

**OPENING STATEMENT BY REP. BERNARD SANDERS (I-VT)
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SUBCOMMITTEE ON INTERNATIONAL MONETARY POLICY AND TRADE
HEARING ON WORLD BANK AND IMF ACTIVITIES IN AFRICA**

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Thank you very much, Mr. Chairman. And welcome to today's witnesses.

I want to thank you, Mr. Chairman, for the attention you are focusing on the crises in Africa -- and for the bi-partisan spirit in which you are chairing this sub-committee.

Africa is today facing many crises, from extreme poverty to an HIV/AIDS pandemic that threatens the very future of the continent.

Concentrated in sub-Saharan Africa, the poorest and most heavily indebted countries in the world are getting even poorer. Twenty years ago, the average, per-person real income in sub-Saharan Africa was a meager \$400 a year. Today, it is barely \$300 a year. Africa is rich in natural resources and human potential. Still, half the people of the sub-continent struggle to survive on less than a dollar a day.

Poverty in Africa has been compounded by the HIV/AIDS pandemic that is ravaging the continent. Twenty-five million people in Africa are living with HIV/AIDS. The disease has orphaned 13 million children in Africa.

Yet, of the 25 million people in Africa who live with the HIV/AIDS virus, and the three to four million who are dying from AIDS, only about 10,000 have access to the antiretroviral drugs they need to fight the disease. We must demand that the pharmaceutical industry, composed of some of the most profitable companies in the world, accept its moral responsibility to help alleviate this crisis.

I am pleased that the pharmaceutical industry recently dropped its three-year lawsuit against a South African law to allow that government to import affordable medicines and increase the use of generic drugs in its fight against the deadly HIV/AIDS virus. And recently, several foreign drug manufacturers have begun marketing generic versions of lifesaving AIDS drugs at fractions of the normal cost.

For example, a year's supply of GlaxoSmithKline's Combivir, a drug used to treat HIV/AIDS, costs about \$7,000 in the United States. Cipla Ltd., an Indian company that manufactures generic drugs, however, is selling a generic version of the drug at \$275 for a year's supply. While Glaxo and a couple of other makers of popular AIDS drugs have cut their prices in Africa, the discounted prices are still significantly higher than the cost of generic drugs. At their lowest, discounted prices from the drug companies are still at least three times more expensive than generically produced medicines. Mr. Chairman, I would respectfully suggest that we invite some of these generic drug manufacturers to

this Subcommittee to get their views on this issue, and to see how we might be able to work with them.

The United States Congress, as well as the rest of the world, must work as hard as we can to address the HIV/AIDS crisis in Africa and elsewhere. President Bush last Friday committed to providing \$200 million for the fight against global HIV/AIDS. That is a step in the right direction. But public health experts have said Africa alone needs \$10 billion a year to effectively address the HIV/AIDS pandemic.

Africa needs more resources to have any hope of containing and defeating HIV/AIDS. And that is something that we -- as a Subcommittee -- can do to significantly improve the ability of the African people to win the fight against poverty and HIV/AIDS. We should call on the World Bank and the International Monetary Fund (the IMF) to cancel the debts they are owed by the impoverished countries of the world.

It is unacceptable that many African governments are forced to spend more on debt repayment than they spend on healthcare for their people. Zambia, one of the world's poorest countries, will send \$89 million in debt servicing to the IMF and the World Bank this year, while it spends only \$76 million on its healthcare budget. Meanwhile, 14% of Zambia's children have been orphaned by AIDS.

And Zambia, Mr. Chairman, is a country that is currently participating in the World Bank and IMF debt relief program known as the Heavily Indebted Poor Countries (HIPC) initiative. Clearly, the HIPC program of debt reduction has not lived up to its promise. According to a recently-released report by the U.S. General Accounting Office, which we will hear about today, the current IMF and World Bank debt reduction program is likely to leave the HIPC countries just as highly indebted as when they started the program.

We need to change that. We should call on the World Bank and the IMF to write off the debts of Africa's and the world's impoverished nations.

Some will question whether the IMF and the World Bank can afford to write off these crippling debts. I believe they can.

The United States and the world's most developed countries (the G7 countries) have promised to completely cancel virtually all debts owed to them by the most heavily indebted poor countries in Africa and around the world. But the IMF and the World Bank have agreed only to reduce the debts owed to them by about half.

Experts who have considered proposals to cancel the debts that the world's poorest countries owe to the IMF and the World Bank have concluded that the resources for such debt cancellation already exist at the World Bank and the IMF. Adam Lerrick (formerly with Credit Suisse First Boston and the International Financial Institution Advisory Commission -- known as the Meltzer Commission), has said that the IMF, the

World Bank, and the Regional Development Banks have \$633 billion in effective capital and \$60 billion in provisions for loan losses and reserves.

That is more than enough to cover the cost of writing off the entire \$32 billion of effective debt that the poorest countries owe to these institutions. According to Lerrick, the cost of writing off the effective debt held by the IMF, the World Bank and the two largest regional development banks is just 5% of their effective capital, and about half of their provisions for losses and reserves.

Canceling the debts owed by impoverished countries to the World Bank and the IMF would free significant resources to fight poverty and disease in Africa, and it would allow African governments to provide for the health care, education, clean water and other basic needs of their people.

I believe the World Bank and the IMF have the resources to remove the burden of crippling debt from the world's poorest nations -- they only lack the vision, and the will. I look forward to hearing from our witnesses about the role of the IMF and the World Bank in addressing the crises of poverty, debt and HIV/AIDS in Africa. And thank you, Mr. Chairman, for holding this important hearing.