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JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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PRESIDENT'S WORLD BANK REFORM WINS SUPPORT -- Grant Proposal Would Improve World Bank Effectiveness Without More Funding --

WASHINGTON, D.C. – President Bush's recently unveiled proposal to move toward grant financing of much World Bank aid to the poorest countries was supported today by two leading advocates of international financial institution reform. House Majority Leader Dick Armey and Chairman Jim Saxton of the Joint Economic Committee endorsed the Administration's grant initiative as a way to help the poorest and most deprived people in the world without additional government funding or bureaucracy.

"I support the President's proposal for the World Bank to begin offering grants to the world's neediest nations. In many cases grants instead of loans are the best approach to help the world's poorest nations in a way that will lead to real and lasting improvement in their living standards. Frankly, the old way of offering loans that many nations are simply unable to repay doesn't work. As the Meltzer Commission report and other studies have shown, there is a better way. The President should be commended for spreading America's compassion throughout the world," said Majority Leader Armey.

"The President's proposal for grant financing of many World Bank aid projects is a major breakthrough in the effort to aid the poorest people in the world," Saxton said. "In recent decades, the official development strategy relied on by the World Bank and IMF has largely failed, leaving the most destitute countries saddled with debts they cannot repay.

"The President's grant proposal would permit a more efficient use of World Bank resources to be directed to the most destitute countries. World Bank funds would be used to leverage private resources, permitting the volume of aid to increase to the poorest countries without additional government donations.

"Furthermore, this proposal would be tied to performance standards designed to ensure that aid objectives were actually met. Under this approach, funds would be disbursed only when results are achieved be they vaccinations, literacy standards, water treatment, electricity generation or other needs. Instead of ineffectually lending money to borrowing governments, the grant approach would actually lead to alleviation of poverty and advances in living standards.

"The World Bank has argued that this approach would require more donor contributions, but this is factually incorrect. World Bank funds would be used to leverage private resources, not to provide the funds for loan disbursements. The World Bank's real objection may be that the grant proposal would force the World Bank to become more transparent and accountable for the successes and failures of its aid projects. For this reason the grant reform may make some in the World Bank uncomfortable, but the alleviation of poverty and destitution must have a higher priority in public policy," Saxton concluded.

For more information on reform of the international financial institutions, please visit our website at www.house.gov/jec.

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