Summary of the Jubilee Act for Responsible Lending and Expanded Debt Cancellation (H.R.4405)

On December 16, 2009 the Jubilee Act (H.R.4405) was reintroduced in Congress by Representative Maxine Waters (D-CA), along with Financial Services Committee Chairman Barney Frank (D-MA), Ranking Member Spencer Bachus (R-AL), Judy Biggert (R-IL), Carolyn Maloney(D-NY), Luis V. Gutiérrez (D-IL), Donald M. Payne (D-NJ), Greg Walden (R-OR), Emanuel Cleaver (D-MO) and Barbara Lee (D-CA).

Nine years ago, the Jubilee 2000 campaign brought the issue of crushing international debt onto the agenda of world leaders and Congress responded by taking action to support debt relief. Seven years after this historic campaign, the Jubilee Act for Responsible Lending and Expanded Debt Cancellation of 2007, known as the Jubilee Act, provided Congress with a new opportunity to address the unfinished agenda on international debt. We know that debt relief works. Thanks to the debt relief achieved so far, millions of children are now in school and thousands more have access to health care. But more must be done to ensure that the life-saving impacts of debt cancellation in 1999 and 2005 are preserved, and the Millennium Development Goals are met.

In the 110th Congress, the Jubilee Act passed the House of Representatives with a two-thirds majority and passed the Senate Foreign Relations Committee.

Establishing a Framework for Transparent, Responsible Lending and Borrowing

One of the greatest challenges facing nations that have received debt cancellation under existing initiatives is the range of new lenders which threaten to send nations back into unsustainable debt. To ensure that countries that benefit from debt relief do not fall back into unsustainable debt, the Jubilee Act calls on the Secretary of the Treasury to:

- Provide that the external financing needs of low-income countries are primarily met through grants rather than new lending;
- Support international efforts like the one convened by the United Nations Conference on Trade and Development (UNCTAD) that address a need for increased responsible lending and borrowing, through the creation of a responsible lending and borrowing code of conduct.

The Jubilee Act also calls for greater transparency in lending. The legislation calls on the Department of Treasury to commence immediate efforts to encourage Paris Club creditors, the International Monetary Fund and the World Bank to:

- Promote greater transparency regarding their activities and follow a policy of maximum disclosure; and
- Support continued efforts to allow greater participation and input by affected communities and institutions in affected areas.

Prohibition of Harmful Economic and Policy Conditions

Another obstacle to the successful implementation of existing debt cancellation commitments is the harmful economic and policy conditions that the World Bank and IMF continue to attach to their lending. As such, the Jubilee Act would prohibit specific harmful economic and policy conditions. The prohibited harmful conditions include user fees for primary health care and education, increased cost for the poorest for clean drinking water, measures that compromise workers' rights, and constraints on government spending for essential health care and education. While transparency and accountability are key requirements in any debt cancellation process, the Jubilee Act means to ensure that the provision of debt cancellation is not conditioned on any requirement to implement or comply with policies that deepen poverty or degrade the environment.

Expanded Debt Cancellation For Qualified Countries

Even after debt relief, the poorest countries in the world continue to send $100 million each day to the United States, other wealthy nations, and the IMF and World Bank. The Jubilee Act of 2009 helps to address this unacceptable reality by expanding eligibility for debt cancellation from the US, the World Bank, IMF, and regional development banks to up to an additional 22 low-income countries not currently eligible for debt relief – *provided that these countries meet strict criteria and prove their ability to utilize released funds well.*

Countries that would become eligible for debt relief under the Jubilee Act are the 22 countries that are only eligible for financing from the World Bank's soft lending arm – the International Development Association (IDA) but not for the current HIPC initiative. These IDA-only countries are the poorest in the world (with per capita incomes under $1065/year) and need debt cancellation if they are to have any hope of meeting the Millennium Development Goals (MDGs). The HIPC initiative and the MDRI currently consider debt relief for 40 countries, so the Jubilee Act would potentially add 22 more countries to this group. In order to actually receive cancellation, the governments of these countries would meet strict criteria to assure transparent and effective budget execution and financial management systems which ensure that the savings from debt relief are spent on reducing poverty. They would also have to engage interested parties, including a broad cross-section of civil society groups, in the spending allocation process and produce an annual report on this spending, making it publicly available and easily accessible. Countries would be excluded from receiving the debt cancellation under the Jubilee Act if they:

- Have excessive level of military expenditures;
- Have repeatedly provided support for acts of international terrorism;
- Fail to cooperate on international narcotics control matters; or
- Engage in a consistent pattern of gross human rights violations.

Debt Audits

The Jubilee Act also addresses the problem of odious and unjust debts (debts accrued by undemocratic regimes or that did not benefit the population) by requiring the Comptroller General of the US to undertake audits of debt portfolios of previous regimes in countries where there is accepted evidence of odious, onerous or illegal loans, such as the Democratic Republic of Congo and South Africa. Such audits should consider debts owed to the World Bank, IMF, and other multilaterals, as well as export credit debts owed to governments, and commercial creditors, and assess whether or not past investments produced the intended results. Furthermore, such audits would investigate the process by which the loans were contracted, how the funds were utilized and their product, and determine whether US and/or international laws were violated in the contraction of these loans. This is imperative in order to learn from past errors and ensure more responsible and productive lending and borrowing moving forward. The audits should be planned and executed in a transparent and consultative manner, engaging Congressional bodies and civil society groups in the countries in question.