC countries to spend money on poverty reduction in order to meet the Millennium Development Goals (MDGs).
- The process for providing debt cancellation is still dominated by creditors, rather than being based on a 'fair and transparent' process as called for in the Jubilee 2000 petition.

Redefining debt sustainability

The problem with the HIPC initiative is that it was never designed to address the central problem facing developing countries – poverty. It was designed to bring all eligible heavily indebted poor countries to a position where their debts were sustainable. The HIPC initiative measures 'sustainability' by comparing a country's debts to its foreign exchange earnings. If a country's debts are over one and a half times the level of its annual income from exports, than the amount above that level is considered to be unsustainable and eligible for cancellation. But there are a number of caveats to this formula.

Not all the debts of low-income countries are written off under HIPC. Only those debts acquired before HIPCs approached their creditors are eligible. Also, many poor countries that are 'debt stressed' but do well with foreign exchange earnings (e.g. Bangladesh, Nigeria and Angola) are considered to have sustainable debt burdens despite having appallingly high levels of poverty.

The central problem with the HIPC initiative is that it has precious little to do with poverty reduction. Creditors have invented a framework that is designed to restore countries to a position where they can repay their debts. A framework that makes them 'good' debtors. HIPC is fundamentally flawed because it uses an inappropriate criterion – the debt-to-exports ratio – as a way of measuring sustainability.

The problem with using a country's export earnings as a way of gauging the level of debts it can afford to repay is that, for most low-income countries, exports are a highly volatile and unpredictable measure. Most HIPCs are dependent on one or two commodities for most of their foreign exchange earnings. However, levels of production of these exports are highly vulnerable to climatic conditions such as droughts. Also, there is a continuing slump in global commodity prices. So, while the World Bank and IMF may have predicted a point at which a country's debts are sustainable on the basis of an average of commodity prices in previous years, the next year's levels of production or the prices in global markets may have moved to a position where that country's debts have become unsustainable. But the HIPC initiative is not designed to readjust once the debt sustainability analysis has been made. So, while the policy framework may count debts sustainable one year, countries can find that their vulnerability to changes in weather conditions, crop production, oil price rises or fluctuations in commodity prices will leave their debts unsustainable in following years. In short, exports are a poor predictor of short term, let alone medium term, debt sustainability.

Debt campaigning organisations in the UK have long felt that the over-arching objective of debt cancellation must be support for the global effort to mobilise the finances needed to achieve internationally agreed poverty reduction targets, such as the Millennium Development Goals (MDGs) or costed poverty reduction programmes. A number of development agencies and official bodies have put forward credible 'human development' debt sustainability analyses.[9] These proposals offer a new model for measuring the level of debts a country can afford to sustain by comparing their debts with their national income and the cost of financing their government's poverty reduction programme. This alternative model proposes measuring the affordability of debt burdens after the finances for poverty reduction spending have been protected. In other words, debt repayments are a secondary obligation once a country has first set aside the funds for their poverty reduction programmes or plans to achieve the MDGs.

According to calculations by CAFOD and Jubilee Research, most low-income countries will need 100% debt cancellation if they are to stand a chance of achieving the internationally agreed poverty reduction targets as set out in the Millennium Declaration. Also, a significant number of so-called middle-income countries will need debt reductions if they are to achieve the Millennium Development Goals by the year 2015.

Under the current HIPC initiative, debt sustainability assessments are made in isolation from the obligations governments have to meet even the most basic needs or economic rights of citizens (e.g. full coverage of primary education or primary healthcare). It is theoretically possible under current criteria for a country to be meeting all its debt servicing obligations *without having a single penny left for poverty reduction*.

For campaigners, this definition of debt sustainability is an abuse of the term 'sustainability'. We have argued that the case for debt cancellation is fundamentally a matter of social justice. The calculation of debt sustainability must be integrated with broader internationally agreed poverty reduction goals. Debt sustainability analyses must be recast as genuine poverty reduction sustainability analyses.

A framework of justice for resolving international debt crises

The Jubilee 2000 petition, signed by the end of 2000 by 24 million people, called for 'cancellation by the year 2000 of the unpayable debt owed by the world's poorest countries under a fair and transparent process.'

Popular campaigning has tended to focus on the first part of the petition – the need for debt cancellation for the world's poorest countries, and rightly so. But the experience of the last few years suggests that the need for a 'fair and transparent process' has never been more apparent.

Take the Millennium Development Goals, for example. The argument that debt sustainability should be linked to the MDGs has gained international currency, from African governments to the United Nations, from Southern NGOs to creditor countries such as Ireland and Sweden. This proposal, first made by UK aid agencies belonging to the Jubilee 2000 network,[10] argues that judgements about the level of debts countries can afford to 'sustain' or repay, must be judged from the revenue remaining after governments have financed their poverty reduction programmes or MDG targets. Many in official circles accept that if the MDGs (to which almost all countries have committed themselves) are to be met, total debt cancellation will be needed. Even the World Bank and IMF have admitted this. In a recent report, they noted that such an approach 'would likely be complete debt cancellation plus increased foreign assistance.'[11]

How can creditors get away with making such statements without comprehending the logical consequences? How is it that HIPC can perform so badly? Why are creditors reneging on their promises?

The short answer is that all current frameworks for providing debt relief are unjustly dominated by creditors. Creditors make loans, often very bad loans; set conditions and interest rates; insist that the loans are repaid in the creditor's not the debtor's currency; determine whether to re-schedule or not; undertake debt sustainability analyses using their own criteria and their own methodology. Under this framework, creditors effectively act as witness, plaintiff, policeman, judge and jury in their own court. This is a deeply unjust process, in which the debtor is perceived as the 'sinner' and has to have debts 'forgiven', while the creditor is perceived, on the whole, as blameless, capable of 'forgiving'. Jubilee Debt Campaign, like many sister organisations in both the North and South, argues that a new procedure must be created which fully embodies the principles of fairness, transparency and independence, and which places human development needs at its core.

In particular, Jubilee Research and CAFOD favour the model of Chapter 9 of the US Legal Code[12] which provides a bankruptcy framework for governmental

9 *A Human Development Approach to Debt Sustainability Analyses for the World's Poor* by Northover, Joyner, Woodward CAFOD 1998 and 2001; *Forever in your debt? Eight poor nations and the G8* by Lockwood, Donlan, Joyner, Simms Christian Aid 1998; *Putting Poverty Reduction First* Eurodad 2001; *The unbreakable link – debt relief and the MDGs* by Greenhill Jubilee Research 2002

10 *A Human Development Approach to Debt Sustainability Analyses for the World's Poor* by Northover, Joyner, Woodward CAFOD 1998; *Forever in your debt? Eight poor nations and the G8* by Lockwood, Donlan, Joyner, Simms Christian Aid 1998

11 HIPC Status of Implementation Report, 16 August 2002, page 91

12 An approach first proposed by Prof Kunibert Raffer of the University of Vienna in 1987. See http://mailbox.univie.ac.at/~rafferk5/

(municipal) organisations. The new framework would be transparent, independent and accountable to global taxpayers, North and South. Furthermore, such a framework would not require an international treaty or an amendment to the articles of the IMF. Instead, ad-hoc panels could be appointed, almost immediately, in countries like Argentina. Just as in international arbitration between corporations and sovereign countries, the debt arbitration panel could consist of just three people. One nominated by the sovereign debtor, another nominated by creditors and the third appointed by the first two. This method of appointing the panel would give sufficient authority to proceed with debt re-structuring. Most importantly, the panel's work would have to be transparent and accountable – particularly to parliaments and civil society in the debtor nation – but also to those in the lending nation.

The work of the debt arbitration panel would be guided by three fundamental principles. First, the application of justice and reason. Secondly, as in any domestic bankruptcy process, any debt re-structuring would ensure the protection of the human rights and the human dignity of the debtor nation and its people. This means that no debtor country should be forced to make debt repayments if such payments are undermining her ability to meet the Millennium Development Goals. Finally, the process should be open and transparent. It should ensure that citizens affected by a debt crisis have a legal right to have their voices heard in the resolution of that crisis, both in the creditor and in the debtor nation. Freedom of information, transparency of process and accountability to the public would be central to the resolution of debt crises.

One of the most challenging tasks facing any panel would be determine what level of debt could be considered 'sustainable'; allowing the country to continue growing and developing, while ensuring it was creditworthy. Jubilee Debt Campaign, CAFOD and Jubilee Research propose that sustainability should be judged in relation to the Millennium Development Goals. The debate and decision about the sustainability of the debt should be agreed after a range of evidence has been submitted. The UNDP does a great deal of work on sustainability and the MDGs, and should be a key player in the process. But then, so should other agencies, like UNICEF, the WHO; but also locally based organisations, both official and civil society organisations.

The process of obtaining debt relief could be initiated by any debtor government which considers that their ability to meet the MDGs is being undermined by the requirement to make debt service payments. Once the debtor enters into the framework, she would automatically be granted protection from her creditors for the duration of the programme. This would prevent 'rogue' creditors from litigating against the debtor country in order to receive the full value of their claims.

The Secretary General of the UN would have responsibility for ensuring that the entire process is conducted in a way that is transparent, independent and fair – in particular by monitoring progress and making the panel's reports public, particularly in the debtor nation itself.

Only through the application of justice and reason to the resolution of debt crises, do we believe that debts could be made truly 'sustainable.' Only through such a framework of justice will debtor countries genuinely be given a 'fresh start.' Only through such a framework will we achieve the international economic justice demanded by 70,000 people that day in Birmingham – and later, by 24 million people worldwide.

7 Conclusions

Did the G8 Drop the Debt? The question is almost rhetorical, for even the G8 would acknowledge that in terms of results so far, the answer is emphatically no. Do the processes that have been set in train to effect debt cancellation for the poorest countries represent a long term solution to the debt crisis they still face? The stubborn retort of the G8 is affirmative; the equally emphatic reply of debt campaigners, underpinned by the evidence presented in this report, is still no. This is where the divergence of opinion lies. For the G8 appear all too willing to treat debt as an issue that has been deposited, subject to financial adjustment to the process of delivering cancellation. Debt campaigners believe, conversely, that the process is systematically flawed, underfunded, and heavily biased in the favour of creditors; we see no grounds for optimism that the cycle of poor country indebtedness will be broken under current policies.

Does this mean then, that the efforts of 70,000 protesters in Birmingham five years ago were wasted? Was the struggle of activists worldwide during the height of the Jubilee 2000 campaign pointless? Is the ongoing campaign to end Third World debt futile? No, for the issue of poor country debt remains formally on the agenda of the rich world. A movement has been created which remains motivated to tackle the gross injustice of debt, and today's campaigners are able to offer a clear critique of what is going wrong – and how that can be readily rectified.

Today, a strong and vibrant coalition – Jubilee Debt Campaign – succeeds the Jubilee 2000 (UK) Coalition. Its local/regional groups, along with member organisation Jubilee Research, and other members such as CAFOD, are clearly articulating the future objectives and policies that must be adopted by the international community to tackle poor country debts. With a voice that is being increasingly listened to by decision-makers and concerned individuals, the UK debt movement, five years on from the Birmingham Human Chain, continues to strive for pro-South approaches on debt to be at the heart of international development policy.

Our policy demands can be distilled into three clear objectives:

- Replacing the World Bank, IMF and G8's arbitrary and discredited view of the level of debt that poor countries can 'sustain' with a 'human development' approach. For the poorest countries, this will entail full cancellation of their debts.
- Ending the continuing attempt by the international financial institutions to impose discredited and harmful macroeconomic conditionalities on the poor through the debt relief process.
- Creating a fair, transparent and comprehensive international insolvency process for allowing creditors and debtors to resolve debt crises without compromising the basic social needs of the debtors' populations.

The rubric within which the first and second objectives could be achieved has already been agreed by all members of the United Nations. The 2015 Millennium Development Goals – whilst not the last word in development targets – represent a clear focus for the proceeds of debt cancellation. Looking at the issue in reverse, it would be untenable to reach 2015 only to find that the Goals have been missed for want of effective debt cancellation – poor countries should not be asked to 'sustain' any debts at the expense of expenditure on human development needs. Given the extent of annual debt repayments by poor countries, and given the relative efficiency and durability of providing finance through debt cancellation, we reaffirm that fully writing-off poor country debts is an essential (if not sufficient) step towards meeting the Millennium Development Goals, within most HIPC countries at the very least. Debt cancellation processes must therefore be recast to make meeting the Millennium Development Goals a defining feature.

With regard to the second objective, it is transparent, even to the international financial institutions and the more fiscally conservative governments, that a procedure needs to be established to forestall debt problems before they become crises. Again however, this warrants a human development approach; aside from excluding debts that are clearly odious and illegitimate (beyond the scope of this paper), the protection of essential social expenditure in debtor countries should be prioritised over minimising the liabilities of creditors. Sadly, this is not the case with the IMF's current proposed options, still less with what powerful voices in the US and elsewhere will accept. But, as with a domestic or municipal bankruptcy, the human needs – and rights – of poor country populations must be protected in a way that only an independent, comprehensive and accountable process can do.

Yet the above policy imperatives, however defensible (as we believe they are), merely give structure to a more fundamental, moral imperative. Seventy thousand people didn't gather in Birmingham five years ago to talk of the Millennium Development Goals. Neither did they congregate to call for new processes for arbitration or resolution of disputes between debtors and creditors. They formed a human chain to show solidarity with that large proportion of humanity that was – and is – chained by debt, and to demand that those chains be broken. This demand was not based on development reasons as such (although these were certainly implicit), but as a matter of simple justice; they believed that the suffering and loss of life that was directly or indirectly attributable to Third World debt was intolerable and avoidable – and that with enough political will and relatively small sums of money, this injustice could be erased. That remains the situation today.

Supporters of debt cancellation retain the passion and conviction to ensure that a fresh start, free from debt, can be achieved for the world's poorest people. With a network of campaigners and advocates – professional and lay – that stretches across the UK, the coalition repeatedly finds that the UK public retains a deep concern that Third World debt must be ended. The problem is that most have quite understandably succumbed to the impression fostered by global decision-makers that debt is an issue that has been dealt with and that attention must now turn to other pressing matters. But whilst accepting that poor country debt is not the only element of the injustice that underlies international economic relations, the response on the doorstep is one of shock that despite all the promises, a 'fresh start' for the world's poor remains a distant prospect. It is this fundamental (if occasionally latent) support for ending poor country debts that enables campaigners to pursue the moral case for debt cancellation and promote the means by which it can be achieved.

Given the scale of the outstanding problem, the inadequacy of existing procedures for addressing it and the continuing public support for ending poor country debts, our coalition's final call is for the institution of a *World Debt Day* – a moment in the international calendar which is set aside to remember past and present victims of debt, and focus attention on the pressing need to rapidly develop effective solutions to the debt crisis. Our hope is that such a day will become a global rallying point for all those who continue to care passionately about the suffering that debt causes, and will help ensure that the debt crisis is not forgotten by the world's richest and most powerful nations.

So, did the G8 drop the debt? As we have seen, no. But they can, and they must. Campaigners will not rest until they do.

Appendix
Jubilee 2000 and the Birmingham Chain: a pen portrait

The Debt Crisis Network

An international movement against debts had been in existence long before Jubilee 2000 gathered in Birmingham. The movement was, of course, strongest in the South. Here in Britain, the World Development Movement took the lead on the debt issue after 1982. Ed Mayo and Ben Jackson, then with WDM, helped launch a campaign for the cancellation of the debts of poor countries. WDM organised fund-raising concerts of African and Latin American music, demonstrations and the production of the *Financial Crimes* – a debt newspaper modelled on the *FT*.

Ed and John Denham of War on Want became convinced that NGOs working on the issue needed to co-ordinate their work more effectively. So in 1987 they set up the Debt Crisis Network (DCN), supported by Jessica Woodroffe and Tim Moulds of Christian Aid and Ian Marks of the Network for Social Change (NSC). After a while this group felt more needed to be done, and devised an advocacy programme for the DCN. In 1994 Ann Pettifor was hired as co-ordinator and subsequently added profile to the inter-agency debt campaign.

Despite the less than enthusiastic response from those they were lobbying, members of the Debt Crisis Network, including CAFOD, OXFAM, Christian Aid, War on Want and WDM persisted in their advocacy through the 1990s. Working with world debt expert, Matthew Martin (of Debt Relief International), they continued to apply great pressure on the Paris Club, World Bank and IMF.

In 1996, DCN launched a round-Britain tour of African leaders. They had decided to provide a platform for distinguished Africans, led by ex-President Kenneth Kaunda of Zambia and Archbishop Makhulu of Central Africa, to put the case for debt cancellation to the British people. That exhausting tour took place in the bitter winter weather of February that year. It was hugely successful; financed in part by the aid agencies, but mainly by Ian Marks, of the Network for Social Change.

Thanks to the generosity of the Network, the DCN was able to lay the ground for a great national campaign. (This financial support continued throughout the Jubilee 2000 campaign and, to this day, members of the Network, and in particular Ian Marks, still fund work for debt cancellation.)

Then at the climax of the tour, George Gelber of CAFOD helped DCN organise a meeting which was to be another turning point in the history of the debt campaign.

The role of the Catholic Church

The meeting was hosted by Cardinal Hume. He invited distinguished Catholics, including Latin American and African bishops, but also Protestant leaders, government ministers, and international financial experts. Prominent among his guests was a well known Catholic – Michel Camdessus, Managing Director of the IMF. The meeting was central in persuading the IMF to write-off its debts under the HIPC initiative. When Mr Camdessus agreed to accept the invitation from the Cardinal, he told his staff (so we are reliably informed) that he would be embarrassed if the IMF was not participating in the HIPC debt relief programme. His staff capitulated and agreed to meet with the World Bank HIPC team to discuss a comprehensive debt relief programme.

The Jubilee 2000 campaign

Over and above these high profile meetings, a wide coalition of aid agencies, trade unions, churches and campaigning groups was raising the profile of the issues amongst their own supporters. It was primarily this discreet activity that went towards building an informed, motivated – and angry – mass movement.

Three years of public meetings, leafleting and campaigning followed the 1996 African leaders' tour and Cardinal Hume's crucial meeting. In that time, much water flowed under the bridge. The HIPC initiative, while a big theoretical step forward, was slowed down by the IMF's insistence that debtor governments would have to 'perform' against a set of conditions laid down by the IMF.

At the grass roots, the British campaign crystallised and began to mobilise under the 'Jubilee 2000' banner – a campaign theme that originated with the academic, Martin Dent, and Michael Schluter (director of the Jubilee Centre in Cambridge) and was later supported by ex-diplomat and debt campaigner, Bill Peters. Members of the DCN were extremely sceptical of Dent's proposal, thinking it too religious; but the idea clearly had resonance amongst many grass-roots supporters and, thanks to the commitment and energy of Ann Pettifor, Isabel Carter and Tearfund, it was given legs and gradually adopted by CAFOD, Christian Aid and the New Economics Foundation. In October 1997, the Debt Crisis Network transformed itself into the Jubilee 2000 Coalition, with a broader base of membership that for the first time included black refugee groups, the trade unions and organisations like the Mothers Union and the British Medical Association. Michael Taylor of Christian Aid was elected as president and Ed Mayo of the New Economics Foundation as chair of the board.

Thus began the huge drive to achieve meaningful debt cancellation by the start of the new millennium.

Organisation of the Big Day

The organisation of the demonstration was undertaken by a team based in Birmingham (led by an events organiser and supported by both Christian Aid and the United Reformed Church) and one based in London. The London team were housed in a small, cramped office in Lower Marsh, Waterloo. Strategic planning and co-ordination was led by the director of Jubilee 2000, Ann Pettifor and her deputy, Adrian Lovett. Marlene Barrett, as campaigns director, was responsible for the overall organisation of the event – a huge task – and was supported in this by Angela Travis, Nick Buxton and Eva Otero, and by a group of extraordinary volunteers.

The big strategic question confronting both teams was this: how to organise an event that would not be marginalised by the police? We knew full well that a conventional demonstration would be sidelined, and diverted, perhaps, to a local football field. How could we alter the age-old dynamic between demonstrators on the one hand, the police and the media on the other?

It was Paul Place, Christian Aid's co-ordinator in Birmingham, who had the big idea: a human chain! A human chain was both a fresh initiative in Britain (we think it was the first) and would also symbolise the positive aspects of our campaign symbol: the chain. Whereas the chains of debt were a burden destructive of human life and potential, a human chain linked people together in a constructive way – North and South – and represented the power of solidarity and unity.

Thus was the stage set for one of the most significant demonstrations ever organised in the UK; and for an event that would put the cancellation of the debts of the poorest countries at the top of the international agenda.

Did the G8 Drop the Debt?

Five years after the Birmingham Human Chain, what has been achieved, and what more needs to be done?

A report by Romilly Greenhill and Ann Pettifor (Jubilee Research),
Henry Northover (CAFOD) and Ashok Sinha (Jubilee Debt Campaign)

May 2003