

House Committee on Foreign Affairs
Subcommittee on Africa and Global Health
Testimony of Danny Glover, TransAfrica Forum Chairman of the Board
May 22, 2007

Good afternoon, Mr. Chairman, Representative Smith, distinguished members of the committee. Thank you for inviting me to speak on the highly important issue of Vulture Funds. I come today as the Chairman of the Board of TransAfrica Forum to address an issue that is at the forefront of our work. The primary goal of TransAfrica Forum is to promote progressive U.S. foreign policy towards Africa and the Diaspora, including the 150 million Afro-descendants who are citizens of countries throughout this hemisphere.

For more than three decades, impoverished countries throughout Africa and Latin America have suffered under a massive, crippling debt burden that has prevented sustainable growth, poverty alleviation, and economic development.

Citizens and global civil society have fought tirelessly for debt relief and cancellation. Rich nations and international financial institutions have begun debt relief regimes that have provided the chance for impoverished countries to start fresh and allocate desperately needed additional resources to health and education programs. These debt relief mechanisms include the Highly Indebted Poor Countries Initiatives, commonly known as HIPC, and the G8's Multilateral Debt Relief Initiative (MDRI). Given the tremendous extent and scale of indebtedness of poor countries, we still have a long way to go to overhaul the international debt architecture and to tip the balance towards concrete, sustainable development. However, some progress has been made in relieving the debt crisis.

In response to global action and pressure, the United States, under President Bush, has also made a commitment to fight global hunger and to support debt relief. But as we advocate for

debt relief, there are companies that seek to profit from it instead. These Vulture Funds swoop in and seize the now freed resources, in the process destroying the benefits that international debt relief has offered. Vulture Funds are companies, and individuals who administer company business, that buy the defaulted debt of highly-indebted poor nations and then seek repayment, often by suing these governments through courts in multiple jurisdictions, including the United States, for the full value of the debt plus interest, garnering much higher paybacks. The actions of these Vulture Funds often convert the benefits of international debt relief into private corporate gain—obstructing the process of securing debt relief for some countries and prohibiting others who have attained debt relief from investing those funds in much-needed development. Through this privatization of national debt, increased misery is inflicted on the lives of millions of people across the developing world.

Since 1999, 20 HIPC Countries have been threatened with or subject to legal actions by Vulture Funds. The indebted countries have almost always lost in the courtroom. Recently, Vulture Funds have targeted the country of Zambia, which qualified for G8 debt cancellation in 2005. This is very significant because in Zambia over 70% of the population lives in poverty; the average wage is just over a dollar a day; one in five people are infected with HIV/AIDS; and life expectancy has dropped to 37.7 years, according to the 2006 UNDP Human Development Report. But the nation was sued by Donegal International Ltd., a private U.S.-owned company registered in the British Virgin Islands, for \$55 million. This amount stands in stark contrast to the \$3.28 million Donegal paid Romania for Zambia's debt. In April this year, The Royal Courts of Justice in London ordered that Zambia pay Donegal \$15.5 million. That means that Zambia will pay Donegal more than a third of what they received through the HIPC and G8 debt relief processes this year. This Vulture Fund will strip Zambia of a sum of money that could have

provided free education for over 150,000 children.

With firms like Donegal working hard to protect the business of the rich, how can civil society and the U.S. government protect the children of the countries who will still face the devastation of Vulture Funds?

The morally bankrupt actions of Vulture Funds render the commitments to debt relief made by the United States and other wealthy nations meaningless. We urge the international community to come up with effective means to protect countries pursued by Vulture Funds in the future.

At the upcoming G8 Summit, President Bush should call for commitments by world leaders to address Vulture Funds. These commitments could include international remedies preventing Vulture Funds from buying faulty debt and suing for repayment. And here in the United States, Congress should pass legislation to prevent Vulture Funds from buying and collecting faulty debt.

Moreover, the international community must work together to put into place fair and transparent international debt resolution mechanisms, while also creating an international financial architecture that promotes sustainable growth and takes cues from civil society.

In the short term, we urge the U.S. government to assist countries currently facing legal action by providing them with free legal and financial advice. In addition, the U.S. Treasury should follow the example of U.K. Chancellor Gordon Brown in pursuing means to limit the damage done by Vulture Funds.

As Chairman of the Board of TransAfrica Forum, I vow to work with our civil society partners and Members of this committee to help create a legislative vehicle that can stop Vulture Funds from devouring African and Latin American economic progress.

