

**House Committee on Financial Services
Opening Remarks
By Rep. Maxine Waters**

**Hearing: “The Fight against Global Poverty and Inequality: the World Bank’s
Approach to Core Labor Standards and Employment Creation”**

**Wednesday, October 3, 2007
2128 Rayburn, 10:00AM**

I would like to thank Chairman Barney Frank and Ranking Member Spencer Bachus for organizing this hearing entitled “The Fight against Global Poverty and Inequality: the World Bank’s Approach to Core Labor Standards and Employment Creation.” The World Bank is requesting that donor countries provide funds for the 15th replenishment of the International Development Association (IDA). So an examination of the World Bank’s approach to development issues is very timely.

The Multilateral Debt Relief Initiative

Debt cancellation by the World Bank as well as other multilateral institutions has made an important contribution to the fight against global poverty. I worked closely with several members of this committee to convince the world community to cancel poor country debts. I am especially grateful to Chairman Barney Frank and Ranking Member Spencer Bachus for working with me on this issue.

In July of 2005, G-8 leaders announced that they had agreed to cancel completely the debts that qualifying poor countries owe to the World Bank, the International Monetary Fund (IMF), and the African Development Bank. As a result of this agreement, known as the Multilateral Debt Relief Initiative (MDRI), twenty-two of the world’s poorest countries have had their debts cancelled. Additional countries are in the process of qualifying for debt cancellation.

I am proud to report that the MDRI has freed up resources to reduce poverty in some of the world’s poorest countries. Uganda is using its savings of \$57.9 million from debt cancellation in 2006 on primary education, malaria control, healthcare and infrastructure. Zambia is using its savings of \$23.8 million to increase spending on agricultural projects and to eliminate fees for healthcare in rural areas. However, I am concerned about the implementation of the MDRI, and I plan to examine the progress of the MDRI more closely before providing additional funds to the World Bank.

GAO Report

On August 30, 2007, I wrote to the General Accounting Office (GAO) to request a report on the implementation of the MDRI. Chairman Barney Frank, Ranking Member Spencer Bachus, and Subcommittee Chairman Luis Gutierrez joined me in this request. I understand that GAO expects to staff this request next week and begin working on the report in November. In the meantime, I hope today’s witnesses will comment on the impact of the MDRI on poverty reduction efforts.

The Jubilee Act

Earlier this year, I introduced the *Jubilee Act*, a bill to expand existing debt cancellation programs and establish a framework for responsible lending in order to preserve the benefits that debt cancellation has provided to poor countries and their people. The *Jubilee Act* would make 67 of the world's poorest countries eligible for complete debt cancellation by the United States, the World Bank, the IMF, and other bilateral and multilateral creditors. The *Jubilee Act* already has 60 cosponsors.

Vulture Funds

I am especially concerned about a phenomenon known as “vulture funds.” Vulture funds are private investment funds that buy up the debts of poor countries at reduced prices just before these countries receive debt cancellation and then sue these countries to recover the original value of the debts plus interest. Vulture funds threaten to rob poor countries of the benefits of debt cancellation. If a few vulture funds are allowed to profit from debt cancellation now, other private investment funds will be encouraged to buy up the debts of poor countries that are expected to qualify for debt cancellation in the future, for example Haiti and Liberia. I plan to introduce legislation to prohibit vulture funds from profiting from multilateral debt cancellation programs.

World Bank Reform

For many years, I have been concerned about economic policy conditions imposed by the World Bank on developing countries that receive debt cancellation, new loans and other assistance. This year, civil society representatives have identified five types of economic policy conditions that they believe exacerbate global poverty: the privatization of water and other essential services, trade liberalization, user fees on health services, harmful investment climate reforms, and labor market flexibility requirements. Later this year, I plan to introduce legislation to require World Bank policy reforms that would eliminate these types of economic policy conditions.

Conclusion

I look forward to the testimony of the witnesses on World Bank policies and how they contribute to or interfere with efforts to fight global poverty and inequality. I am especially interested in hearing the witnesses' views on the impacts of the World Bank's economic policy conditions.

I yield back the balance of my time.