Statement of Dennis J. Kucinich
Chairman, Congressional Progressive Caucus
To the Subcommittee on Foreign Operations
Committee on Appropriations
April 5, 2001

Mr. Chairman and ranking member Lowey, as Chairman of the Progressive Caucus, I am concerned that the Department of Treasury has failed to implement the letter and spirit of the law written by this Committee with regard to user fees (Section 596, Conference Report on HR 4811). Treasury appears to have opted for a narrow interpretation of the law that is not in the spirit of the bill we passed, and to my knowledge, failed to notify this Committee within 10 days of the IMF's approval of user fees for Tanzania as the law required.

Last year, this Committee passed an amendment intended to ensure that policies pursued by the International Monetary Fund, World Bank and other international financial institutions do not deny people of developing countries access to lifesaving drugs and treatments, as well as primary education. Specifically, this committee reported HR 4811 with Section 596, a prohibition on User Fees. The Committee went to lengths to express its commitment to this new policy, and in its Joint Explanatory Statement of the Conference agreement it explained: "user fees should not be imposed or required through Bank or Fund sponsored 'community financing,' 'cost sharing,' or 'cost recovery mechanisms' prepared in conjunction with loans, structural adjustment schemes or debt relief actions." The Conference Committee intended to enforce this provision, and directed "that the Committees on Appropriations be notified within 10 days if any loans, community financing, cost sharing or cost recovery mechanisms requiring the imposition of user fees are approved by any multilateral development bank or the International Monetary Fund."

It was the clear intention of this Committee to ensure that access to primary education and healthcare not be obstructed by user fees in developing countries. Apparently, Treasury has a different interpretation of the law. Treasury's misinterpretation of the law became clear when, on November 28, 2000, 17 members of Congress wrote to the Secretary of Treasury in reference to World Bank and IMF meetings to endorse a Poverty Reduction Strategy Paper (PRSP) for Tanzania. The PRSP is a blueprint document, prepared by the government of Tanzania in consultation with the IMF and World Bank, and is required to release loans from the Poverty Reduction and Growth Facility and for debt relief. As a loan and debt relief action, the PRSP is clearly within the reach of Section 596. The members wrote to Treasury because it came to their attention that Tanzania's interim PRSP in fact imposed user fees in the form of "cost-sharing to dispensaries and health centers."

On January 19, 2001, the Secretary of Treasury responded, confirming that Tanzania's PRSP did in fact contain user fees on health services. But the Secretary defended those user fees with two arguments: first, that the user fees contained an exemption mechanism for the poor, and second, that Tanzania itself was responsible for the inclusion of user fees in the PRSP. The Secretary wrote that the PRSP for Tanzania did in fact contain user fees, but that, "such charges provide, however, that, those who are unable to pay are exempted." The letter goes on further to state that individuals with certain diseases would be exempt, individuals with certain other characteristics would be exempt, and that physicians would have ad hoc authority to exempt individuals from paying the user fees. Furthermore, Treasury put responsibility for the user fees on the government of Tanzania, saying "It is important to note that these policies are established by the Tanzanian Government itself."

Treasury has narrowly interpreted the law in a way that violates the spirit in which it was written. When the Committee expressed its concern for the poor in developing countries, it did not intend that the IMF and other IFIs continue to impose user fees with exemptions for the poor that have proven to be ineffective. Indeed, UNICEF ("User Financing of Basic Social Services: A review of theoretical arguments and empirical evidence, 1996) found "the experience with exemption or reduced contributions for the poor has not been encouraging... Empirical evidence from other regions has shown that targeted programmes often reach less than 5 percent of the target population." The UNICEF paper evaluated a variety of exemption schemes and found them all to be costly to administer, susceptible to causing a "misallocation of resources" and "possibly greater inequities," and counterproductive to the goal of ensuring access to the target populations. Hence, this Committee did not direct Treasury to create exemptions from user fees, but rather to prohibit user fees altogether so that the poor of the world's poorest countries have access to primary health and education services. Furthermore, this Committee intended that user fees be prohibited from "loans and debt relief actions." Thus this Committee did not intend that the role of debtor countries, which formulate debt relief actions in consultation with the IMF and World Bank, would justify the continued imposition of user fees in debt relief actions.

Not only does Treasury's interpretation of Section 596 violate the spirit in which it was written, but Treasury also seems to have violated its letter. The law's notification requirement is not conditioned on any particular interpretation, expansive or narrow, of whether Tanzania's user fees with exemptions comported with the law. The law directs Treasury to notify the Committee "if any loans, community financing, cost sharing, or cost recovery mechanism requiring the imposition of user fees are approved by any multilateral development bank or the International Monetary Fund." Inquiries from my office to the Committee in November and again January confirmed that Treasury did not notify the Committee within 10 days of the endorsement by the IMF and World Bank of Tanzania's PRSP.

In light of the foregoing, I respectfully suggest that the Committee undertake the following actions:

1) direct the Secretary of Treasury to communicate to the Finance Ministers of the HIPC countries that it is the policy of the United States to oppose the imposition of user fees on primary health and education services; and
2) hold an oversight hearing on implementation of Section 596, with the Secretary of Treasury as well as advocates as witnesses.
Furthermore, I request that this Committee build upon its accomplishments in ensuring that the law of the U.S. also serves to advance the health and education of the citizens of the world's poorest countries. To this end, I request that:
1) this Committee extend Section 596's prohibition on user fees on primary health and education to include actions by U.S. government agencies other than Treasury, such as USAID; and
2) in view of the critical role access to clean water plays in promoting health and minimizing illness and epidemic, this committee prohibit the imposition of full cost recovery requirements for drinking water – a form of exorbitant user fee – in developing countries and remove cost barriers altogether from individuals' access to a certain minimum, life sustaining amount of drinking water per day.