

Statement by Rep. Maxine Waters

**Hearing on IDA-14 and Debt Cancellation
Subcommittee on Domestic and International Monetary Policy
Committee on Financial Services
September 27, 2005**

I would like to thank Chairman Deborah Pryce for organizing this hearing on debt cancellation and the 14th replenishment of the World Bank's International Development Association (IDA). I would also like to thank Under Secretary of the Treasury for International Affairs Timothy D. Adams and Deputy Assistant Secretary of the Treasury for Multilateral Development Institutions and Policy Bobby J. Pittman, Jr., for their willingness to testify today.

In June of this year, the G-8 Finance Ministers reached a bold agreement to cancel the debts of the world's most impoverished countries. I have been working to wipe away the debts that burden poor countries for many years, and I was delighted by the G-8 Finance Ministers' agreement. I joined with several of my colleagues on the Financial Services Committee and wrote to President Bush to congratulate him when this agreement was announced.

The G-8 Finance Ministers' agreement is expected to eliminate an estimated \$40 billion in outstanding debts owed by 18 of the world's poorest countries and save them \$1 billion in annual debt service payments to the IMF, the World Bank and the African Development Bank. Debt cancellation will allow these 18 countries to reduce poverty and improve health and education for their people. The agreement could be expanded to include as many as 20 other heavily indebted poor countries, if these countries successfully implement economic and governance reforms approved by the IMF.

This past weekend, the IMF and the World Bank endorsed the G-8 Finance Ministers' agreement at their 2005 Annual Meetings. While I am pleased that the IMF and the World Bank endorsed the agreement, I do have some concerns about the implementation of the agreement.

The International Monetary and Financial Committee (IMFC) communiqué mentions the importance of poor countries following "sound policies" in order to remain eligible for debt cancellation. I am concerned that this could mean that the 18 countries included in the agreement may be required to comply with additional conditions in order to receive debt cancellation. These 18 countries have already implemented economic and governance reform policies in order to qualify for debt relief. They should be able to receive debt cancellation without any additional requirements.

I am also concerned that the agreement will not be implemented immediately. It has been reported that IMF debt will not be canceled until the end of this year, and World Bank debt will not be canceled until July of 2006, the start of the World Bank's financial year. In July of this year, after the agreement was announced, the government of Zambia announced plans to use their savings to provide AIDS drugs to almost 100,000 infected people this year. If the implementation of the agreement is postponed, thousands of Zambians will be unable to receive treatment for HIV at least until next year.

I am also concerned about the reforms imposed by the IMF on poor countries as conditions for becoming eligible to receive debt cancellation. While certain conditions such as eliminating corruption and improving transparency are important reforms, other conditions imposed by the IMF may be unnecessary and even harmful for low-income people. Cameroon, for example, has not reached the "completion point" of its IMF-imposed reform program because it has not privatized its water supply. Water privatization is now widely considered to be harmful for low-income people who cannot afford to pay higher prices for clean water. The people of Cameroon should not be denied the benefits of debt cancellation because of their government's unwillingness to sell their water supply system to a multinational corporation.

The G-8 Finance Ministers' agreement, if it is fully and expeditiously implemented, has the potential to wipe away billions of dollars in debts that have impeded the development of poor countries for decades. I appreciate the work of the Treasury Department in the development of this historic agreement, and I am committed to its successful implementation. I look forward to the witnesses' testimony, and I hope they will clarify some of the remaining details of the agreement and address the concerns I have outlined.

I yield back the balance of my time.