

LIFT THE LID ON BAD LOANS



For years, rich countries have lent money to poor countries to serve their own interests.

They have secured lucrative – but often dubious – contracts for their own companies. They have lent to corrupt and oppressive dictators.

The world's poorest people are still paying.

It's time to lift the lid – and cancel illegitimate debts.


**JUBILEE DEBT
CAMPAIGN**

Lifting the lid on past lending...

The very poorest countries in the world are still giving over \$4 million EVERY HOUR to the rich world in debt payments. Paying off these debts doesn't just worsen poverty, it also prolongs a terrible injustice: making poor countries pay for 'debts' that are in many cases the result of irresponsible, self-interested or reckless lending by rich countries and companies.

Rich country lenders have often done very well out of the loans they gave to poor countries, winning political influence or lucrative contracts. Poor people have not done so well. And now, when the regimes that built up the debts in the first place are often long out of power, it is the poorest people who are paying to service the 'debt', by losing out on healthcare, education and other basic needs.

After serious campaigner pressure, the rich world has cancelled some substantial debts – but only for a few poor countries, after they put into place the laws and economic policies that rich countries demand. Plenty more unjust debts are left. It's time to lift the lid – to expose and then cancel illegitimate debts.

Making the poor pay for corporate profits

Many loans financed useless or overpriced projects. Private banks or rich governments, eager to encourage exports by their own companies, gave loans or credits without ensuring that the project was useful or affordable. The Philippines, for instance, will pay over \$45,000 every day this year, the final instalment of billions paid over decades for a US-built, unsafe power plant that has never produced any power and never will.

Making the poor pay for corruption

Many poor country debts came from loans which banks and governments knew they were giving to corrupt regimes that were likely to steal the money. Lenders gave billions to Mobutu Sese Seko in Zaire, for example, even when their own staff told them he would steal the money, because they saw him as an ally in the Cold War. When those corrupt leaders are long gone, the lenders demand that the next



government repay the 'debt' with interest. This leaves far less money available for the needs of the people of the country, who already suffered by having a corrupt regime propped up by foreign money in the first place.

Making the poor pay for oppression

Rich country loans and credits have often gone to help oppressive regimes buy weapons which they have used against their own people. Indonesia, for example, owes the UK over £300 million for weapons sold to the brutally violent regime of President Suharto who was known to use such weapons to oppress his people. Now the current Indonesian government is told it must pay his 'debt'. Indonesia spends more on repaying debts than on health or education.

Making the poor pay many times over

Some loans were simply given on unfair or unbearable terms. Money might have been lent to a democratic government, and for a useful project. But if the terms of that loan mean that it becomes horrendously expensive for the country to repay, then it is still an unjust and illegitimate debt.

Cancelling dirty debts

The UK and other rich governments – together with international organisations like the World Bank, which they control – are increasingly saying that supporting democracy, fighting corruption, and encouraging 'new lenders' like China to give loans responsibly are all major priorities. But – with the exception of

“Often the debtor country is blamed for borrowing too much when, in fact, the lenders share the blame; they lent excessively, not looking carefully to see whether the borrowing country would be able to repay... Lenders encourage indebtedness because it is profitable.”

Professor Joseph Stiglitz, 2006

“Aid was used to buy support in the Cold War, rather than to fight poverty. All too often it rewarded dictators and the corrupt.”

Hilary Benn, UK Secretary of State for International Development, 2006

“Many of the major lenders made large loans to the Indonesian government during Suharto’s regime knowing that significant amounts would either be used to oppress the people or would be lost to corruption.... The people of Indonesia suffered greatly under the Suharto dictatorship. They should not be made to suffer again by being forced to pay back his debt.”

Ivan Hadar, Institute for Democracy Education, Indonesia, September 2006

Norway – rich countries haven't yet done enough to clean up their own act, and to take responsibility for the effect their actions and policies are still having on the poor. The rich world has to stop taking money from the poor in payment of 'debts' that came from their countries' irresponsible or selfish lending, and must put in place clear rules that will ensure responsible lending and exporting in future.

We are calling on the UK and other rich country governments to:

- thoroughly investigate past loans in order to uncover unjust debts;
- cancel all unpayable or unjust debts;
- stop using conditions to make debt and debt relief tools of control;
- prevent unjust debt in future through responsible lending and export policies.

Take action:

- Order more campaign materials using the form below – or online at www.jubileedebtcampaign.org.uk/materials
- Get your MP involved: ask them to write to the Secretary of State, and to support a parliamentary investigation into past lending (you can contact them via www.theyworkforyou.com).
- Spread the word: check our website for petitions, tips on local media work, and ideas for events and talks.



“Norway is cancelling the debts [of 5 countries] on the grounds that we share responsibility for their existence: an important step in establishing a culture of creditor responsibility for bad lending and the debts that result... Norway hopes its decision will stimulate a debate on creditor responsibilities and responsible lending.”

Erik Solheim, Norwegian International Development Minister, February 2007

“Umm... that wasn't quite what I had in mind.”

World Bank President Paul Wolfowitz, April 2006 – when asked if his crusade against corruption would include cancelling debts from loans the World Bank knowingly gave to corrupt former leaders.

I am acting to support the Lift the Lid campaign. Please send me:

_____ copies of the *Lift the Lid* postcard to UK government

_____ *Lift the Lid* posters (A4, full colour)

_____ *Lift the Lid* leaflets (this leaflet)

Name: _____

Address: _____

Postcode: _____

Email: _____

Return to: Jubilee Debt Campaign, The Grayston Centre, 28 Charles Square, London N1 6HT

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