

Opening Statement
Congressman Doug Bereuter
Subcommittee on International Monetary Policy and Trade
FY2002 Authorization Requests and the activities of the African Development Bank,
the International Monetary Fund and the World Bank in Africa
June 12, 2001

The Subcommittee on International Monetary Policy and Trade meets today in open session to receive testimony from the Department of Treasury on the FY2002 authorization requests for international financial institutions and on activities in Africa of the African Development Bank and Fund, the World Bank, and the International Monetary Fund (IMF). The International Monetary Policy and Trade Subcommittee has jurisdiction over the international financial institutions. The Congress has on its agenda this year the authorization of the following: \$165 million in multilateral funding for the Highly Indebted Poor Countries (HIPC) Trust Fund, \$412 million for the Asian Development Fund, and \$30 million for the International Fund for Agriculture Development (IFAD).

This also will be the third subcommittee hearing this year which will focus significant attention on Africa. The first hearing gave us a private sector perspective on the activities of the African Development Bank and Fund. The second hearing included a private sector panel on the World Bank and IMF activities in Africa with particular emphasis on poverty reduction, debt relief and HIV/AIDS.

Before introducing our witness from the Department of Treasury, I would provide the following background on the following issues which are important to today's hearing: HIPC debt relief, the Asian Development Fund, IFAD, the African Development Bank and Fund, and HIV/AIDS.

First, the HIPC Initiative has provided both bilateral and multilateral debt relief to 18 countries in Sub-Saharan Africa. This year, further authorization and appropriation for the multilateral debt is still needed to complete the U.S. pledge of \$600 million to the HIPC trust fund. The Administration has requested that \$224 million be appropriated for FY2002, with \$165 million required to be authorized this year.

Second, the Asian Development Fund (the Fund), of which the United States is a non-regional member, is the concessional arm of the Asian Development Bank. The Fund offers loans with a term of 24 to 32 years and an eight-year grace period. The interest rates are 1 percent to 1.5 percent. This Fund is focused on poverty reduction with particular emphasis on health and education.

The fund provides loans to 29 borrower countries, including Vietnam, Bangladesh, Sri Lanka, Pakistan, Nepal, and Laos. China and India are not allowed access to the Fund because of their access to the capital markets and due to the sheer size of their economies.

Last September, the United States agreed to a four year \$412 million contribution to the Eighth replenishment of the Asian Development Fund. The Administration has requested authorizing legislation for this U.S. commitment of \$412 million. This is approximately 14.3 percent of the total funding of the Eighth replenishment. The Asian Development Fund is capitalized through both contributions from donor countries as well as loan repayments.

Third, IFAD provides loans and grants for agricultural and rural projects for the world's poor who live in rural areas. Almost 75 percent of the world's 1.2 billion poorest people live in rural areas. The mandate of IFAD is to increase the incomes of the small-scale producers and subsistence farmers. Since its founding, IFAD has made \$6.9 billion in commitments to finance 575 projects in 114 countries. Approximately two-thirds of IFAD loans are concessional. Last year, the U.S. negotiated the fifth two-year replenishment for IFAD which requires \$30 million for contribution of the U.S. share. The Administration has requested that Congress authorize this fifth replenishment.

Fourth is the African Development Bank and Fund which were previously explored by the Subcommittee in an April hearing. The U.S. is a non-regional member of this multilateral financial institution. At the earlier hearing, the Subcommittee received testimony that the African Development Bank and Fund are the most fiscally troubled and perhaps the most managerially challenged of all the multilateral development banks. Since the annual meeting of the African Development Bank and Fund was held at the end of May, the Subcommittee is looking forward to the testimony of the Treasury Department on both this annual meeting and to any comments on how the Africa Development Bank and Fund is addressing these challenges.

Lastly, the Subcommittee conducted a hearing in May which focused on World Bank and IMF activities in Africa. A critical issue discussed at the hearing was multilateral efforts on HIV/AIDS. At this hearing, the Joint United Nations Program on HIV/AIDS estimated that 36 million people are now living with HIV/AIDS. Seventy percent of these people are in Sub-Saharan Africa.

We are reminded that on May 11th of this year, President Bush pledged an initial \$200 million to a global trust fund to combat HIV/AIDS, malaria, and TB. Furthermore, last year, Congress passed legislation (P.L. 106-264) which directed the Secretary of the Treasury to seek to negotiate the creation of multilateral HIV/AIDS trust fund at the World Bank. The Subcommittee is interested in the status of these negotiations. When Secretary O'Neill testified before the Financial Services Committee on May 22, 2001, he stated that the issue of where this HIV/AIDS trust fund would be housed is still undetermined.

To assist the Subcommittee in examining these issues, I am pleased that we will have the opportunity to hear from William E. Schuerch, the Deputy Assistant Secretary for International Development, Debt, and Environment Policy for the Department of Treasury. Mr. Schuerch has served in this capacity since September 16, 1996 and he has

the responsibility for formulation of international debt policy and issues pertaining to U.S. participation in the regional multilateral development banks. Prior to his service at the Treasury, Mr. Schuerch was a staff member of the House Appropriations Committee. He received his bachelors and masters degrees from Syracuse University.

Mr. Schuerch, we welcome you to this hearing. Without objection, your written statement will be included in its entirety into the Record. Before your testimony, I turn to the distinguished Ranking Member of the International Monetary Policy and Trade Subcommittee, Representative Bernie Sanders, for any comments that he may have.