

Kenyan Bishops on Debt Cancellation

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Editor's Note "The efforts at debt cancellation that were made till now could be compared to the scraps that Lazarus hoped he could feed on at the rich man's table: they are illusory promises without real substances. ...Giving to others scraps rather than what they deserve means basically treating them in a sub-human way, not as human beings!" - Catholic Bishops of Kenya, Pastoral Letter, May 17, 2005

This AfricaFocus Bulletin contains the full text of this pastoral letter just released by the 29 Catholic bishops of Kenya, another expression of the demand for rich countries to act now for full cancellation of debts of African and other developing countries. Despite new recognition in statements by rich countries of the need for cancellation of debts, it is still unclear how much new action, if any, will emerge from the G8 summit in Edinburgh this July.

To send a message to rich country finance ministers calling for debt cancellation, visit <http://www.jubileedebtcampaign.org.uk>

To send messages calling for debt cancellation to President Bush and U.S. Treasury Secretary Snow, visit <http://www.afsc.org/africa-debt> <http://www.jubileeusa.org> or <http://www.africaaction.org>

For previous AfricaFocus Bulletins with background on Africa's debt, visit <http://www.africafocus.org/debtexp.php> ++++++end editor's note+++++

On the Burden of International Debt

A Pastoral Letter of The Catholic Bishops of Kenya

May 17, 2005

[Source: http://www.fides.org/eng/vita_chiesa/vescovi_kenya230505.html]

"Do not charge interest on a loan but fear your god and let your brethren live with you" (Lev 25:36)

1. Introduction

We, the Catholic Bishops of Kenya, wish to share our concern with the Christians and all the people of good will in our land. In the next months, many international happenings are scheduled around the world. These meetings will deal with important matters regarding our country, our continent - Africa - and all the developing countries in the world. In July, the most powerful countries, the so-called G8, will meet in Edinburgh, Great Britain, and they will discuss the status of the international debt and programs to reduce poverty in the South of the world. In September, the United Nations (UN) will organize the Millennium Assembly to discuss how to implement programs that will enable humanity to attain the Millennium Goals, among them, the reduction of global poverty and the development of a just world. Next December, the World Trade Organization (WTO) will convene in Hong Kong for a new round of talks, to decide on important regulation regarding international trade. We cannot forget that earlier this year the World Social Forum met in Brazil and that trade ministers from around the world met here in Kenya, in Mombasa, last March, to prepare the WTO meeting of next December. Thus our country is not only interested in these happenings. Kenya is part and parcel of the process that could lead to a better world. We would like to share with you a few reflections on the role each one can play to alleviate poverty and build a just society.

2. Origin of International Debt

Before looking at our present situation, we need to go back in time and understand why and how Kenya, like many other African countries, is deeply indebted to the rich countries in the world. At the end of World War II, the United States of America devised the Marshall Plan. This plan foresaw donations and long-term loans to European countries to finance their reconstruction and enable them to modernise their industry. The Europeans were able to make good use of these incentives and, in a short time, they became the privileged trading partners of the United States. The latter, afraid that the financial surplus thus created could lead to inflation, encouraged investment in American companies abroad. By the early 1960s, European banks were flooded with American dollars. At the same

time, most African countries were attaining their independence and needed funding to allow their economies to grow and improve infrastructure. International banks started to lend money at very low rates. Later, soon after the energy crisis of 1973, governments of Northern countries, faced with recession and mass unemployment at home, decided to endow States in the South with credit power regulated by bilateral agreements. In other words, a country in the rich North would allow a country in the South to buy goods and services from their industry and pay later on. In this way, employment and production were given a lease of life in exchange of later payment from third countries. Loans provided by the World Bank to finance development projects are a third source of debt. Most of these loans were underwritten in the 1960s; they still weigh heavily on the economies of the South of the world.

3. Africa: a Continent in Debt

Today, all developing countries in the World -Kenya included- have huge debts to repay. They owe money to private companies, usually international banks, to Governments, and to international institutions like the World Bank and International Monetary Fund. By the end of 2004, external debt of Sub-Saharan countries stood at US\$ 231 billion. At the same time, the Gross Domestic Product of these countries was just about US\$350 billion. In other words, African countries cannot pay back their debts and sustain development. Most countries have to spend more than twenty percent of their revenues to service the debt, i.e., to pay annual quotas of debt and the interests generated so far. The debt has helped the recovery and growth of rich countries, but denied the development of poor countries.

This situation goes hand in hand with other causes of stagnation and poverty. The G8 countries (Canada, France, Germany, Italy, Japan Russian, United Kingdom, and the United States of America) keep asking the South to be opened to free trade. They ask this while, at home, they heavily subsidize their industrial and agricultural sectors. How can Africa farmers compete with rich farmers in the North who receive government support and are so able to sell their produce under cost? There are also local causes to the growing unbalance in world development and poverty. In the past, funding provided by aid and loans was often skimmed by corrupt officials, misused in wrong investments, or directed to purposes different than those for what they were provided. Corruption on the part of our government officials and the lack of good governance are as much responsible of today's poverty as external causes. We cannot denounce the evil of foreign debt without accepting our responsibility for the growth of poverty among us.

4. God Speaks to Us

In our attempt to understand and present in its proper light the issue of debt cancellation we need to turn to the Word of God. We would like to focus the attention of all on the parable of the rich man and Lazarus, found in the Gospel of Luke (16:19-31). The rich man can easily be seen as representing the North, while poor Lazarus the underdeveloped South. The rich man ignores Lazarus' plight. For this attitude of his, his name has not been recorded while all know the name of the poor man: Lazarus. Ignoring the situation of other people, or worse, not caring about what our actions may cause in other people's lives, leads to loss of true human identity: our names will not be remembered. The efforts at debt cancellation that were made till now could be compared to the scraps that Lazarus hoped he could feed on at the rich man's table: they are illusory promises without real substances. Lazarus still died of hunger and disease! Besides, eating scraps of food that fall from a table is not in line with the dignity of human beings: it is fitting for pets! Giving to others scraps rather than what they deserve means basically treating them in a sub-human way, not as human beings!

The Word of God speaks frequently debt and cancellation of debt. In the book of Leviticus, God calls on the people to forgive all debts every fifty years. It is the jubilee of the Lord (Lv 25:1-22; see also Dt 15:1-2). Even when asking for collateral, one must not oppress the poor "No one shall take a hand mill or even its upper stone as a pledge for debt, for he would be taking the debtor's sustenance as a pledge" (Dt 24:6) As those responsible for the teaching office in the Church, we have the duty to alert all that the time to work on justice and equality issues is right now, in this life. In the fullness of the Kingdom of God, the roles of power will be reversed: the oppressed will rejoice and the oppressors will suffer. Far from being an invitation to passive acquiescence to the status quo, these remarks remind all that waiting for the future life to make amends will be too late. The right time is now. The Scriptures and the Christian way of life are so clear that all believers should be able to adhere to them. Those who choose otherwise are excluded from the communion and the joy of all God's children: not even something of an extraordinary nature would make them back to their senses.

Like some other parables, the one regarding the rich man and Lazarus is not finished: what will happen in the end, what kind of stand will be taken depends on each individual. Opening one's eyes on the poor man's plight is

possible for all generations and so it is for the present one. The invitation that we launch to all is clear: let us learn to listen and see! In this situation we would like to echo the words of the Holy Father in his Post-Synodal Apostolic Exhortation *Ecclesia in Africa*. The role of the Church is that of the Good Samaritan not only for the peoples and nations of Africa (EA 41), but also for those belonging to the affluent North on this particular issue. Being warned about the unwillingness to cancel unjust debts means to be given a chance not to end up like the rich man of the parable, who opened his eyes all too late. At the same time, we are convinced and we desire to proclaim once more that God's mercy is for all, since he has written our names on the palms of his hands (cf. Is49:15-16; EA 143). As God's children we are all invited together to solve the problems of this earth, without discriminating between rich and poor, but making sure that all move together in the same direction.

5. Kenya: Struggling for Change

It is our responsibility as shepherds to realize and help our flocks to understand that the external debt is evil. However the Kenyan debt was contracted, today it is the cause of oppression, of poverty, we dare say of neo-modern slavery. Kenya has been the recipient of a cumulative total of 17 billion US\$ in loans and aid; this equals to 1,275 billion shillings, or an average of 40,000 Kenya shillings per each citizen. In spite of his huge amount of money, Kenya has witnessed a progressive decline of its economy. Today, the vast majority of Kenyans live below the poverty line, while a small minority enjoys a life style higher than that of developed countries. Debt servicing is hampering our struggle for development and social justice. We should remember that the official poverty line is placed at earning less than US\$ 1 per day per person. We all know that this limit is in itself a masquerade. No person can be expected to live with less than 80 [Kenya] shillings per day, especially in our urban areas where the cost of life is no lower than that of many European or North American countries. To pay people according to the salary structures applying to most of our workers is tantamount to exploit their work in the pretence of legality.

We should also underline that much of the aid we receive from donor countries is not a donation toward development. More often than not, it is a loan that must be repaid and adds up to the already huge debt our country has towards the rich nations of the North. In his message for the World Day of Peace 2005, His Holiness John Paul II told us that, "The tragedy of poverty remains closely linked to the issues of the foreign debt of poor countries. Poor countries remain trapped in a vicious circle: low income and weak growth limit savings and, in turn, weak investments and an inefficient use of savings do not favour growth". "This need is clearly seen when we consider the many difficult problems standing in the way of development in Africa: numerous armed conflicts, pandemic diseases aggravated by extreme poverty, and political instability leading to widespread insecurity. These are tragic situations which call for a radically new direction for Africa: there is a need to create new forms of solidarity, at bilateral and multilateral levels, through a more decisive commitment on the part of all, with complete conviction that the well-being of the people of Africa is an indispensable condition for the attainment of the universal common good". (Message for the World Day of Peace 2005, #8 and 10)

6. Is it Just to Call for Debt Cancellation?

Debt becomes an ethical issue when it poses a major obstacle to the full enjoyment of human rights. In as far as debt servicing reduces people to poverty while its creditors determine Kenya's political, economic and social destiny, then debt is essentially a human rights issue and a moral concern for a Christian. We have to ask ourselves: why should the poor in our country, who have nothing to say about accruing the debt and have received little or no benefit from it, have to bear the greater burden of its payment? The grand total of Kenya's public debt is, in our view, unsustainable in as far as the country is left with insufficient funds to meet its human rights obligations, especially in relation to the Millennium Development Goals. We reject the narrow criteria used in the international Monetary Fund Debt Sustainability Analysis Framework. This approach only compares external debt to exports and does not seem to include domestic debt as part of a country's financial predicament. Yet, Kenya's internal debt is considerable - accounting for 45 per cent of the country's total outstanding debt - and it is foreign debt-related: we interpret it as our government's attempt to cover the gap in its balance of payments created by foreign debt servicing.

Poor management of the resources and especially those related to the public debt has been accompanied with chronic corruption in our country. In 1999, we analysed what we then termed: 'the paradox of Kenya's unrealised economic potential'. (Kenyan Bishops, 1999 'The Economy of Kenya' in AMECEA Documentation Service, ADS 11-12/1999 No. 502, 1st July 1999 Nairobi: AMECEA). We persistently continue to call on our governments to establish democratic structures and just policies in order to deal with famine, wages, working conditions, exploitation, conflict and insecurity. We remind our political leaders in particular that to deny Kenyans a new constitution indirectly amounts to denying their fellow-citizens their right to life. As far as Kenya's debt is concerned, it is estimated that 90 per cent of all the items included in the Public Debt Hedge Book could be

illegitimate, odious and fraudulent (Obonyo, R.O., 2005 The Crippling Debt Burden, Research on Kenya's Current Debt Situation, Paper Presented by Pro. Obonyo - University of Nairobi to the Kenya Debt Relief Network - KENDREN, Unpublished.) If odious, a country is not obliged to pay the debt under international law). If true, Kenya is not obliged to pay this kind of debt under international law.

At the same time, we reject the notion that the poor economy is solely the result of poor governance and rent-seeking. Even if all Kenyans were hardworking people, living together peacefully and governed by virtuous leaders, they would still be poor because of debt service payments. We believe Hon David Mwiraria, Minister for Finance, when he stated in his budget speech 2003/2004 that the debt service continued to squeeze essential expenditures out of the budget. Debt servicing was Kenya's single largest budgetary item in the budget 2003/2004 accounting for 32 per cent of the entire budget -more than the country spent on education and health combined. This kind of debt is a matter of contractual or commutative justice: a legally enforceable contract is not necessarily a morally just one. To be just an agreement must also ensure social cohesion, peacefully co-existence between nations, and their common development (Pontifical Council "Cor Unum", 1999 World Hunger a challenge for all: Development and Solidarity, #26). Whereas austerity measures geared towards debt servicing put the heaviest human cost on our poor and failed to turn Kenya into a paradise, banks in high-income countries have seen their outstanding Third World loans drop. For them the IMF did a good job. These banks have further taken adequate measures to absorb losses that might result from default on the part of any single large debtor. Here we say that the burden of the debt crisis must be shared by all. Commercial banks, though not Kenya's main creditors, can no longer be permitted to pass on their losses to Kenya taxpayers.

Visible damage has already been done. Together with all the bishops of Africa and Madagascar we see a clear link between the HIV/AIDS pandemic and poverty (Symposium of Episcopal Conference of Africa and Madagascar - SECAM, 2003, The Church in Africa in Face of the HIV/AIDS Pandemic, 'Our Prayer is Always Full of Hope', Message issued by SECAM, 7th October 2003, Dakar). It is also no coincidence to hear the Holy Father speak about the Africa debt on a World Day of Peace. Obviously, this vicious circle of debt, poverty, disease and conflict in Africa needs to be broken. We applaud the willingness of the International Financial Institutions and some G8 countries to take new measures to cancel Africa's debt erodes the international common good. On the other hand, we realise that the cancellation of debts will not transform by itself the historical/factorial/structural inequalities between the nations of the world. The outcome of a sports contest between a world-champion and a beginner is predictable even if the rules of the game are fair and equally applied. The failure to bring about international social justice is not just a technical or political mistake; it is a failure of solidarity (John Paul II, On Social Concern - Sollicitudo Rei Socialis -Washington, D.C: United States Catholic Conference, 1986, no. 23). Moreover, mechanism should be put in place to monitor our governance's spending and encourage accountability and transparency. We will also have to work towards a clear shared vision on development in our country.

7. What We Want to See Happening

We expect the Governments of creditor countries to implement the total cancellation of the debt owed by Kenya, relax restrictive monetary policies and encourage imports from the developing world; when pursuing macroeconomic strategies to keep in mind that the ability to repay debts and attract private investor capital is co-determined by the level of global and domestic interest rates;

We remind the industrialised countries of their promise to spend 0.7 per cent of their GDP on Official Development Aid;

We expect the international Financial Institutions to provide sufficient financial liquidity and policy flexibility so that Kenya can make the necessary adjustments without further sacrificing growth and equity;

We expect commercial banks, in the high-income countries to apply principles that protect basic human rights in the least developed countries;

We expect the National and International Banks to favour the poor and be pro-development in their business transactions, not just profit oriented;

We encourage the Government of Kenya to cooperate with interested parties toward the cancellation of its external public debt;

We expect the Government of Kenya to provide leadership and let out nation's standing in the world be based upon transparency, accountability and genuine concern for the poorest; 'lack of capacity' can be no excuse for a government's allowing others to determine the destiny of our nation;

We request the government to do whatever is possible and drastically reduce the domestic debt. We call on the people of Kenya to ensure that proper monitoring will be in place and facilitate a transparent use of development funds.

We demand that all those people, most so the Kenya citizens who have siphoned some government funds and are now hiding them in some personal accounts abroad to return it back with apologies to the nation.

We call on all people of goodwill to help restructure the entire international trading and financial system. We ask them in particular to help create a fair and transparent arbitration process framework.

After doing all what is humanly possible, we must turn in trust to our Lord and Saviour to bless Kenya and its peoples.

Signed by all catholic Bishops of Kenya:

1. Rt. Rev Cornelius Arap Korir - Bishop of Eldoret/Chairman, Kenya Episcopal Conference
2. Rt Rev Peter Kairo - Bishop of Nakuru/Vice Chairman, Kenya Episcopal Conference
3. Most Rev. R.S Ndingi Mwana a Nzeki - Archbishop of Nairobi
4. Most Rev John Njenga - Archbishop of Mombasa
5. Most Rev Zacchaes Okoth - Archbishop of Kisumu
6. Most Rev Nicodemus Kirima - Archbishop of Nyeri
7. Most Rev John Njue - Coadjutor Archbishop of Nyeri
8. Rt. Rev Philip Sulumeti - Bishop of Kakamega
9. Rt. Rev. Ambrose Ravasi - Bishop of Marsabit
10. Rt. Rev Paul Darmanin - Bishop of Garissa
11. Rt Rev. Joseph Mairura Okemwa - Bishop of Kisii
12. Rt Rev. Boniface Lele - Bishop of Kitui
13. Rt Rev. Philip Anyolo - Bishop of Homa Bay
14. Rt Rev. Luigi Locati - Bishop of Isiolo Vicariate
15. Rt Rev. Alfred Rotich - Bishop of Military Ordinariate
16. Rt Rev. Maurice Crowley - Bishop of Kitale
17. Rt Rev. Norman King'oo Wambua - Bishop of Bungoma
18. Rt Rev. Peter Kihara Kariuki, IMC - Bishop of Murang'a
19. Rt Rev. David Kamau Ng'ang'a - Auxiliary Bishop of Nairobi
20. Rt Rev. Anthony Mukobo, IMC - Auxiliary Bishop of Nairobi
21. Rt Rev. Patrick Harrington - Bishop of Lodwar
22. Rt Rev. Francis Baldacchino - Bishop of Malindi
23. Rt Rev. Virgilio Pante IMC - Bishop of Maralal
24. Rt Rev. Salesius Mugambi - Bishop of Meru
25. Rt Rev. Cornelius Schilder - Bishop of Ngong
26. Rt Rev. Luigi Paiaro - Bishop of Nyahururu
27. Rt Rev. Emmanuel Okombo - Bishop of Kericho
28. Rt Rev. Martin Kivuva Musonde - Bishop of Machakos
29. Rt Rev. Anthony Muheria - Bishop of Embu