

**Hearing in the Committee on Financial Services  
Opening Remarks  
By Rep. Maxine Waters**

**“The 15<sup>th</sup> Replenishment of the International Development Association (IDA)  
and the 11<sup>th</sup> Replenishment of the African Development Fund (AfDF)”**

**Wednesday, June 18, 2008  
2128 Rayburn, 10:00AM**

I would like to thank Chairman Barney Frank and Ranking Member Spencer Bachus for organizing this hearing on the 15<sup>th</sup> Replenishment of the International Development Association (IDA) and the 11<sup>th</sup> Replenishment of the African Development Fund (AfDF). It is unfortunate that Congress must consider these proposed replenishments in the midst of an unprecedented global food crisis.

**Global Food Crisis**

Last month, this committee held a hearing on the global food crisis, and while the crisis has several causes, it was clear from the testimony that one of the causes was the policies of the World Bank.

Since the early 1990's, the World Bank has promoted a free market approach to agriculture in developing countries. Developing countries were instructed to eliminate government agricultural programs, such as grain marketing boards, food storage and distribution services, and subsidies for seeds and fertilizer. Developing countries were simultaneously pressured to liberalize trade policies, allowing food to be imported. Farmers in developing countries were forced to compete with imports from the United States and the European Union, where agricultural production continued to be heavily subsidized. Theoretically, these policies were supposed to improve efficiency and create opportunities in the private sector. Instead, they contributed to the decline of agriculture.

According to the testimony of Raj Patel of the Institute for Food and Development Policy, import surges became common. Import surges occurred when a developing country lowered import tariffs on agricultural goods and then was flooded with those goods. The result was often a decline in domestic production. In Senegal, tariff reduction caused an import surge in tomato paste, and local production was cut in half. In Chile, an import surge in vegetable oil caused local production to be cut in half. In Ghana, local rice production fell from over 80% of domestic consumption in 1998 to less than 20% in 2003.

Raj Patel also testified that the World Bank continues to condition loans to developing countries on free market agricultural policies, despite past failures. In the World Bank's most recent round of Poverty Reduction Support Credits, Tanzania was required to prepare four crop boards for sale; Benin was required to privatize its cotton sector; and Moldova was required to liberalize agricultural support programs.

One country that decided to ignore the World Bank's advice was Malawi. Following a disastrous corn harvest and a resulting famine in 2005, the government reinstated fertilizer subsidies. The result was record-breaking corn harvests in 2006 and 2007. Acute childhood hunger has fallen considerably, and Malawi was able to export corn to Zimbabwe and sell excess corn to the World Food Program last year.

Clearly, the World Bank needs to change its approach to agricultural development.

### **Debt Cancellation**

For over a decade, I have been working to cancel the debts that the world's poorest countries owe to multilateral financial institutions, like the World Bank. In July of 2005, G-8 leaders announced that they had agreed to cancel completely the debts of qualifying poor countries under the Heavily Indebted Poor Countries (HIPC) Initiative. As a result of this agreement, twenty-three of the world's poorest countries have reached the "completion point" of the HIPC Initiative and had their debts cancelled.

Earlier this year, this committee marked up, and the House of Representatives passed, the Jubilee Act (H.R. 2634) – my legislation to expand debt cancellation for the world's poorest countries. This legislation will make up to 25 additional poor countries eligible for complete debt cancellation. I deeply appreciate the support of the members of this committee for the Jubilee Act, and I look forward to its passage in the Senate.

The expansion of debt cancellation programs is one important way to address the global food crisis. Money that poor countries must spend on debt payments is money they cannot spend purchasing food or developing agricultural capacity.

### **Decision Point Countries**

I am especially concerned about the impact of the global food crisis on heavily indebted poor countries that have not yet reached the completion point of the HIPC Initiative. There are currently ten poor countries that have reached the "decision point" of the HIPC Initiative but not the completion point, meaning that they have received partial debt relief and are in the process of qualifying for complete debt cancellation. These ten countries are required to continue to make debt service payments while implementing IMF and World Bank conditions for debt cancellation.

One of the ten decision point countries is Liberia. Liberia is one of the world's most impoverished countries, and it is in a difficult transition to a new democracy, following fourteen years of civil war. Per capita income was projected to be \$136 per year, and that was prior to the world food crisis. The unemployment rate hovers around 85%, and more than three quarters of the population lives on less than \$1 per day. Life expectancy is less than 45 years, and the infant mortality rate is 157 infants per 1,000 live births.

Liberia owes approximately \$4.5 billion in external debts. Debt relief will free up resources to rebuild Liberia's infrastructure and meet the basic needs of its population. Debt relief will also provide a tangible sign of progress to the Liberian people, bolstering the

democratically-elected government. Furthermore, the sooner Liberia receives debt relief, the sooner Liberia's government can devote its full attention to other critical issues such as poverty reduction, financial management, and good governance.

Another one of these ten decision point countries is Haiti. Haiti is already the poorest country in the Western Hemisphere. According to the World Food Program, the average Haitian diet consists of only 1,640 calories. That's 460 calories less than the typical daily requirement of 2,100 calories. Reuters has reported that prices for some items in Haiti, such as rice, have doubled in the last six months. Haiti is one of several countries in which the global food crisis has led to riots over food prices.

Haiti owes over one billion dollars to multilateral financial institutions, and Haiti is scheduled to pay more than \$48 million in debt service this year. This is money that could be spent to develop Haiti's economy, rebuild crumbling infrastructure, and expand agricultural production. It could also be spent on food for hungry people. Instead, it is being spent to service Haiti's debts.

On February 28, 2008, I sent a letter to Treasury Secretary Henry Paulson, urging him to use his influence to expedite the cancellation of Haiti's debts and to immediately suspend all further debt service payments from Haiti. The letter was signed by 54 members of the House of Representatives, including Chairman Barney Frank and Ranking Member Spencer Bachus.

Unfortunately, I received a disappointing response to my letter. Treasury informed me that Haiti is not expected to receive complete debt cancellation at the present time, but Haiti is receiving other forms of aid. While I appreciate that the international financial institutions and the United States are providing loans and grants to Haiti, this is simply not enough while Haitians are starving. I once again call on Treasury Secretary Paulson to do everything in his power to provide immediate debt cancellation for Haiti. We cannot in good conscience accept debt payments from Haiti at this time of desperate need.

Given the severity of the global food crisis, I believe the World Bank should consider providing additional relief to all of the ten decision point countries. This relief could come in the form of an immediate suspension of debt service payments, followed by expedited consideration for complete debt cancellation. It is both unjust and unwise to require countries that are doing their best to implement World Bank conditions to continue making debt payments to the World Bank while their people go hungry.

## **Conclusion**

I look forward to the testimony of the witnesses. I am especially interested in hearing the witnesses' views on the impact of the World Bank's economic policy conditions on agricultural development. I hope today's hearing will help the members of this committee understand how World Bank policies contribute to or interfere with efforts to alleviate the global food crisis and fight poverty.

I yield back the balance of my time.