

House Committee on Natural Resources  
Subcommittee on Indian, Insular and Alaska Native Affairs  
Congressional Hearing:  
*"The Need for the Establishment of a Puerto Rico Financial Stability and Economic Growth Authority"*  
Longworth House Office Building 1334

February 2, 2016

### **Ending the Puerto Rico Debt Crisis, Preventing Austerity and Promoting Transparency**

Comments as submitted for presentation by Eric LeCompte,  
Executive Director, Jubilee USA Network

Thank you Chairman Young, Ranking Member Grijalva and Members of the Committee.

I'm the Executive Director of Jubilee USA – and we represent national US religious bodies, congregations and institutions. Our founders and member groups range from the US Conference of Catholic Bishops to American Jewish World Service to most of the national Protestant denominations. We represent 550 faith communities across our great country. We focus on how the most vulnerable are impacted by global issues such as trade, debt, corruption and taxes.

We've worked with Congress and successive administrations on global debt issues for almost 20 years. Because of the agreements we've achieved together, our financial system is more responsible and transparent and developing countries have seen over 130 billion dollars in debt relief to build schools and medical centers. It's thanks to President George W. Bush that in 2005 the cornerstone of US policy on debt restructuring and financial accountability was laid, the Multi-Lateral Debt Relief Initiative (MDRI). Not only did this legislation enable innovative financing to countries who need it most for poor populations, it also set standards around government accountability and public budget transparency.

In Puerto Rico we partner with religious leaders representing more than 95% of the island's people. These leaders include the Catholic Archbishop of San Juan and the head of Puerto Rico's Bible Society. Along with my testimony, I submit an August statement signed by all of Puerto Rico's major religious leaders asking Congress to take action regarding the crisis in Puerto Rico. I also submit a letter from Archbishop Wenski on behalf of the US Conference of Catholic Bishops urging Congress to pass bankruptcy protection for the indebted territory.

From a religious perspective, we recognize that this is not simply a debt crisis - this is a humanitarian crisis. Consider:

- Nearly 50% of Puerto Rico's people live in poverty
- 50% of Puerto Rico's children live in homes that receive some form of welfare benefits
- 80% of Puerto Rico's children live in high-poverty areas
- Because pension accounts have been used to pay the debt, Government pensions may not have enough funds to meet their obligations by 2020
- The current unemployment rate in Puerto Rico is over 12%
- Over the past decade, 10% of the population has left for the US mainland in search of work

Like our religious partners on the island, we pray for two things:

First: long-term solutions to Puerto Rico's economic troubles that address the underlying problems that led the island into this mess in the first place

Second: immediate measures to help Puerto Rico's people who are suffering right now.

This committee has an important role to play in both the short-term and the long-term.

In the short-term, the reality is, Puerto Rico can't cut its way out of this crisis. It can't tax its way out of this crisis. There is no path to economic growth for Puerto Rico that doesn't include debt restructuring.

Self-imposed austerity in Puerto Rico is already proving harmful and counter-productive:

- Funding for law enforcement has dropped three years in a row
- Special education teachers are no longer being paid, directly harming some of the most vulnerable kids on the island
- 200 schools have closed
- Puerto Rico cut its health spending by \$42 million this year. This takes place as the Zika virus now spreads in Puerto Rico.

These types of measures push more people on the island to leave for the US Mainland, which further erodes Puerto Rico's tax base. It's a cycle that's only getting worse.

The good news is that we can solve this crisis in ways that promote economic growth and reduce child poverty. A step in this direction is enacting bankruptcy protection for Puerto Rico – the same type of protection US municipalities have access to. We

applaud the efforts of Representatives Duffy and Pierluisi for introducing bankruptcy legislation. We are grateful to Speaker Ryan for setting a timeline for action.

Our opposition to austerity should not be confused with opposition to reform.

At the root of today's hearing lie the questions, "How do we prevent future debt crises in Puerto Rico and how do we ensure greater accountability from Puerto Rico's government?"

Part of the answer to this question is that through an orderly debt restructuring process we bring the debt back to sustainable, payable levels. However, this committee is concerned also with how there is more accountability from Puerto Rico's government.

From the beginning of this crisis, Jubilee USA and its religious partners in Puerto Rico called for increased budget transparency and accountability in the island's government. We want more citizen participation in economic decision making, policies that we've pursued successfully on other heavily-indebted Caribbean islands and countries around the world. To this end, we are pleased with that Puerto Rico's audit commission has begun its work.

We also believe that Congress should make immediately available Treasury's Office of Technical Assistance (OTA) to the government of Puerto Rico. Because of Puerto Rico's status, it can't access this vital expertise from Treasury that helps countries all over the world raise revenues, keep their debt stock in order and become more accountable to their citizens. This is an easy action Congress can take that would show powerful results.

In terms of the financial control board that this committee is looking at today. We've seen this type of fiscal authority utilized during other economic crises in the United States. In terms of Puerto Rico, the White House has acknowledged the need for some authority and Representative Duffy's legislation details how one would be constructed. As Congress looks to pass bankruptcy and greater accountability provisions, any control board must look at how Puerto Rico is represented in the process. If Congress passes bankruptcy protection with a control board, Congress should ensure that such a control board is co-chaired by appointments from the federal government and the government of Puerto Rico.

In the long-run, we believe the island needs reforms that ensure Puerto Rico's economy serves its people, debt restructuring that invests in economic growth and accountability measures that stave corruption.

3.5 million Americans face a humanitarian crisis. We look forward to working with the committee to find a solution to end the crisis, promote economic growth and ensure greater transparency.

Thank you.

*END*

Attachments:

Letter from United States Conference of Catholic Bishops to Congress in support of legislation granting Puerto Rico access to Chapter 9 bankruptcy protection

Statement from Puerto Rico religious leaders calling for solutions to the island's debt crisis



## Committee on Domestic Justice and Human Development

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December 1, 2015

United States Senate  
Washington, DC 20510

Dear Senator:

The people of Puerto Rico are suffering from painful poverty and hunger, persistent joblessness, and other social problems, as a result of the financial crisis gripping the Commonwealth's economy. They bear little responsibility for the situation yet suffer most of the consequences. Congress can and should remedy this situation by advancing the Puerto Rico Chapter 9 Uniformity Act.

The *Compendium of the Social Doctrine of the Church* teaches:

The right to development must be taken into account when considering questions related to the debt crisis of many poor countries. . . . Complex causes of various types lie at the origin of the debt crisis, [but] . . . [t]he greatest sufferings, which can be traced back both to structural questions as well as personal behaviour, strike the people of poor and indebted countries who are not responsible for this situation. The international community cannot ignore this fact. . . (No. 450)

Earlier this year, Pope Francis affirmed this to the General Assembly of the United Nations, decrying lending systems that "subject people to mechanisms which generate greater poverty, exclusion and dependence." Financial instruments should encourage development, not deprivation. We all have a shared responsibility to protect our poor and vulnerable brothers and sisters around the world.

The government of Puerto Rico's political status has made it difficult to fulfill adequately its obligation to ensure human needs are met and advance the common good. Because it is not a sovereign nation, it cannot access financial assistance from the International Monetary Fund; because it is not a state, federal law exempts it from crucial protections in the bankruptcy code. With virtually no other option at its disposal currently, Puerto Rico remains at the mercy of creditors with seemingly little concern for the pain and suffering caused to the people and families of Puerto Rico.

The Bankruptcy Code explicitly and inexplicably excludes Puerto Rico from the definition of 'state' for the purpose of seeking protection under Chapter 9. The Puerto Rico Chapter 9 Uniformity Act would allow the Puerto Rican people, through their government, to take greater control of their development and destiny. I encourage you to support this legislation.

Sincerely,

Most Reverend Thomas G. Wenski  
Chairman  
Committee on Domestic Justice  
and Human Development

**A CALL FROM THE ECUMENICAL AND INTER-RELIGIOUS COALITION AND  
OTHER RELIGIOUS LEADERS FOR A JUBILEE FOR PUERTO RICO:  
THE FISCAL CRISIS  
AUGUST 31, 2015**

Brothers and Sisters,

Puerto Rico is embroiled in a debt crisis. This crisis further threatens nearly half of our people living in poverty. As leaders of the faith community, we are concerned about the debt, with the consequences defaulting on it and above all with the proposals that would reduce wages, layoffs of workers, reducing employee benefits, and a reduction in health services. As a society, we cannot allow more austerity measures that adversely affect the poor and needy in Puerto Rico. Those who lend money at high interest rates knowing that it is a heavy burden to the fiscal health of the people have no moral strength to demand austerity measures affecting essential services, jobs and opportunities of an economic resurgence.

We know how complicated these issues and their causes are. Our country is \$72 billion in debt and that represents \$20,000 of debt for every man, woman and child of Puerto Rico. Not only has the debt already impacted our social services, too many of our people are fleeing to the United States in search of work. As we struggle, we are also concerned with predatory hedge funds which seek to benefit from our distress and push our economy to the brink of collapse.

Today, we look to the Bible for a solution. The solution first appears in Leviticus and becomes a central theme in the Gospels. The solution is Jubilee:

“...and you shall consecrate the fiftieth year and proclaim liberty throughout the land to all its inhabitants. It shall be a jubilee for you, when each of you shall return to his property...” (Leviticus. 25:10)

And then reiterated by Christ's first public act in Luke, where he said the prophesy of Isaiah to end inequality was fulfilled: "THE SPIRIT OF THE LORD IS UPON ME, BECAUSE HE ANOINTED ME TO PREACH THE GOSPEL TO THE POOR. HE HAS SENT ME TO PROCLAIM RELEASE TO THE CAPTIVES, AND RECOVERY OF SIGHT TO THE BLIND, TO SET FREE THOSE WHO ARE OPPRESSED, TO PROCLAIM THE FAVORABLE YEAR OF THE LORD." (Luke 4:18-19)

Today we too call for a JUBILEE. We call for freedom from debt, for relief for our people. As Isaiah and Jesus called, we call for a Jubilee for Puerto Rico's people. We are a part of a story bigger than just us.

In the 1990's, religious leaders called for a Jubilee or debt relief for developing countries. Those calls ensured that more than \$115 billion in debt relief was won to create access to education and healthcare. Now as Puerto Rico faces a debt crisis, as

the religious community, we raise our voices for Jubilee. Puerto Rico needs debt relief and a debt restructuring that invests in Puerto Rico's people.

As religious leaders we know how deeply this crisis impacts the poor and how deeply it impacts all of our people. We ask that the following principles guide how this financial crisis is resolved:

- 1) In any solution that is reached, there should be no more austerity policies affecting people and poor families and young people who are the most vulnerable.
- 2) Any solution must create an investment in the Puerto Rican people and seek to grow our economy.
- 3) We need enough debt relief to bring our total debt back to sustainable levels.
- 4) We encourage all solutions that enhance Puerto Rico's laws on budget transparency.
- 5) We seek greater participation in resolving this crisis and working with the government on solutions that protect Puerto Rico's people.
- 6) In addition to the participation of the religious sector, we call for a multi-sectorial participation in which our people are well represented. A representation that also includes the poorest because they are always the most affected.

We understand that some processes and options typically available to indebted governments are not available to ours. Because Puerto Rico is not a sovereign country, we can't receive low-interest loans or emergency financing from the International Monetary Fund. Because Puerto Rico is not a US state or city, we can't access US bankruptcy laws. In the absence of Congress extending bankruptcy protection to Puerto Rico, we must call for greater involvement from the Federal Reserve to act and to arbitrate our debt according to our six principles to protect the common good. The Federal Reserve has the power to act and should act. The Federal Reserve has the ability to restructure our debt in ways that limit austerity and ensure debt relief without harmful conditions.

As we call for a Jubilee for Puerto Rico's people, we call for a Jubilee for all people. We call for economies to serve people, not for people to serve economies.

Puerto Rico is not alone in its suffering from debt. Our brothers and sisters in the Caribbean are facing high debt burdens and poverty rates made worse by increasingly frequent storms. Farther south, Argentina continues its standoff with hedge funds that pushed it into default as part of a messy debt dispute. Nearly 50 of the world's poorest countries face worrying levels of debt distress. We've even seen debt and austerity push a third of Greece's population below the poverty line. We call for a global bankruptcy process that addresses debt crises in every corner of the world, whether they be in the Caribbean, Africa or Eastern Europe.

As people of faith we are called to be present always to the most vulnerable among us. As people of faith, we believe that we are closest to the Creator when we are sharing

God's abundant creation among us. As people of faith we pray for an end of poverty and inequality. As people of faith, we call for relief and Jubilee for all people.

Mons. Roberto O. González Nieves OFM  
Metropolitan Archbishop  
of San Juan de Puerto Rico

Rev. Heriberto Martínez Rivera  
General Secretary of the Bible Society  
of Puerto Rico

Mons. Rubén González Medina CMF  
Bishop of Caguas

Rev. Juan A. Vera Mendez  
Emeritus Bishop, Methodist Church of  
Puerto Rico

Mons. Félix Lázaro Martínez, Sc. P.  
Bishop of Ponce

Rev. Rafael Moreno Rivas  
Bishop of the Methodist Church in P.R.  
President of P.R. Council of Churches

Mons. Álvaro Corrada del Río, S.J.  
Bishop of Mayaguez

Rev. Felipe Lozada Montañez  
Bishop of the Evangelic Lutheran Church  
in Puerto Rico

Mons. Eusebio Ramos Morales  
Bishop of Fajardo-Humacao

Rev. Miguel A. Morales Castro  
General Pastor of the Christian Church  
(Disciples of Christ) in P.R.

Rev. Adalberto Rodríguez  
President of the Pentecostal Fraternity  
Of Puerto Rico

Rev. Edward Rivera Santiago  
General Pastor of the United Evangelical  
Church of Puerto Rico

Rev. Roberto Dieppa Báez  
Executive Minister of the Baptist Churches  
of Puerto Rico

Rev. Héctor Soto Vélez  
Executive Secretary of the Council of  
Churches of Puerto Rico

Rev. Eunice Santana Melecio  
Director of the Caribbean Institute of  
Ecumenical Action and Formation

Rev. Ricardo Cortés Alemán  
Missions Director of the Defenders of the  
Christian Faith of Puerto Rico

Rev. Ricardo López Ortiz Rev.  
Administrator Bishop of the Church of God  
Mission Board of Puerto Rico Church

Esteban González Dobles  
Former General Pastor of the Christian  
(Disciples of Christ) in P.R.

## **Eric LeCompte – Curriculum Vitae**

### **Jubilee USA Network (2010 – 2016)**

*Executive Director*

#### **Relevant Affiliations/Board Memberships:**

##### **United Nations – Office of the High Commissioner on Human Rights (2011-2014)**

*Member – Expert Working Groups on Debt and Illicit Financial Flows*

##### **United Nations – United Nations Conference on Trade and Development (2010-2016)**

*Member – Expert Working Groups on Debt, Finance, Bankruptcy and Responsible Lending and Borrowing  
Adviser – “Sovereign Debt Workouts: Going Forward – Roadmap and Guide” (April, 2015)*

##### **Financial Accountability and Corporate Transparency Coalition (2011-2016)**

#### **Featured Media:**

##### **Opeds**

*The Hill* – “Pope Francis Encourages Building Bridges to End Poverty” – September, 2015

*Albany Times Union* – “Jubilee Protects All of Us” - September, 2015

*Inter Press Service* – “The Pope, Partisanship and the Common Good” – September, 2015

*Inter Press Service* – “Caribbean Religious Leaders Inspire IMF Sunday School,” – May, 2014

*Inter Press Service* – “Grenada’s IMF Sunday School,” – October, 2013

##### **Media Commentary**

*New York Times, MSNBC, Fox News, ABC News, CBS News, NBC News, Associated Press, National Public Radio, BBC, Financial Times, Wall Street Journal, Washington Post, Los Angeles Times, Marketplace, Bloomberg, Reuters, Congressional Quarterly, Chicago Sun Times, CNN Money*

#### **Addresses of Note**

##### **Presentations on Debt Restructuring and Accountability**

University of Arizona

*Global Consequences from Argentina’s Legal Battle with Predatory Hedge Funds* (November 2014)

International Bar Association Insolvency Section Conference (May 2015)

*Improving Debt Restructuring and Achieving Global Bankruptcy*

United Nations Conference on Trade and Development, United Nations (December 2015)

*Stopping Behavior that Preys on the Poor: Building an Economy that Serves, Protects and Promotes Participation of Most Vulnerable*

##### **Congressional Briefings**

“Tax Issues for the 114<sup>th</sup> Congress” - January, 2015

“Solutions to Puerto Rico’s Financial Crisis” – October, 2015

“Addressing Inequality and Ending Extreme Poverty,” – November, 2014

“Protecting the Poor and Ending Corruption by Ensuring Standards of Responsible Lending and Borrowing.” – November, 2013

#### **Education**

BS Degrees: Sociology, Peace Studies (1999), St. John’s University and the College of St. Benedict, MN