

Jubilee Debt Campaign contribution to the PES manifesto for the 2009-2014 EU legislature

About Jubilee Debt Campaign

Jubilee Debt Campaign works to alleviate extreme poverty through the cancellation of unjust and unpayable poor country debts. It is a UK coalition of about 200 national organisations and local groups, supported by thousands of individuals.

Jubilee Debt Campaign's mission is:

- to raise public awareness of the ongoing debt crisis of countries with extreme poverty
- to create widespread, popular support for debt cancellation
- to engage constructively with decision-makers

so that the policies of the richest countries are reoriented towards full cancellation of unjust and unpayable poor country debts, by fair and transparent means.

Debt Justice

Unpayable debts

European member states are some of the biggest lenders to poor countries. The debt burden of poor countries is still untenable, with low income countries repaying around US \$100 million every day. This level of indebtedness hinders poor countries' efforts to develop their economies and to invest in essential services. Almost \$90 billion in debt cancellation has already taken place freeing up vital resources, but much more is urgently required. A further estimated \$400 billion in debt relief would enable poor countries to meet their people's basic needs¹.

Recommendations:

- The European Parliament should urgently call for expanded debt cancellation from all Member States and from the EC to all developing countries that need it for poverty reduction.
- The EU should argue strongly at international fora for the extension of multilateral and bilateral debt cancellation to all poor countries that need it, at a minimum all IDA-only countries.

Illegitimate debts and debt work-out processes

The debate on odious debts has been recently catalysed by the publication of papers on the topic by UNCTAD and the World Bank. The EU should provide a platform for the discussion around odious and illegitimate debt to gather further momentum. The legitimacy of creditor countries in addressing responsible lending is at stake.

There is also an important role for parliamentarians in auditing past lending and pressing for creditor co-responsibility in past lending. Audits to analyse the origins and nature of developing country debts are required as are new fora to replace the Paris Club and London Club, where debtors and creditors currently negotiate in a very unbalanced way.

Recommendations:

- The European Parliament should conduct a parliamentary audit, highlighting cases of outstanding European states' claims on developing countries, which would result in recommendations on debt cancellation and future lending.
- The EU should call for Member States, the World Bank and IMF to audit all their outstanding claims on developing countries, and support any citizens' audit on this that takes place.

Responsible lending

Responsible lending will only be achieved via the adoption of a binding legal framework that fairly allocates the burden of irresponsible borrowing on both creditors and debtors. It would take account of both the origin and impact of the debts, and give equal treatment to both

¹ See Jubilee Debt Campaign's new report, [Unfinished Business](#) for details of this calculation, which is based on research by the New Economics Foundation.

debtors and creditors. Only a framework like this will change the incentives, and thereby the behaviour, of lenders. Such a framework could assume the form of an impartial and transparent process for resolving debt crises and disputes.

We welcome the fact that some Socialist MEPs have signed the [Parliamentarians declaration for shared responsibility on sovereign lending](#) that supports further research into the concept of illegitimate debt, that supports parliamentary audits on loans and that supports the principles of shared responsibility on sovereign lending as well as greater parliamentary participation on the lending and borrowing processes. Many more signatures are still needed to put this issue high on the international agenda.

Recommendations:

- The EU should favour grants rather than loans for poverty-reducing expenditure.
- The European Parliament should endorse and support broadly the Parliamentarians declaration for shared responsibility on sovereign lending.
- The Eurodad charter on responsible finance offers an alternative framework. We encourage the EU to promote responsible lending standards in [Eurodad's responsible finance charter](#).

Conditionality

Debt cancellation continues to be linked to onerous forms of conditionality that countries must implement as part of the IMF/World Bank Heavily Indebted Poor Country Initiative. While mutual accountability and transparency should be part of any debt cancellation agreement, current conditionality goes well beyond these basic fiduciary standards into micro-management of the economies of impoverished countries.

Recommendation:

- The EU should work with Member States and international financial institutions to end the practice of making debt relief and lending dependent on externally-imposed conditions.

Vulture funds

'Vulture fund' is a name given to a company that seeks to make profit by buying up 'bad' debt at a cheap price, then trying to recover the full amount, often by suing through the courts. Such companies often describe themselves as 'distressed debt funds'. Some target failing companies; but a number are targeting poor countries, including those that have benefited from debt cancellation. Vulture funds are part of a wider problem of commercial (and other) creditors suing low-income countries for recovery of debts. The EU and Member States must intervene to prevent this deplorable phenomenon. Creditors that agree to debt cancellation do so on the understanding that the resources thereby released will be used for poverty reduction, not for paying out large sums to commercial creditors seeking to make substantial profits from some of the poorest countries in the world.

Recommendations:

- The EU should call on Member States to change their laws to clamp down on vulture fund activity. An EU framework should be implemented in order to prevent predatory practices on developing countries' sovereign debts.
- The EU should give judicial and financial assistance to countries in case they are taken to court by vulture funds.



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