

# Congress of the United States

Washington, DC 20515

August 13, 2010

President Barack Obama  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

Dear President Obama:

As you know, the global economic crisis has devastated low-income countries. The World Bank has reported that 64 million additional people have been pushed into extreme poverty, and 1.2 million children under five may die between 2009 and 2015 because of the crisis. The International Monetary Fund (IMF) has reported that 27 low-income countries are in debt distress or face a high risk of debt distress. As we work to achieve the Millennium Development Goals (MDGs), we share your desire to mitigate the impact of the crisis on low-income countries.

We support your efforts to exercise leadership on global poverty issues and applaud your commitment to create a plan to achieve the MDGs by the 2015 deadline. **As you prepare to bring your MDG plan before the United Nations Summit on the Millennium Development Goals in September, we hope you will consider the following policy approaches.**

**1) Expand the Multilateral Debt Relief Initiative (MDRI) to make eligible all of the countries that qualify for International Development Association-only (IDA-only) support from the World Bank.** Debt relief is an effective means of fighting poverty in low-income countries. Resources from the MDRI helped reduce Ghana's poverty rate from 40% to 29% in less than a decade and are saving Burundi up to \$50 million a year for investment in health, education, and agriculture. Therefore, expanded debt relief is an essential piece of an overall MDG plan. Over 20 of the poorest countries in the world have been left out of past debt relief initiatives – such as Lesotho, Bangladesh and Kenya. Debt relief would allow them to achieve progress towards meeting the MDGs despite the challenges posed by the economic crisis.

Congressional support for debt relief was demonstrated most recently by the overwhelming bipartisan support for the cancellation of Haiti's debts following the devastating earthquake in January. As a result, your administration and Congress worked together to achieve complete cancellation of \$828 million of Haiti's remaining debts.

Congress is on record in support of expanding debt relief to all IDA-only countries. In the 110<sup>th</sup> Congress, the Jubilee Act for Responsible Lending and Expanded Debt Cancellation, which expanded eligibility for debt relief to all IDA-only countries, passed the House of Representatives with a two-thirds majority. The same year, the Jubilee Act passed the Senate Foreign Relations Committee with cosponsorship from 26 Senators, including then-Senators Joseph Biden and Hillary Clinton as well as yourself. The Jubilee Act has been reintroduced in the current Congress with a strong bipartisan group of original cosponsors, and continues to gain support.

We urge your administration to seek an international agreement for expanded debt cancellation, and we stand ready to work with you to implement expanded debt cancellation once such an international agreement is reached.

**2) Use the voice, vote and influence of the United States at the World Bank, the IMF, and other international financial institutions to end the imposition of harmful and counterproductive conditionalities and policies.** Under sustained pressure from civil society and some governments, these institutions have relaxed many of the rigid conditionalities of the past. However, counter-cyclical conditionalities that reduce spending on social services continue to be attached to loans and included in debt relief programs even during the economic crisis, and countries are being pushed to reduce stimulus spending too quickly.

It is especially critical in a time of economic crisis that the United States works to ensure that conditionalities on loans and debt relief focus on transparent policy-making procedures, good governance, and effective anticorruption measures and do not require governments to implement economic policies that harm the poor.

**3) Promote responsible international lending and borrowing.** In the past, many countries accumulated unsustainable debt through irresponsible lending and borrowing. Changing this pattern of irresponsible lending and borrowing will promote improved local governance and ensure greater transparency and attention to human rights. Specifically, we urge your administration to support the United Nations Conference on Trade and Development (UNCTAD)'s efforts to establish a set of guidelines for responsible lending and borrowing. We also urge your administration to support efforts to curb the irresponsible actions of so-called "vulture funds" that seek to profiteer from poor country debt by buying defaulted debt at a steep discount and then litigating aggressively to collect the full amount of the debt plus interest.

The upcoming Summit on the Millennium Development Goals is an important opportunity for the United States to exercise global leadership to help impoverished countries alleviate the impact of the global economic crisis and ensure that the MDGs are achieved by 2015. Debt relief for poor countries has been an excellent example of international cooperation, which has achieved impressive results over the past ten years and which should be expanded. An end to harmful conditionalities and responsible international lending and borrowing will be essential to ensuring development and preventing the emergence of debt crises in the future.

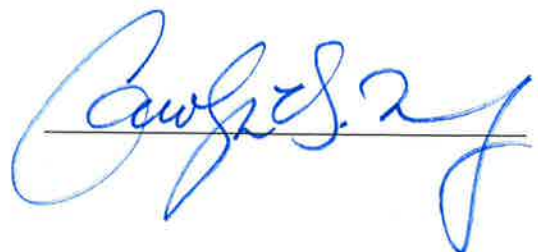
We look forward to working with your administration as you work to make development assistance more effective and achieve our shared vision of prosperity for all.

Sincerely,

  
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