



## **The JUBILEE Act: Summary and Frequently Asked Questions**

Representatives Waters (D-CA), Leach (R-IA), Frank (D-MA), Bachus (R-AL), Lee (D-CA), and Maloney (D-NY) re-introduced the JUBILEE Act (HR 1130) in March 2005. The JUBILEE Act is groundbreaking legislation that would require the U.S. Treasury Department to work in appropriate multilateral settings to achieve 100 percent cancellation of the debts of 50 nations by the multi-lateral development institutions including the International Monetary Fund (IMF), World Bank, African Development Bank (AfDB), Asian Development Bank (ADB) and Inter-American Development Bank (IDB). The bill urges that the debt cancellation be paid for from the international financial institutions' own resources and that it come without harmful conditionality attached. The JUBILEE Act will help build a better safer world by providing impoverished nations the fresh start necessary for development.

• **The JUBILEE Act will help build a better safer world by providing impoverished nations the fresh start necessary for development.**

- o The cancellation of debts owed to the IMF, WB and regional development banks would remove a major impediment to poverty reduction and economic growth in Asia, Africa and Latin America and enable the nations to invest its resources in health care, education, and poverty reduction.
- o Resources freed up through debt cancellation can be used to fight AIDS and to help achieve Millennium Development Goals, thus building healthier and more sustainable communities, which will in turn build regional stability.
- o Over the past eight years we have found that initial debt relief has proven highly effective. When a country has more access to their own resources these resources have enabled nations to raise health and education spending by 40-90 percent. Imagine the impact of 100 percent cancellation by the largest creditors, the multi-lateral development institutions.
- o The JUBILEE Act encourages recipient nations to **commit 20 percent of their budgets to meeting the basic needs of their nations** in accordance with the UN's 20/20 initiative.

• **The JUBILEE Act will require that the institutions pay their fair share of the burden of debt cancellation, and will not cost the U.S. taxpayer a dime.**

- o The IMF and World Bank are the first creditors to be paid back by an indebted country. A country will service the debt to the IMF and World Bank, not only before servicing other debt, but also at the expense of other government expenditures, especially health care and education.
- o These multi-lateral development institutions, as a primary creditors for the most impoverished

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nations have made equally risky loans as bi-lateral creditors like the U.S. that have already committed to 100 percent cancellation. It is high time for the multi-lateral institutions to do their fair share.

o The JUBILEE Act suggests that the institutions to find a way to finance this cancellation from their vast existing resources (which includes gold holdings at the IMF and reserve accounts at the World Bank), so the JUBILEE Act will not place a financial burden on the U.S.

• **The IMF and World Bank can afford to cancel the debt of impoverished nations from their own resources without inhibiting their ability to lend to other developing nations.**

o The IMF and World Bank will respond to the call for 100 percent cancellation by pleading poverty. But reports by British accounting firms, and just last fall by Jubilee Research in the UK have shown that **the World Bank and IMF have enough resources to cancel 100 percent of the Heavily Indebted Poor Country debts without any impact on their credit rating or ability to lend**, and could probably expand to cover cancellation for many countries outside the HIPC Initiative.

• **The JUBILEE Act goes beyond the July 2005 G-8 debt deal in addressing the debt crisis of impoverished nations.**

o The G-8 agreement is limited to 38 countries within the HIPC initiative. The JUBILEE Act covers 50 countries, including other low-income countries and middle-income countries that have substantial odious/illegitimate debt burdens such as the Philippines.

o For the additional 20 countries that will benefit from 100% debt cancellation beyond the initial 18 under the G-8 agreement, they are required to implement the harmful economic policies contained in the HIPC initiative in order to qualify. The JUBILEE Act does not mandate structural adjustment policies be followed to obtain debt cancellation. These economic policies have not been proven to increase per capita income growth or reduce poverty. Also, it is worth noting that it took the last nine years for all of these 18 countries receiving immediate debt cancellation to reach HIPC “completion point” and therefore become eligible. Cameroon, one of the countries waiting to reach completion point has been at the step prior to completion point (called decision point) for the past five years.

o Debt to the Inter-American Development Bank and Asian Development Bank are excluded from the G-8 deal. The JUBILEE Act would cancel the debts due to these regional development banks. As an example of how much money is due to the IDB, the four Latin American HIPC countries will together pay almost \$1.4 billion in debt service over the next five years to the IDB. These four countries are Bolivia, Guayana, Honduras, and Nicaragua.

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## **Frequently Asked Questions**

### **1. Why were these countries chosen for inclusion in the bill?**

Initially, Jubilee USA Network had a longer list of countries that need debt cancellation, but Congressional sponsors requested that some be removed. Some countries that are heavily indebted poor countries are not on the list – Sudan, Somalia, Sierra Leone and Burma – for conflict and human rights reasons. Some countries that Jubilee would support debt cancellation for were not included because their debts are too large, and there was concern that it would not be affordable for their debts to be fully cancelled. Jubilee will work to achieve debt cancellation for those countries not included in the bill through other means and possibly in future legislation.

### **2. Aren't some of these countries middle-income countries?**

Some of the countries included are often thought of as middle income countries, even though they have large segments of their population that are severely impoverished. The additional countries were included for at least one (in some case all) of the following reasons:

- o They are countries with odious debt – where people oppressed by irresponsible lending are paying back a debt for their own oppression. This is especially true for South Africa, Philippines, some of the Southern African nations, Haiti and Peru.
- o They are countries with a heavy burden of AIDS – where debt cancellation would provide life-saving resources that are needed urgently. This is especially true for Botswana, Namibia and Nigeria, for example.
- o They are countries where debt has had a severe impact on their economies and have actively inhibited their ability to develop, like Jamaica and Bangladesh.

### **3. Are there any conditions to ensure that the funds go to poverty reduction?**

While in the legislation there is not a direct tie between funds and poverty reduction, there is the provision that governments should spend 20% of their budgets on social services and development in accordance with the UN 20/20 initiative. Debt relief granted so far has been highly effective and in many cases countries that have received debt cancellation have developed joint civil society-government processes to ensure the funds are used for the benefit of the majority. Thus far we have seen that countries have received debt relief have seen significant increases in spending on health and education, and no increases in military or for other purposes. Though many of these mechanisms are already in place in impoverished countries to ensure that funding is allocated properly, Jubilee will continue to work closely with civil society partners in the global South to ensure transparency and use of proceeds from debt relief for social needs.