

An innovative debt-relief plan

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Kevin Ellerbrock, SPECIAL TO THE WASHINGTON TIMES

Jose de Venecia, speaker of the Philippines' House of Representatives, is coming to Washington to present the International Monetary Fund (IMF) and other multilateral financial institutions an initiative designed to alleviate pressure on struggling economies around the world.

Many low- and middle-income countries' budgets are overloaded with debt repayment. Mr. de Venecia's innovative plan calls for converting debt into programs aimed at achieving the United Nations' Millennium Development Goals (MDG).

Mr. de Venecia, or JdV, is no stranger to original economic plans and initiatives at the United Nations. He is the architect of the Philippines' bold 7-4-7 agenda, which calls for 7 percent growth over seven years. Despite criticism from opponents and adverse global economic conditions, this plan is proving viable as the Philippines approached its target last year with 5.9 percent growth in gross domestic product. The Philippine dollar remittance program, conceived in the 1960s by JdV while he was a diplomat in Vietnam, and now a crucial part of the Filipino economy, constitutes nearly 10 percent of the Philippine gross national product. JdV's initiative to create a forum for inter-religious dialogue within the U.N. system has taken root, approved by the General Assembly last November.

The Debt for MDG program does not ask the World Bank, IMF, and other creditors to simply forgive or erase debts of the poor and middle-income countries of the world. Rather, Debt for MDG is an innovative way for creditors to convert up to 50 percent of a country's debt into funds for social and infrastructure development. Building new hospitals, mass housing, road projects and increased education resources are among the program's goals.

The debtor countries seeking help with these important development projects are working diligently to improve their citizens' lives, yet burdensome debt payments stand in the way. Education, health care, and other government services go unfunded due to debt repayment commitments. The Debt for MDG initiative frees funds for these social projects, allowing countries to pursue projects that best help their citizens.

Debt for MDG clearly benefits debtor countries. But creditors involved also stand to gain from this voluntary program. Rather than erasing the debts of poor and middle-income countries, the creditors gain equity as they assume ownership of the new hospitals, housing developments, highways and schools that are built. In fact, creditors can potentially earn money as some debt conversion initiatives call for exploring projects that create wealth, such as mining and energy exploration.

Eco-tourism developments are another income source producing investments as creditors can help develop the tourism market in some of the world's most beautiful places.

Debt for MDG also demands that projects using converted funds be free of graft and corruption. This is especially important given the historically high corruption in poor and middle-income countries.

It ensures the debt-converting investments are well managed and truly benefit the debtor country. JdV is using lessons learned in the Philippines, where corruption has been a serious problem at the highest levels, and applying them to this global plan. A government budget completely pork-free, and constitutional changes designed to eliminate opportunities for corruption and ensure government

cooperation are among measures JdV has proposed domestically. The accountability clause in the Debt for MDG initiative also helps ensure success of these worthy investments. Countries with low corruption have strong democracies able to fill the needs of their citizens.

Jose de Venecia's worthy proposal to convert debt into social and infrastructure investments deserves attention from the global community.

JdV seeks support in Washington and at the U.N. World Conference of Speakers of Parliament next month. U.N. Secretary General Kofi Annan, Germany and Italy have already nodded approval. If the world's creditors are serious about achieving the Millennium Development Goals by 2015, they too will pledge their support.

JdV has taken many steps in the Philippines to bring his country out of the economic basement, but even so needs some creditor help to bridge the gap. The Debt for MDG program is that needed assistance. It is a mutually beneficial program that will allow countries such as the Philippines to fulfill social development projects to promote economic success for decades to come. Finally, only if these countries become economically healthy can we count on them to remain free and help us in the war on terrorism.

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