

A thick red jagged line starts at the top left and trends downwards to the right, ending in a downward-pointing arrowhead.

THE RETURN OF THE **DEBT CRISIS**

Jubilee Debt Campaign Review 2009–10

A WORLD FUELLED BY DEBT

If we had begun to forget the power that debt can have over people's lives, the last 18 months have been a wake up call. From mortgage lending in the US, to online savings in Icelandic banks, we have seen that irresponsible lending is essentially gambling with the lives and livelihoods of people around the world. We have the proof that the financial system is out of control.

In recent years, we have been told repeatedly that the debt crisis is over; that poverty will be made history as long as we continue with the policies we are following. The bursting of the rich world's debt bubble has shown up that story for what it is. But the financial crisis has also presented us with the opportunity to once again get to grips with the real underlying causes of global poverty.

That's why we helped found the campaigning platform Put People First – not just to make sure the poor don't pay the price of this crisis, but to change the debate on global finance. We mobilised thousands of people onto the streets of London in 2009 to

demand a very different type of financial system. World leaders patched up the old order, but the seeds of a new one have been sown, and radical reform is being discussed across the world.

We also took concrete steps to change the systems that promote poverty. We ensured the UK became the first country in the world to pass a bill prohibiting the activities of vulture funds. Following the earthquake in Haiti, we took part in an international mobilisation of hundreds of thousands of people to ensure total debt cancellation for that exploited country. And while the rich world's answer to climate change has been to throw new, unjust loans at the problem,

the Jubilee movement helped put climate justice on the agenda, to stop a terrible deal from being forced through at Copenhagen.

In this booklet we will celebrate these successes, but also lay out the enormous challenges still to be overcome. We will present a vision of a world in which countries are freed from the burden of unjust debts and in which finance serves the needs of people rather than people serving finance. We hope this will inspire you to continue being a part of the Jubilee movement in the years to come.



Nick Dearden, Director



JUBILEE DEBT
CAMPAIGN

Nick Dearden is interviewed at the Put People First march, March 2009
Steven Woodward / Jubilee Debt Campaign



OUR MISSION



In the 1960s and 70s rich country governments and their banks lent enormous sums of money to Third World countries, newly liberated from colonialism. This lending was used to buy allies in the Cold War, and to shore up Western economies. In the Third World, all too often, it flowed into the hands of dictatorial regimes, was spent on useless or even harmful mega-projects or arms sales and was siphoned off in corruption.

At the end of the 1970s, the very institutions which had lent so much money vastly increased interest rates. Scores of Third World countries were caught in a debt crisis.

This debt crisis meant that however much poor governments repaid, the stock of debt never got smaller. And in order to make these repayments, governments were prevented from spending on health, education and economic development. The 1980s and 90s were 'lost decades' for development, when

vast sums of money flowed from the global South to the global North, making the poor poorer and the rich richer.

The international debt movement, of which Jubilee Debt Campaign is a part, has had enormous successes. As a result of our work, over \$100 billion of Third World debt has been wiped out, meaning tens of millions more people are now receiving basic health care and education:

- Debt relief in Tanzania allowed teacher numbers to double in three years

- Primary school fees were abolished in Ghana, Malawi, Tanzania, Uganda, Zambia and rural areas of Benin
- Almost a million children have been vaccinated against disease in Mozambique
- In Zambia, user fees were abolished at rural healthcare clinics.

But debt remains a massive issue for many countries. Developing countries are still repaying debts which benefited their rich country lenders but harmed their own people and environment. As a result, governments of these countries are still more accountable to international institutions than to their own people.

We aim to break the chains of this debt slavery – an essential ingredient in the quest to make poverty history.

CREDIT CRUNCH OR DEBT CRISIS? CLEANING UP FINANCE

In 2009, the demand of the debt movement to transform the global financial system took on new significance. If the money could be found to bail out those who had created the crisis, why couldn't it be found to bail out those who hadn't?

For many countries in the world, a financial crisis is nothing new. The debt crisis that swept the developing world in the early 1980s continues to plague many, and has its roots in exactly the same problem as the global crisis: toxic debts.

Our greatest fear was that the crisis would be transferred to the poorest in the world. Nearly 40 developing countries would find it difficult to pay their debts, millions of people would be thrown out of work and the crisis could put many economies back years or even decades.

That's why, early in 2009, we reached out to an unprecedented coalition of anti-poverty, environmental and faith groups and trade unions to show that only by fundamental reform of the global

economy can we hope to create a better future for the developing and developed world. The Put People First demonstration on the eve of the G20 meeting in London demanded that people and the environment were put before profit.

Despite this unprecedented chorus of protest, too little changed. We joined calls made by the UN for a debt payment freeze for those countries struggling most with the crisis. Instead, an unreformed International Monetary Fund, an institution at the centre of countless economic crises, was awarded \$750 billion to go on a global lending spree.

More money was pumped through 'export credit agencies' – national institutions responsible for large amounts of unjust lending in the past – which put national economic

interest ahead of poverty alleviation and environmental sustainability.

And although the G8 was effectively declared dead – replaced by the more inclusive G20 – developed countries did not learn the lesson that a world run by the few is not likely to make decisions beneficial to the many, when they marginalised the role of the United Nations.

But important gains were made. In the teeth of strong opposition from rich countries, the UN did meet to discuss the crisis and put forward creative and radical solutions to a financial system out of control.

At a regional level, the crisis spurred a new feeling of possibility. Latin America is establishing a new regional bank, trading system and currency, to challenge their centuries-long domination, of which debt represents one important part. Paraguay, Bolivia and Brazil are launching debt audits to challenge the unjust debts they are still paying. They are following the

example of Ecuador, which used the world's first official debt audit in 2008 to cancel a portion of its debt and break out of debt domination. Even Iceland, once a haven of free market finance, said it would only repay its debts at a level it regards as sustainable – echoing the call of debt campaigners over the years.

Today no-one can claim that unregulated financial markets are the answer to the world's problems. Even the International Monetary Fund has begun to question some of the core tenets of its philosophy – accepting the need for greater government control over their economies.

Slowly but surely, the logic of 'profit before everything' is being challenged. But changing a 30-year-old economic orthodoxy will take time.



‘The credit crunch is a more modern and a much bigger version of what we have seen in emerging markets over the last couple of decades.’

Andrés Velasco,
Chile’s finance minister

A walking tour of the City of London makes the links between the financial crisis and global poverty, September 2009
Nick Ward / Jubilee Debt Campaign

ENDING THE VULTURE CULTURE CAMPAIGN SUCCESSES IN

Few companies can claim to represent irresponsible finance as well as so-called ‘vulture funds’. Unlike the birds they are named after, which only scavenge off the dead, these funds profit from the poverty and misery of the living.

Vultures make money out of buying up bits of defaulted Third World debt very cheaply, and then suing the country for the face value of the debt plus interest and compensation. They make extortionate profits off some of the poorest countries in the world. When they can’t get their money straight away, they hound the country over years, trying to seize potential investments – including even aid money.

Last autumn, two such companies attacked Liberia – a desperately poor country emerging from a decade of civil war – and successfully sued it for £20 million in the British High Court, on the basis of a debt taken out in the 1970s.

Little is known about vulture funds – they benefit from the secrecy of the tax havens in which they’re based.

But we do know that at least 54 companies have taken legal action against 12 of the world’s poorest countries, for claims amounting to \$1.5 billion. One-fifth of these cases are or will be tried in UK courts.

The money these companies take means, of course, that those countries have less money to spend on health, education and the basic needs of their people. It also means that British debt relief is effectively flowing into the hands of these companies.

In Spring 2009, Labour MP Sally Keeble raised the issue of vultures

in the House of Commons through a ‘ten minute rule bill’. Along with the thousands of postcards that debt activists sent to their MPs throughout the year, this persuaded the government to launch a consultation and come out in favour of legislation to stop the activities of vulture funds against very poor countries.

In November, Labour MP Andrew Gwynne was chosen as one of the MPs who could introduce his own piece of legislation into the House of Commons. He chose the vultures bill, though due to illness, Sally Keeble steered the bill through the Commons.

The bill had many set-backs – and was up against the timetable of the General Election. But ultimately the

work of our campaigners ensured the bill maintained its support, and it became one of the first private members’ bills in history to be passed as part of the end-of-session ‘wash-up’ procedure.

This is still not the end of the road. As a price for passing the bill, a compromise was made that the bill will expire in 12 months’ time unless it is made permanent. Moreover, the bill only covers very poor countries – and leaves out many other developing countries also plagued by vulture funds.

But it is a momentous step forward and, we hope, will now help convince legislators in the US to adopt their own bill and end the vulture culture once and for all.

‘It is not often that a voluntary organisation conducts street protests against City firms in one month and is rewarded by a Bill virtually to abolish these funds in the next.’

The Earl of Sandwich, 8 April 2010

2009/10

Sally Keeble MP poses with a vulture opposite
the Houses of Parliament, May 2009

Steven Woodward / Jubilee Debt Campaign



HAITI'S DEBT IS CANCELLED – TWICE

Haiti's history is proof of the injustice and deadly damage that debt can cause a country. Forced to pay a 'slave debt' for daring to overthrow a brutal French tyranny in the nineteenth century, Haiti has been prevented from climbing out of poverty by debt ever since.

A country once described as the 'Pearl of the Antilles', whose wealth funded the French Empire and was bitterly fought over by the Great Powers, Haiti is today the poorest country in the Western Hemisphere.

That's why debt campaigners celebrated in June 2009 when, after many long years of hold-ups by the World Bank and IMF, Haiti was finally relieved of \$1.2 billion of debt, mostly run-up by the brutal Duvalier dictators.

But that was not the end of the matter, because not all of Haiti's debt had actually been cancelled. When a devastating earthquake struck Haiti in January 2010, Haiti

was once again found to owe \$1.2 billion of debt – run-up because the current debt relief process fails to adequately deal with debt. Although Haiti was offered aid after the earthquake, some of this took the form of yet more loans.

The debt movement sprang into action again. President Chavez of Venezuela made the first move, promising to cancel all of Haiti's debts on the grounds that *'it is Venezuela that has a historic debt with Haiti'* for assisting with Venezuela's fight for independence.

450,000 signatures were gathered worldwide within a couple of weeks, and by the time rich country governments

met in Canada in February, they agreed to total cancellation of Haiti's debt. Since that time, the Inter-American Development Bank, Haiti's biggest lender, has announced full cancellation. The IMF is expected to follow suit.

Finally, some justice has been achieved for Haiti. Many campaigners argue that it is actually Haiti that is owed money, for many centuries of slavery, resource looting, enforced debt repayments and brutal dictatorships supported by the rich world. So it is now vital that the break from debt domination translates into true independence for Haiti, and that the country is allowed to use its resources to fight poverty.

'It is Venezuela that has a historic debt with Haiti.'

President Chavez of Venezuela



Workers removing rubble from the streets of Port-au-Prince, January 2010

Photo: Adam Rogers / UNDP

CLIMATE JUSTICE = REPAYING THE CLIMATE DEBT

Debt not only prevents countries spending on social services, but also stops them being able to equip their populations to deal with climate change, and adapt their development to make it 'cleaner and greener'.

And it gets even worse than that. In order to earn the dollars necessary to pay off their vast debts, developing countries have been forced to put a strong emphasis on developing their export markets. In turn, this has led to greater exploitation of extractives, like oil, more intensive use of land to grow food for export and more forests being cut down for timber. So developing countries have been forced into higher-carbon development by debt.

Many governments and activists across the world believe that climate change proves how unjust

the current lending system really is. After all, in a world where rich countries have overused the earth's environment to the point

where the global South has its development threatened, and when those least responsible are worst affected by climate change,



The Climate Debt Bus visits Southern country embassies ahead of the Copenhagen summit, November 2009
Caroline Griffin / World Development Movement

REACHING OUT DEVELOPING

surely it is the rich who owe the poor the biggest debt?

In the run-up to the Copenhagen climate summit, this was exactly the position taken by Bolivia and followed by many developing countries in an impressive show of unity.

Bolivia believes, like many activists across the world, that there can be no 'climate justice' until rich countries accept their climate debt. Rich countries can 'pay' this debt through redistributing a fairer share of limited atmospheric space to poorer countries, as well as helping those countries adapt to the mess they find themselves in.

In other words, climate debt can't be dealt with as long as the global economy remains so shockingly unequal. 'Business as usual' – a few more green jobs here, a new market in carbon there – will not be enough to resolve the issue in a fair way.

Unfortunately, rich countries didn't accept this reasoning, instead

demanding steep cuts from developing countries and offering yet more loans to poor countries to clean up after them. Rather like the banks who gambled with the future of millions of people, the richest proposed that many of their 'climate debts' to the poor simply be written off. Copenhagen flourished as a result.

JDC joined the climate justice movement in Copenhagen, arguing for rich countries to take their responsibilities seriously. Campaigns like ours gave Southern campaigners and governments space to stand up against a bad and insufficient deal. Climate debt dominated civil society discussions.

Going forward, we will work to highlight specific examples of unjust funding for climate change – rich governments giving loans to developing countries or forcing those countries to accept the authority of the World Bank.



JDC'S ACTIVIST BASE



Local activists are the lifeblood of JDC. Without our strong, national network of dedicated campaigners, it would be impossible for a small organisation to have the sort of impacts that we have had over the last ten years.

A central element of our work at a local level focuses on education and raising public awareness of the injustices of debt and the importance of debt cancellation to wiping out poverty. Over 2009 and 2010 our activist work has gone from strength to strength.

Multifaith project

Debt and poverty have always served to bring together people of different faiths, communities and backgrounds. In recent years we have built a national network of faith groups (Jubilee Congregations). During 2009 we set-up a multifaith committee to

Thousands of people took action on Vulture Funds at the Glastonbury Festival, June 2009

Steven Woodward / Jubilee Debt Campaign

oversee and develop this work. The project was launched in November 2009 and we held a national conference in March 2010.

The project brings together representatives from six major faiths and many denominations. It aims to inform, educate and inspire action amongst campaigners, attending festivals and events, producing materials pulling on theological principles to explain why the injustice of developing country debt needs to be brought to an end.

6 Billion Ways

In January 2009, we worked with City Circle, Friends of the Earth, People and Planet, War on Want and the World Development Movement to bring nearly 2,000 people to East London to discuss the connections between the global economy and

financial crisis, climate change and the environment, human rights, war and race. An extremely diverse audience enjoyed workshops, educational sessions, debates and a stunning range of speakers from across the world.

Debt author Susan George, who was one of the speakers, said: *'Six Billion Ways deserves six thousand words of praise, beginning with prescient, focused, creative, positive, lively, intellectually serious and fun. Politics were served, so was solidarity. I feel proud to have been asked to be part of it.'*

Education work

We are building a national network of schools committed to working on debt. Schools commit to raising awareness about debt and using numerous materials which employ the concept of debt to foster a greater understanding of economics, international relations, politics and history amongst other subjects.

THE ORIGINAL TOXIC DEBTS

NEXT STEPS FOR THE DEBT

The concept of ‘toxic debt’ became popular during 2009 – debts based on irresponsible lending, passed between lenders, subsequently losing value and creating enormous problems to society at large.

The debt movement struggles against an older form of toxic debt – debt based on lending which benefited the lender but which had no benefit or indeed harmed the borrowing countries. Such debts were compounded with huge levels of interest, and were all too often used to force damaging and undemocratic conditions on countries.

Reclaiming the economy for people

Around the world, campaigners are looking at ways of challenging their country’s toxic debts. They are organising ‘debt audits’ to publicly examine how just and responsible the loans to their country were, and what impact they had.

In 2007–08, Ecuador conducted the world’s first official debt

audit, which found that its \$14 billion debt had done ‘*incalculable damage*’ to its people and the environment, and violated principles of human rights, environmental and domestic law. Following the audit, Ecuador’s President defaulted on a portion of its debts, forcing borrowers to give a steep discount. More importantly, the audit empowered ordinary people – raising awareness of the way international finance works and making governments more accountable.

Audits have been initiated in Brazil and Bolivia, with one promised in Paraguay. We will work to support debt audits wherever they happen and will push the British government to organise their own audit.

Towards a world debt court

Although incredible things have been achieved by the debt movement, there can be no ‘one-off’ solution to debt crises. Debts cancelled one day will be run up again the next, unless the lending and wider financial system are fundamentally changed.

Currently there is a huge incentive to lend to developing countries irresponsibly, because countries are not protected by insolvency laws even if loans were incurred in a grossly unfair way.

Current debt relief schemes are controlled entirely by lenders, who decide who shall get relief, on what terms and with what conditions. When unable to pay, countries have two options – to give in and pay, disregarding their people’s needs, or to default and risk being isolated from the international community.

As debt crises start to affect European countries, it is surely

time to recognise that we need a new way of dealing with debt. We propose a world debt court which would allow borrower and lender to face each other under a neutral arbitrator. Such a court would have to be based in a neutral space like the UN and would include the right of countries to freeze payments while hearings proceed. It must have the right to judge whether loans were fair as well as whether debts are payable. And it should be empowered to hear from ordinary citizens.

If properly constituted, such a court would prevent creditors from squeezing debtors dry – realising that a state’s primary duty is to its people’s human rights. It could prevent irresponsible lenders giving money for useless, damaging or dangerous projects. It could stop private debt crises being turned into public debt crises. It could have averted the Third World debt crisis of the 1980s and 90s and stopped vulture funds picking the last scraps off devastated countries.

MOVEMENT

Stopping the dodgy deals

In 2010–11, we will also work to ensure UK lending is responsible and just. In particular, we will campaign for fundamental change to the UK's 'Department for Dodgy Deals': the Export Credits Guarantee Department.

The ECGD is the UK's biggest public holder of Third World debt, and is responsible for running up masses of toxic debts. The Department's history is littered with examples of debts connected to human rights abuses, corruption, arms sales and environmental damage.

We will demand the Department audits its debts, cancelling those deemed 'toxic', and changes its lending practices so that its projects always and everywhere benefit the people and the environment of developing countries.

International achievements

- Five countries received full debt relief under the Heavily Indebted Poor Countries initiative: Afghanistan, Burundi, Central African Republic, Haiti and Republic of Congo.
- The idea of a world debt court has been propelled back onto the international agenda.
- The UN launched a groundbreaking study on responsible lending.
- Ecuador received a steep discount on its debts following a debt audit.
- Brazilian and Bolivian Parliaments signalled their intent to initiate debt audits.

Fannie Mae Freddie Mac **BAILOUT:**
\$200 BILLION

KENYA'S DEBT:
\$6.5 BILLION

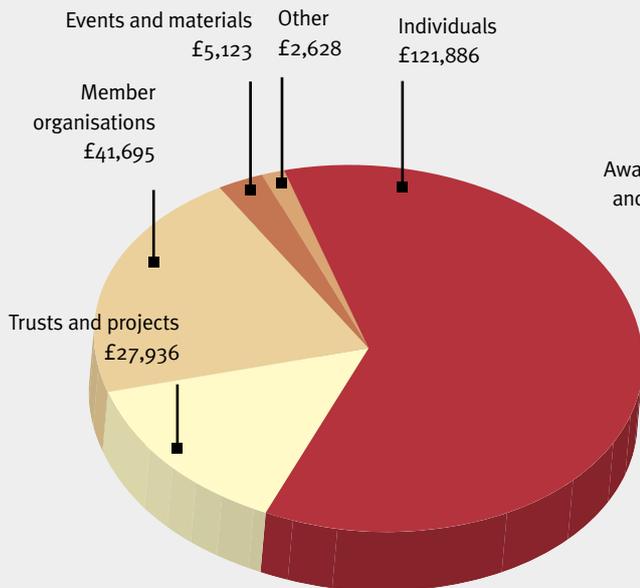
DROP THE DEBT
www.jubileedebtcampaign.org.uk

JUBILEE DEBT CAMPAIGN
Jubilee Debt Campaign, The Grayston Centre, 28 Charles Square,
London N1 6HF tel: 020 7324 4722 info@jubileedebtcampaign.org.uk

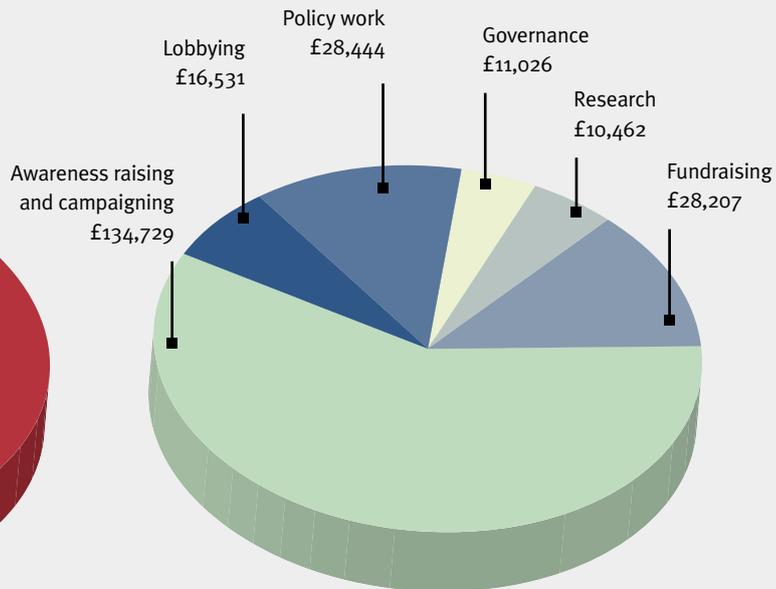
ACCOUNTS 2009

For our full audited accounts, see www.jubileedebtcampaign.org.uk/accounts

INCOME £199,268



EXPENDITURE £229,399



JDC IN NUMBERS

4 MEMBERS
OF STAFF

14 OFFICE VOLUNTEERS
AND INTERNS

19 TRUSTEES

41 NATIONAL
ORGANISATIONS

59 JUBILEE SCHOOLS

79 JUBILEE
CONGREGATIONS

93 LOCAL AND
REGIONAL GROUPS

8,657 INDIVIDUAL
CAMPAIGNERS

The audience at the 6 Billion Ways
conference, February 2010
Friends of the Earth



SUPPORT US

Please return completed form to: Jubilee Debt Campaign,
The Grayston Centre, 28 Charles Square, London, N1 6HT

CONTACT DETAILS

Name

Address

Postcode

Telephone

Email

Please send me campaign updates by email.

CHEQUE

I enclose my total gift of £

Please make cheques payable to Jubilee Debt Campaign, and sign the Gift Aid declaration, if applicable.

*We like to acknowledge donations received. Please tick if you do **not** require this.*

STANDING ORDER

Name and address of bank

Postcode

Account no

Sort code

Please pay JDC, a/c 65083059, sort code 08-92-99, the sum of £ every month / quarter / year
(*delete as applicable*) and debit my account from (*start date*)

Signature

Date

GIFT AID

If you're a UK taxpayer, we can reclaim an extra 25% in tax on your donations. Please tick the box, then sign and date. Declaration invalid without all three.

I would like JDC to treat this and any future donations as Gift Aid donations. I declare that I am a UK taxpayer and will pay tax of at least the amount to be claimed on this donation in the current tax year. I will notify JDC if I stop paying enough tax.

Signature

Date

Jubilee Debt Campaign

works to eradicate the poverty and injustice that result from global debt, and campaigns for new structures to prevent the next debt crisis in poor countries.

Registered charity no. 1055675
Company limited by guarantee
no. 3201959

Jubilee Debt Campaign
The Grayston Centre
28 Charles Square
London
N1 6HT

Tel 020 7324 4722

Fax 020 7324 4723

info@jubileedebtcampaign.org.uk

www.jubileedebtcampaign.org.uk

