## Frequently Asked Questions on the Jubilee Act: Country Eligibility and Provisions to Avoid Corruption

In order to speed progress towards the achievement of the Millennium Development Goals (MDGs), the Jubilee Act for Responsible Lending and Expanded Debt Cancellation (HR 4405) would potentially make up to 22 additional poor nations eligible for debt cancellation beyond those nations which already qualify for the Heavily Indebted Poor Countries (HIPC) initiative of the World Bank and IMF.[1] To qualify, additional nations must qualify for "IDA-only" assistance from the World Bank, avoid gross violations of human rights and excessive military expenditure, and demonstrate the ability to manage released funds effectively and transparently for poverty alleviation. Based on provisions in the act, we estimate that initially 7 nations – listed below – would become eligible under the terms of this legislation -- Kenya, Lesotho, Moldova, Mongolia, Samoa, Vietnam, and Vanuatu.

**This fact sheet highlights the *specific provisions of the Act which are designed to ensure that funds released from debt cancellation reach those who need it most.***

### Specific Eligibility Requirements in the Jubilee Act Protect Against Corruption

While debt relief has a positive record to date, supporters must be vigilant to ensure that proceeds from debt cancellation continue to be devoted to fighting poverty. The Jubilee Act requires countries to meet specific criteria – including criteria in the areas of public financial management and budget transparency – to qualify and be eligible for debt cancellation. The Act also requires nations to use the funds released by debt cancellation to fight poverty.

Country eligibility is defined in the following way in the Act:

> `(h) Eligible Low-Income Country Defined- In this section, the term `eligible low-income country' means a country--
>
> > `(1) that is eligible for financing from the International Development Association but not the World Bank;
> > `(2) that has transparent and effective budget execution and public financial management systems which ensure that the savings from debt relief are spent on reducing poverty; and
> > `(3) the government of which does not have an excessive level of military expenditures;
> > `(4) the government of which has not repeatedly provided support for acts of international terrorism, as determined by the Secretary of State under section 6(j)(1) of the Export Administration Act of 1979 (50 U.S.C. App. 2405(j)(1)), or section 620A(a) of the Foreign Assistance Act of 1961 (22 U.S.C. 2371(a));
> > `(5) the government of which is cooperating on international narcotics control matters; and
> > `(6) the government of which (including its military or other security forces) does not engage in a consistent pattern of gross violations of internationally recognized human rights.'

These requirements for eligibility mean that of the additional 22 low-income nations which receive support exclusively from the International Development Association (IDA), only those nations that meet the above tests would actually be eligible to benefit from the initiative. It is clear, for instance, that Myanmar (Burma) would not be eligible for debt cancellation because of item (6).

[1] Our previous estimates had included 24 countries. We are no longer including Sri Lanka and Bhutan because these nations are already eligible for the HIPC Initiative, but have so far declined to enter into the initiative. Donors have already committed to cover costs associated with cancellation for these countries if they choose to join the initiative at a later date.

Transparent Budgets and Effective Public Financial Management

To determine which countries have effective budget execution and good public financial management, we propose a system which evaluates a country's scores within the World Bank's Country Policy and Institutional Assessment (CPIA) framework, looking specifically at a country's CPIA ratings on public sector management and budget and financial management.

**Our proposal, based upon a similar plan currently used by the UK government through its "UK Multilateral Debt Relief Initiative", would make countries eligible based on their CPIA ratings primarily in Public Sector management and financial management. Based on these criteria, an initial review indicates that the following 7 countries would be quickly eligible for debt relief: Samoa, Vietnam, Kenya, Mongolia, Lesotho, Moldova, and Vanuatu. As more countries meet standards on transparency and public financial management, they could also become eligible. This would serve as a positive incentive for countries to improve their public financial management practices in order to access relief.**

### Requirements that Funds Released from Debt Cancellation Be Used to Fight Poverty

In addition to eligibility requirements, the Jubilee Act also includes provisions which require that resources freed up by debt cancellation be used to reduce poverty:

(4) Requiring the government of each eligible low-income country to--

`(A) allocate the savings from debt cancellation towards poverty-reducing expenditures;

`(B) engage interested parties, including a broad cross-section of civil society groups, in the allocation determination process; and

`(C) produce an annual report disclosing how the savings from debt cancellation were used, and make the report publicly available and easily accessible to all interested parties, including civil society groups and the media.

These measures are intended to ensure further accountability from countries which qualify for the initiative based on the quality of their policies, to make sure that proceeds from debt cancellation reach those who need it most.