



Frequently Asked Questions on the Jubilee Act

Support Broader Debt Cancellation
to Fight Global Poverty

But haven't we already given debt relief?

The G-8 debt deal agreed to in 2005 was an important step, but only 1 in 10 people in impoverished countries will see any benefit from the debt cancellation achieved to date. The 40 countries that were covered in the 1999 and 2005 arrangements (respectively the Heavily Indebted Poor Countries and Multilateral Debt Relief Initiatives) were selected because their debt was determined “unsustainable” by the World Bank (meaning their debt-export level were above a 150% ratio). This requirement excluded many poor countries from the deal on debt. Furthermore, because of the harmful economic policies like privatization of basic social services countries must implement to qualify for debt cancellation, to date only 26 of the 40 countries eligible for the G-8 debt deal have yet to see their debt cancelled.

What does the IMF and World Bank have to do with debt?

The IMF and World Bank have established the criteria for debt cancellation. In order to qualify for cancellation, a country must implement a number of harmful economic policies aimed at liberalizing their national economy. These conditions, such as privatization of much-needed resources or freezing all hiring and salaries for health care workers, have hurt the citizens of poor countries the most. The Jubilee Act prohibits specific harmful conditions attached to qualifying for debt cancellation, and therefore stops the IMF and World Bank from restricting availability of basic, public services like health care, education, and clean water.

Who does the Jubilee Act help?

The Jubilee Act will extend debt cancellation up to an additional 22 impoverished countries that did not previously qualify under the HIPC and MDRI mechanisms. These countries are eligible to borrow from the World Bank's low-income lending arm, the International Development Association. Britain's Prime Minister, Gordon Brown, has called for debt cancellation for these countries. The Jubilee Act also includes the 40 impoverished countries already eligible for 100 percent cancellation under the 2005 G-8 agreement; 14 of these countries' cancellation has been stalled due to trouble implementing harmful economic conditions, and thus the Jubilee Act's removal of these conditions will assist the remaining HIPC and MDRI countries to receive debt cancellation.

How much will the Jubilee Act cost?

The cost for the 22 additional countries' bilateral debt to the United States would be less than 40 cents per U.S. resident per year. The costs for multilateral debt cancellation would be minimal if the IFIs agree to use the existing, additional internal resources such as IMF gold sales, and use of World Bank reserves. In a worse case scenario in which multilateral debt cancellation would be funded entirely by additional donor contributions, the cost to the U.S. would be less than a dollar more per U.S. resident per year.

How will we pay for it?

Expanded debt cancellation can be funded utilizing the existing resources of the World Bank and IMF without diverting funds from other high-priority poverty alleviation programs. Researchers have identified the World Bank's reserves and the sale of the IMF's gold as potential sources of multilateral funds. Funding this cancellation may require additional resources from the US government, though this would not exceed the appropriations necessary to fund the 2005 G-8 debt deal.

What about corruption? How do we know the money is going to the right places?

The Jubilee Act stops corruption in poor countries by both recognizing the wrongs of past corrupt governments and taking preventative measures. Jubilee recognizes that irresponsible lending to dictatorships is a significant source of debt. One study finds it comprises at least 20% of all debt in impoverished countries. The Jubilee Act would direct an independent agency (such as the Government Accountability Office) to undertake an audit of past lending by international financial institutions to a set of eligible impoverished countries with demonstrably odious debts, such as Haiti or Liberia.

To prevent future misuse of state money, the Jubilee Act directs poor country governments that receive debt cancellation to portion at least 20% of their national budget towards poverty alleviation. Funding towards concrete measures to reduce poverty highlighted in the Act include increasing access to clean water, and providing basic education and health services. To receive cancellation governments are required to make policy decisions transparently and democratically, demonstrate anti-corruption and good public financial management measures, and involve civil society in creating and implementing policy. All of these elements must be demonstrated in a widely available annual report, disclosing how money saved through debt cancellation was spent.

Why should we support debt cancellation in other countries when we have our own economic crisis here?

Cancelling debt of poor countries is both ethical and in our own interest, especially in the current economic climate. Poor countries have grown poorer over the last several decades, partially because of their unsustainable debt burdens. In 2000, world leaders made a commitment to mobilize the needed resources to substantially reduce extreme poverty by 2015, and yet these goals will be unreachable as long as the world's poorest countries sent \$100 million per day to rich countries in the form of debt service. At a time when more than 30,000 children per day die of hunger and preventable diseases, debt cancellation is the right thing to do.

On the practical side, debt in poor countries causes global increases in unemployment, climate change, immigration, drug trafficking, and conflict. The debt crisis impoverished many already-low income countries, and this poverty has driven many citizens into the illegal drug trade or forced them to migrate to the U.S. In addition, U.S. unemployment is directly related to lack of global demand for U.S. products – and high debt burdens in poor countries weakens their economies and reduces their demand for U.S. goods. Debt also causes war both directly and indirectly; under Saddam Hussein, Iraq invaded Kuwait in 1990 partly because Iraq did not want to pay back the \$12 billion loan they owed Kuwait. Furthermore, the instability caused by poverty increases chances of war, conflict, and failed states which are, especially in our globalized world, everyone’s problem. Former Secretary of State Colin Powell stated that global poverty is the number one U.S. national security concern.

How do we stop another debt crisis?

New lenders – notably China – have been lending to impoverished countries at levels that threaten to create new unsustainable debts, in what is referred to as the “free-rider” problem. The Jubilee Act includes a provision on responsible lending that calls on the U.S. Treasury to address the free-rider problem and to adopt responsible financing standards to avoid the re-accumulation of odious and unsustainable debts.

Jubilee USA Network is the US arm of the international movement working for debt cancellation for impoverished nations. Jubilee USA is a network of more than 80 religious denominations and faith-based organizations, environmental organizations, trade unions, and community and advocacy groups working for freedom from debt and economic justice for countries in Africa, Asia, and Latin America. Learn more at www.jubileeusa.org.