

# JUBILEE ACT FAQ

## H.R. 2634/S. 2166



### ***Support Broader Debt Cancellation to Fight Global Poverty!***

#### **WHICH COUNTRIES REQUIRE DEBT CANCELLATION TO MEET THE MILLENNIUM DEVELOPMENT GOALS?**

Sixty-seven of the world's most impoverished countries require debt cancellation to meet the U.N. Millennium Development Goals (MDGs). These countries have substantial debts and a per capita income below \$1,025. They are impoverished countries eligible to borrow and receive grants from the World Bank's low-income lending arm, the International Development Association. UK Prime Minister Gordon Brown, has called for debt cancellation for these countries. The Jubilee Act includes 40 impoverished countries eligible for debt relief through the 2005 G8 debt deal and expands eligibility for debt relief to the 27 most impoverished countries not currently included in the 2005 G8 deal.

#### **DOES THE JUBILEE ACT ENSURE THAT DEBT CANCELLATION FUNDS GO TO POVERTY REDUCTION?**

Yes, the JUBILEE Act includes language requiring countries to use the money freed by debt cancellation for poverty reduction and requires a report of how each country intends to use, and has used, the funds. The bill also calls on governments to seek input from civil society as they decide how to allocate the money saved through debt cancellation and to make spending reports easily accessible to the public.

#### **HOW WILL WE ENSURE THAT COUNTRIES DO NOT FALL BACK INTO ODIOS OR UNSUSTAINABLE DEBT?**

In what is known as the "free-rider" problem, new lenders – notably China – have been lending to impoverished countries at levels that threaten to create unsustainable levels of debt. Vulture funds that buy the unpayable debts of impoverished countries at low cost, then sue those countries for exorbitant sums also threaten gains from debt cancellation. The Jubilee Act calls on the U.S. Treasury to address these problems and establish a framework to ensure more transparent and responsible creditor behavior. The Jubilee Act also calls on the U.S. Treasury to continue to support 100 percent grants for impoverished countries so that there will be less need for future borrowing.

#### **DOES THE JUBILEE ACT ADDRESS ODIOS AND ILLEGITIMATE DEBT?**

Yes, Jubilee USA recognizes that irresponsible lending to dictatorships is a significant source of debt and the Jubilee Act directs the Government Accountability Office to undertake an audit of past lending by the United States, international financial institutions and other creditors to countries with demonstrably odious debts, such as Haiti, Liberia, and the Democratic Republic of Congo.

#### **WHY DOES THE JUBILEE ACT PROHIBIT HARMFUL ECONOMIC CONDITIONS ATTACHED TO DEBT CANCELLATION?**

Economic policy conditions, such as those requiring impoverished countries to privatize much-needed resources or freeze all hiring and salaries for health care workers, prevent countries from channeling resources towards poverty alleviation. The Jubilee Act would prohibit specific harmful economic conditions including the imposition of user fees on health and education, mandated privatization of water, and conditions which limit workers' rights.

#### **HOW WILL WE PAY FOR THIS EXPANDED DEBT CANCELLATION?**

Expanded debt cancellation can be funded utilizing the existing resources of the World Bank and IMF, to the extent possible without diverting funds from other high-priority poverty alleviation programs. Researchers have identified the World Bank's IBRD reserves and the sale of the IMF's gold reserves as potential sources of funds for IMF and World Bank debt cancellation. If these internal IMF and World Bank resources were tapped to fund debt cancellation, the cost to the United States and other wealthy countries would be minimal.