Remarks Prepared for Delivery by
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Subcommittee on Domestic and International Monetary Policy

Hearing on "*Highly Indebted Poor Country (HIPC) Debt Relief: The Way Forward?*"

April 20, 2004

Today's Subcommittee hearing focuses on several issues important to countries seeking debt relief assistance for poverty reduction, education and sustained economic growth. I would like to commend the General Accounting Office (GAO) for their hard work in preparing a timely and detailed report which draws some interesting conclusions pertaining to the HIPC initiative. I would also like to thank our panel of witnesses for taking time out of their busy schedules to testify before us today.

The HIPC program, created in 1996, was an important step in providing debt relief to the world's poorest and seriously debt-strapped nations. At the 1999 Group of Seven (G-7) Summit, an enhanced HIPC initiative was agreed upon to provide quicker and more significant debt relief to qualifying countries. Currently, 42 countries are eligible for HIPC debt relief; three-quarters of these countries are in Africa. The United States has not wavered on its commitment to help these indebted countries. In fact, the U.S. pledged to provide a total of $750 million to the HIPC Trust Fund, of which it has already contributed $600 million. In July 2002, at the G-8 Summit, the U.S. pledged an addition $150 million to fulfill its commitment. $75 million was appropriated this year with another $75 million requested in the Bush Administration budget for FY2005. This debt relief has helped countries like Tanzania increase their school enrollment to 3.1 million, and Cameroon is funding a national HIV/AIDS initiative. Without the HIPC program, it is doubtful these reforms could be achieved because of the crippling debt burden which confronted these countries.

Although we have witnessed some success stories with the HIPC program, the GAO study concludes future success will come at an even greater cost to contributing countries and multilateral development banks. Which leads us to today's hearing – where do we go from here?

I hope for a spirited discussion on the conclusions reached by GAO, especially the projected $375 billion needed to achieve economic growth and debt relief targets for 27 countries. As stated in the report, this figure is partially based upon unattainable export projections. However, I am interested in determining if this figure is solely reflective of debt relief, or does the GAO include poverty reduction and economic sustainability into their projection. In other words, should the definition of debt relief include strategies to help a country maintain a sustainable level of debt relief and expand its export capacity, or should we simply focus on 100 percent debt elimination?

Lastly, I am interested in your opinions on the debt-to-export calculation used to assess the level of HIPC debt relief. As you know, this debt ratio has been an important topic of discussion since President Bush signed into law legislation that calls for the inclusion of HIV/AIDS rates when calculating HIPC relief for countries. Of particular interest is the shift from the current debt-to-export ratio to a debt-to-revenue calculation when providing debt relief.

Although some disagreement may present itself regarding these issues, the United States will continue to live up to its obligations and help these indebted nations escape from the depths of poverty.

Again, thank you for time and I look forward to your testimony.