

# JUBILEE ACT FAQ

## FREQUENTLY ASKED QUESTIONS ON THE JUBILEE ACT 2007: THE SABBATH YEAR



### **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 from the World Bank's low-income lending arm, the International Development Association. Britain's Chancellor of the Exchequer, Gordon Brown, has called for debt cancellation for these countries. The JUBILEE Act includes 40 impoverished countries already eligible for 100 percent cancellation under the 2005 G-8 agreement, though only 21 of these 40 countries have obtained debt cancellation due to delays caused by harmful economic conditions.

#### **Does the JUBILEE Act ensure that debt cancellation funds go to poverty reduction?**

Yes. The JUBILEE Act will include language requiring countries to use monies saved from servicing debt to be put towards poverty reduction and requires a report of how each country intends to use the monies. The language will also recommend that governments seek input from civil society in the decision-making process of allocating monies being saved. Following the United Nations 20:20 Initiative, such language also recommends that 20 percent of each nation's budget be spent on poverty-alleviation programs such as basic health care, education, and clean water access.

#### **How will we ensure that countries do not fall back into odious or unsustainable debt?**

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. Vulture funds that buy unpayable debts of impoverished countries at low cost and then sue those countries for exorbitant sums also threaten gains from debt cancellation. The JUBILEE Act is expected to include 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. The JUBILEE Act would call on Treasury to continue to support 100 percent grants for impoverished countries.

#### **Does the JUBILEE Act address odious and illegitimate debt?**

Yes. Jubilee recognizes that irresponsible lending to dictatorships is a significant source of debt. One study finds it comprises at least 20 percent 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.

#### **Why does the JUBILEE Act prohibit harmful economic conditions attached to debt cancellation?**

Removing economic conditions, such as those requiring impoverished countries to privatize much-needed resources or freeze all hiring and salaries for health care workers, would further enable these countries to channel resources towards poverty alleviation. The JUBILEE Act would prohibit specific harmful economic conditions including the imposition of user fees on health and education, cost recovery for basic services, mandated privatization of water, conditions which limit workers' rights, and the use of International Monetary Fund (IMF) budget ceilings that limit nations' abilities to spend money on education and health.

#### **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 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.