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JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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GAO STUDY EXPLAINS BENEFITS OF WORLD BANK GRANTS PROPOSAL -- GAO Finds IMF and World Bank Economic Projections Under Debt Relief "Overly Optimistic" --

WASHINGTON, D.C. – A new General Accounting Office (GAO) analysis of President Bush’s proposal for shifting World Bank aid from loans to grants should be carefully reviewed by international finance and aid officials worldwide, Joint Economic Committee (JEC) Chairman Jim Saxton said today.

The study demonstrates the benefits of the grants proposal are sufficient to provide greater debt sustainability than would proposals to provide 100 percent multilateral debt forgiveness. The study also highlights deficiencies in International Monetary Fund (IMF) and World Bank export assumptions underlying their projections of debt sustainability. The GAO study, *Developing Countries: Switching Some Multilateral Loans to Grants Lessens Poor Country Debt Burdens*, assesses the effects of this proposal on 10 poor countries.

“This GAO study is required reading for policymakers and researchers interested in foreign aid and the international financial institutions,” Saxton said. “The feasibility of the President’s grant proposal are objectively analyzed and the findings document the benefits to poor countries. One of the most important future benefits of the grants proposal would be reducing the danger of renewed borrowing that would again burden the poorest countries with obligations they cannot afford.

“The study also finds that the World Bank and the IMF have relied on overly optimistic economic assumptions in evaluating the effectiveness of the current debt relief effort. More realistic economic and financial assumptions are needed to frame more successful policies in the future. The World Bank and IMF lending approach of the past has too often failed, and a new approach to development aid through grants is urgently needed,” Saxton concluded.

For more information on World Bank and IMF reform, please visit the JEC website at www.house.gov/jec

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