

JCTR and vulture funds

JCTR urges western countries to emulate the British government and ban vulture funds

“The effects of the vulture funds on the development of low income countries have been very devastating the last few years,” observes Privilege Haang’andu, JCTR’s Programme Officer for Debt and Public Resource Monitoring. “In this vein”, Haang’andu says, “the JCTR applauds the British Government for being the first country to ban vulture funds. The British House of Lords passed the law banning the vulture funds on 08 April 2010. Vulture funds are private specialist predators that buy up poor countries’ debt at dramatically reduced prices and sue poor countries for their full value plus costs. What the British Government has done sets good precedence to other European countries and the United States to stop the injustice perpetrated by vulture funds”.

“It is worth noting that the vulture funds flourished taking advantage of the relaxed British laws that allowed the buying up of Third World countries”, says Haang’andu. Zambia fell prey to a vulture fund in 2005 when Donegal International Limited dragged the Zambian Government to the British High Court where it was decided they should be paid \$15 million. Donegal bought a Zambian debt from the Republic of Romania dating from the 1970s for \$3 million slightly before it was due to be written off. Donegal further threatened the Zambian economy by promising to sue anyone who had dealings with the country until Zambia paid the company \$55 million.

Vulture funds seek to make profit from already poverty-burdened countries, totally disregarding the needs of the people. As can be seen from the case of Zambia, it does not matter to the vulture funds what the human cost may be in paying the debt. The vulture funds want their money at all costs.

“Although the manner in which the vulture funds conduct their business might be considered legal, in terms of their fulfilling all the procedural requirements and papers for their debt, it is the morality and ethics of these deals that we highly question,” says Haang’andu.

It is important to point out that countries whose legal systems on loan contraction are weak are most susceptible to vulture funds. Having a transparent and consultative loan contraction process can be a way to avoid certain financial sources whose terms are suspect or likely to lead to vulture funds “It is very ironic that Zambia, despite having been so hard-hit in the past by vulture funds and serious indebtedness, can still be hesitant to agree on a serious debt management framework that allows for Parliamentary scrutiny in borrowing,” laments Haang’andu. “One would expect that dispute over such an instrument, especially after such a dismal historical experience, would be unimaginable.”

“We at the JCTR continue to call on our government and the people of Zambia not to forget the socio-economic hardships we went through in fulfilling the Highly Indebted Poor Countries initiative (HIPC) and FINISH the WORK on debt by enacting a legal debt management framework that ensures transparency and accountability of borrowed resources. We also urge the United States of America and other developed countries to FINISH the WORK by being responsible lenders and more importantly, emulating the British government in outlawing Vulture Funds.

Aid and Trade Programme at the Jesuit Centre for Theological Reflection,
P. O. Box 37774, Lusaka, Zambia; Tel: 260-211-290410; Fax: 260-211-290759;
e-mail: debtjctr@jesuits.org.zm ; Website: www.jctr.org.zm