

THE VULTURE FUND FINALLY BITES ZAMBIA AND FLIES AWAY, WHO NEXT?

JUBILEE - ZAMBIA STATEMENT ON THE VULTURE FUND JUDGMENT REQUIRING ZAMBIA TO PAY US\$ 15.5 MILLION TO DONEGAL INTERNATIONAL 26TH APRIL 2007

Jubilee - Zambia calls on the government and church leaders in the country to help find the lost sense of financial accountability and patriotism by civil servants in Zambia. This call follows shocking revelations of massive evidence of negligence and irresponsibility demonstrated by many Zambian officials in handling of the debt Zambia's owes Donegal International (originally owed to Romania) in the just concluded trial where the Zambian government had been sued by a commercial creditor over an unpaid debt.

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Judge Andrew Smith of the UK on the 24th of April ruled that Zambia should pay Donegal International a settlement of US\$ 15.5 million. According to Nachilala Nkombo Jubilee - Zambia National Coordinator, "The case of the Donegal Debt points to critical lessons Zambians must draw on the way public loan matters should be handled in future, if Zambia's integrity and development will be preserved. We did not need to pay US\$15.5 million to learn that we need to have in place stronger control of public debt contraction in order to stem the tide of unscrupulous outflows of financial resources from our public purse."

Meanwhile, Jubilee - Zambia and its international Collaborators Oxfam-UK and Jubilee-UK and Jubilee USA have welcomed the announcement by this London judge to reduce the payment that Donegal International was demanding from Zambia from US\$55million to US\$15.5 million. This is repayment on a former bilateral debt purchased by the Donegal over a decade ago. Donegal International is a Vulture Fund that specializes in buying debts of countries struggling to repay their debts and claims the full amount of the debt with huge interests. Donegal international is registered in the British Virgin Islands.

Although the repayment has been reduced, Jubilee - Zambia notes that the US\$ 15.5 million will significantly affect government's income available for development spending. For example, the US\$ 15.5 million is approximately three quarters of the poverty reduction budgetary allocation for recruitment of new teachers in the 2007 budget. Given that Zambia is ranked at the 165 out of 175 of the poorest countries by the United Nations Human Development Index, this payment will certainly derail some of the envisaged progress in terms of poverty alleviation and achievement of the Millennium Development Goals (MDGs). The implications of this payment will be immediate as the court has ordered payments to start in the near future. The court order on the 24th of April 2007 to pay Donegal International came a day after the Belgian government on the 23rd of April awarded Zambia further debt relief amounting to US\$ 5.5 million in recognition of the Zambia's deep need to accelerate poverty reduction. The implication of this is that the this contribution to debt relief by Belgian tax payer's will not reach the intended beneficiaries in the poorest parts of the country, but might go in the pockets of an already wealthy businessman from the US.

The judge, Mr. Justice Andrew Smith ruled that the original agreement for Zambia to pay \$15 million was legal but that the interest payments and other costs which inflated the figure to US\$55 million were highly questionable. He also noted that the Donegal witnesses brought to trial were highly dishonest. Judge Smith said: "I do regard the dishonesty with which I was confronted as quite serious. It was not one person's lies; it was several people's..... It's not what you might call individual fibs popping up in the witness box here and there."

(To which Donegal's lawyer said, "I accept that".)

In view of this apparent lack of credibility by Donegal and the fact that many Zambians who could have been helped with this money might die due to lack of medicines in public hospitals for instance, Peter

Henriot Director of the Jesuit Center for Theological Reflection JCTR which hosts Jubilee - Zambia observed that , “though the ruling was a *legally correct decision it is a morally wrong decision.*” Already World Bank President Paul Wolfowitz has described the case against Zambia as “appalling” and said, “I’m hoping that...increased attention on this issue may enable the international community to come up with some effective legal remedies that protect countries like Zambia from that kind of unfair dealing”

Jubilee - Zambia worked closely with Oxfam UK and Jubilee – UK and Jubilee-USA in exposing the immorality of the activities of Donegal, headed by a US Citizen Michael Sheehan, at the time of the original court hearing in February this year. Post judgment, campaigners now expect that the issue will be raised at the G8 summit Germany in June this year. Global leaders namely, George Bush, Gordon Brown and Germany, Development Minister Heidi Maire Wieczorek-Zeul have expressed the deep concern on this issue and its negative impact on poor countries

Jubilee - Zambia network members and its partners are now calling on G8 representatives to take a stand on this legal yet immoral case in which Zambia was tricked out of some of its benefits of debt relief and seriously commit them to putting an end to the Vulture Fund practice. Thus, Vulture Funds have to be legally blocked because it’s through litigation against countries with limited abilities to pay they target to reap there profits. Ultimately the international community led by the G8 now more than even before have a moral duty to institute a fair, comprehensive and binding framework for dealing with poor country debt which will ensure that commercial creditors will never again have the chance to profit in this way. Trisha Rogers, Director of Jubilee- UK said “: When the G8 leaders met in 2005 they took great strides forward in canceling debt for some of the worlds poorest countries. Now they must take steps to prevent that debt cancellation from being undermined by vulture funds. “

In Zambia, Jubilee- Zambia network members, who fought for debt cancellation since 1998, are calling on government to break the silence on Donegal by telling the nation: i) how systems of government permitted the country to find itself in this mess ii) what correction measures will follow that will ensure accountability of Zambians involved in the Donegal debt scam iii) what immediate legal and institutional arrangements that government will immediately initiate that will ensure greater transparency and accountability in governments’ handling of public debt matters in future.

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