

U.S. Senate Committee on Foreign Relations
Senator Richard G. Lugar
Opening Statement for Hearing on International Debt Relief Initiatives
April 24, 2008

I join the Chairman in welcoming our witnesses. In 1999, the United States and other industrialized nations established the Highly Indebted Poor Countries Initiative in response to crippling levels of debt combined with anemic economic growth in dozens of developing countries. This was followed several years later by the more comprehensive Multilateral Debt Relief Initiative.

These initiatives allowed poor countries to receive debt relief in exchange for adopting economic policy reforms and channeling their debt savings to poverty reduction activities. For example, Uganda is using its debt cancellation savings on primary education, health, and infrastructure. Zambia is devoting its savings to improvements in agriculture and health.

However, despite many examples of successful debt relief, the debt problem in the developing world continues to threaten stability; impede economic growth; and constrict investments in health care, education, sanitation, and other elements essential to development. In response, Congress is now considering the Jubilee Act, which would expand the concept of debt relief to additional countries.

Much of the international debt due to be forgiven is owed to the multilateral development banks and the International Monetary Fund. Since 2003, the Foreign Relations Committee has reviewed U.S. policy toward the development banks. We examined how to maximize development bank efforts and how to continue the fight against corruption linked to development bank financing. We found that corruption not only enriches the undeserving and undermines the effectiveness of development projects, it leaves the resulting debts to the impoverished. One important way to combat the need for future debt relief is to ensure that development loans are implemented effectively and ethically.

It is critical that Congress fund our current commitment to debt relief and the development banks. The United States' pledges for debt relief and the development banks are not being fulfilled. The gap between our pledges and our actual contributions jeopardizes U.S. efforts to advance key reforms promoting anti-corruption, the measurement of results, and increased transparency of development bank operations. Our arrears status is leading to U.S. shares at some development banks being auctioned off to other countries, further undermining our ability to leverage the development banks for our foreign policy interests.

Congress must also reauthorize debt-for-nature swaps through the Tropical Forest Conservation Act (TFCA), which is one of our most cost-effective diplomatic and conservation tools. Through TFCA, more than 47 million acres of tropical forests in developing countries have been conserved, helping to absorb internationally-generated carbon. TFCA uniquely leverages the contributions of private donors, who have given more than \$12 million to TFCA swaps.

As an original co-sponsor of the Senate version of the Jubilee Act, I appreciate the opportunity today to discuss the dynamics of debt relief and receive expert commentary on the bill. The Jubilee Act carries great promise, but we should be open to additional ideas that may improve the effectiveness of debt relief. I look forward to the insights of our witnesses.

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