



Fact Sheet on Debt Cancellation and IMF Gold

In 2005, there is a rare opportunity to address the crisis of debt which is exacerbating poverty in Africa, Asia, and Latin America.

The Bush administration and the G-8 have acknowledged that more must be done to cancel impoverished country debt and the issue is on the agenda of the July 2005 G-8 summit in Gleneagles, Scotland. We call on the U.S. government to work with other G-8 nations to announce a deal at the July G-8 Summit for full debt cancellation from the IMF, World Bank, and other creditors for all impoverished nations and countries in crisis, without harmful economic conditions.

100% multilateral debt cancellation for impoverished countries would enable them to invest their resources in HIV/AIDS treatment and prevention, health care, education, clean water, poverty reduction, and other programs that meet human needs.

The Crisis of Debt

Many impoverished countries are unable to eradicate poverty, develop their economies or provide for the basic needs of their people because of the crushing burden of servicing their multilateral debts. Poor countries in Africa, for example, spend an average of \$14 per person on debt service payments to international financial institutions like the International Monetary Fund (IMF) and the World Bank and only \$5 per person on health care.

While more 6,000 Africans die daily from HIV/AIDS, African nations send \$13 billion in debt service payments each year to wealthy creditors. UNAIDS estimates that \$10 billion each year would stem the tide of the HIV/AIDS pandemic.

The UN estimates that 30,000 children die each day from preventable diseases. Meanwhile, 10 out of 14 African nations are still paying more on debt service than on their entire health budget. Debt cancellation frees up resources to invest in health and stops children from dying needlessly.

Debt Relief Works

Debt relief is a tested and effective tool for releasing resources to fight poverty. Under pressure from the global Jubilee movement, most debt owed to the US and other G-7 governments for the poorest nations was cancelled in 1999 and some debt owed to the IMF and World Bank has been relieved under the Heavily Indebted Poor Countries (HIPC) Initiative.

This debt relief has been used to fight poverty and savings from debt relief have:

- More than doubled school enrollment in Uganda;
- Provided 3 extra years of school for Honduran children; and
- Provided resources to fight against HIV/AIDS in Mali, Mozambique, Senegal and Cameroon.

But the HIPC Initiative has failed to provide an exit to the debt crisis. The amount countries pay creditors each year has only fallen by on average by one-third. HIPC provides too little relief, for

Jubilee USA Network is a national network of 70 faith-based, environmental, community, solidarity, and labor rights organizations working for freedom from debt for nations across Asia, Africa, and Latin America.



too few countries, with too many harmful economic conditions. It is time for a bold new approach.

The G-8 Must Act in 2005

Jubilee USA Network has called for 100% debt cancellation for impoverished nations for years. Impoverished nations will not meet the internationally agreed upon Millennium Development Goals (MDGs) without full debt cancellation – additional resources will be needed as well, but debt cancellation is a critical first step.

In 2004, after years of campaigning, the US and UK governments embraced for the first time the principle of 100% debt cancellation – an important victory for our movement. The Bush administration supports 100% cancellation of World Bank and African Development Fund debts for 27 “decision point” HIPC countries. But the Treasury department has recently backtracked and deemed IMF debt cancellation unnecessary at this time. Yet in the next five years, IMF debt service payments represent 30 percent of total debt payments made by these 27 HIPCs to the World Bank and IMF. These 27 countries alone will have to pay almost \$1.3 billion to the IMF over these next five years.

We call on the US government to cancel 100% of the debt owed to the IMF, World Bank, and African Development Fund for all impoverished countries without harmful economic conditions. The G-8 have now been discussing debt cancellation since June 2004 – with little progress. Much of the delay is due to quibbling over how to pay for debt cancellation and over which countries will be included.

Resources Exist to Finance Debt Cancellation

Jubilee USA Network supports financing debt cancellation through some sale of the IMF’s gold reserves, using the accumulated and future profits of the World Bank (IBRD), and drawing down the harmful PRGF/structural adjustment lending arm of the IMF.

A recent IMF report on the possibility of IMF gold sales submitted to the G-7 demonstrated that gold sales could take place without negatively impacting the world market price for gold. The IMF suggested that such sales could take place either through the existing Central Bank Gold Agreement or through direct sales to countries’ Central Banks.

Officials from the gold producing countries of South Africa and Tanzania have publicly supported such an initiative. The HIPC Finance Ministers (including gold producers) issued a statement in March that also supported the use of IMF gold reserves to finance debt cancellation.