

106TH CONGRESS
1ST SESSION

H. R. 1095

To require the United States to take action to provide bilateral debt relief, and improve the provision of multilateral debt relief, in order to give a fresh start to poor countries.

IN THE HOUSE OF REPRESENTATIVES

MARCH 11, 1999

Mr. LEACH (for himself, Mr. LAFALCE, Mr. BACHUS, Ms. WATERS, Mr. REUTER, Mr. FRANK of Massachusetts, Mr. WOLF, and Mr. HALL of Ohio) introduced the following bill; which was referred to the Committee on International Relations, and in addition to the Committee on Banking and Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To require the United States to take action to provide bilateral debt relief, and improve the provision of multilateral debt relief, in order to give a fresh start to poor countries.

1 *Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Debt Relief for Poverty
5 Reduction Act of 1999”.

1 **SEC. 2. ACTIONS TO PROVIDE BILATERAL DEBT RELIEF**
2 **AND PROCEDURES FOR NEW LOANS, CRED-**
3 **ITS, AND GUARANTEES.**

4 (a) CANCELLATION AND REDUCTION OF DEBT AND
5 PROCEDURES FOR NEW LOANS, CREDITS, AND GUARAN-
6 TEES.—The Foreign Assistance Act of 1961 (22 U.S.C.
7 2151 et seq.) is amended by adding at the end the fol-
8 lowing:

9 **“PART VI—CANCELLATION AND REDUCTION OF**
10 **DEBT OWED TO THE UNITED STATES BY**
11 **POOR COUNTRIES AND PROCEDURES FOR**
12 **NEW LOANS, CREDITS, AND GUARANTEES TO**
13 **DEVELOPING COUNTRIES**

14 **“SEC. 901. CANCELLATION AND REDUCTION OF DEBT.**

15 “(a) CANCELLATION OF DEBT.—

16 “(1) IN GENERAL.—Subject to amounts pro-
17 vided in advance in an appropriations Act, the Presi-
18 dent shall, prior to September 30, 2001, cancel all
19 amounts owed to the United States (or any agency
20 of the United States) by heavily indebted poor coun-
21 tries described in section 902 as a result of
22 concessional loans made or credits extended prior to
23 January 1, 1996, under any of the provisions of law
24 described in paragraph (2).

25 “(2) PROVISIONS OF LAW.—The provisions of
26 law described in this paragraph are the following:

1 “(A) Part I of this Act, chapter 4 of part
2 II of this Act, or predecessor foreign economic
3 assistance legislation.

4 “(B) Title I of the Agricultural Trade De-
5 velopment and Assistance Act of 1954 (7
6 U.S.C. 1701 et seq.).

7 “(b) REDUCTION OF DEBT.—

8 “(1) IN GENERAL.—Subject to amounts pro-
9 vided in advance in an appropriations Act, the Presi-
10 dent shall, prior to September 30, 2001, reduce, by
11 not less than 90 percent, amounts owed to the
12 United States (or any agency of the United States)
13 by each heavily indebted poor country described in
14 section 902 as a result of nonconcessional loans
15 made, guarantees issued, or credits extended prior to
16 January 1, 1996, under any of the provisions of law
17 described in paragraph (2).

18 “(2) PROVISIONS OF LAW.—The provisions of
19 law described in this paragraph are the following:

20 “(A) Sections 221 and 222 of this Act.

21 “(B) The Arms Export Control Act (22
22 U.S.C. 2751 et seq.).

23 “(C) Section 5(f) of the Commodity Credit
24 Corporation Charter Act.

1 “(D)(i) Section 201 of the Agricultural
2 Trade Act of 1978 (7 U.S.C. 5621).

3 “(ii) Section 202 of such Act (7 U.S.C.
4 5622).

5 “(E) The Export-Import Bank Act of
6 1945 (12 U.S.C. 635 et seq.).

7 **“SEC. 902. ELIGIBLE COUNTRIES.**

8 “(a) HEAVILY INDEBTED POOR COUNTRIES.—Ex-
9 cept as provided in subsection (b) and subject to the fulfill-
10 ment of the additional requirement in subsection (c), a
11 country shall be considered to be a heavily indebted poor
12 country and eligible for cancellation or reduction of debt
13 under section 901 if the country—

14 “(1) is eligible to borrow from the International
15 Development Association;

16 “(2) is not eligible to borrow from the Inter-
17 national Bank for Reconstruction and Development;
18 and

19 “(3) has outstanding public and publicly guar-
20 anteed debt, the net present value of which on De-
21 cember 31, 1996, was at least 150 percent of the av-
22 erage annual value of the exports of the country for
23 the period 1994 through 1996.

1 “(b) EXCEPTIONS.—A country shall not be eligible
2 for cancellation or reduction of debt under section 901 if
3 the government of the country—

4 “(1) has an excessive level of military expendi-
5 tures;

6 “(2) has repeatedly provided support for acts of
7 international terrorism, as determined by the Sec-
8 retary of State under section 6(j)(1) of the Export
9 Administration Act of 1979 (50 U.S.C. app.
10 2405(j)(1)) or section 620A(a) of the Foreign As-
11 sistance Act of 1961 (22 U.S.C. 2371(a));

12 “(3) is failing to cooperate on international nar-
13 cotics control matters; or

14 “(4) (including its military or other security
15 forces) engages in a consistent pattern of gross vio-
16 lations of internationally recognized human rights.

17 “(c) ADDITIONAL REQUIREMENT.—A country which
18 is otherwise eligible to receive cancellation or reduction of
19 debt under section 901 may receive such cancellation or
20 reduction, as the case may be, only if the government of
21 the country has established, through transparent and
22 participatory processes, including participation of civil
23 society—

24 “(1) a human development fund (hereinafter re-
25 ferred to as the ‘Human Development Fund’)—

1 “(A) the resources of which shall be dedi-
2 cated to reducing the number of persons living
3 in poverty, expanding access of the poorest
4 members of society to basic social services, in-
5 cluding education, health, clean water and sani-
6 tation, and preventing the degradation of the
7 environment; and

8 “(B) into which shall be deposited all sav-
9 ings generated by debt reduction received under
10 the Heavily Indebted Poor Countries (HIPC)
11 Initiative of the International Bank for Recon-
12 struction and Development and the Inter-
13 national Monetary Fund and other debt reduc-
14 tion programs;

15 “(2) arrangements to ensure that all expendi-
16 tures from the Human Development Fund during a
17 year will be used to increase annual expenditures for
18 human development by the government above the
19 greater of—

20 “(A) the total amount of annual expendi-
21 tures for human development by the govern-
22 ment for the preceding year; or

23 “(B) the average total amount of such ex-
24 penditures for the 3 years immediately pre-

1 ceding the year in which such fund is estab-
2 lished; and

3 “(3) arrangements for monitoring the oper-
4 ations and financial transactions and accounts of the
5 Human Development Fund by an oversight body
6 which includes representatives of civil society.

7 **“SEC. 903. PRIORITY.**

8 “In canceling or reducing debt under section 901, the
9 President shall give priority to heavily indebted poor coun-
10 tries that have demonstrated a sustained commitment to
11 poverty alleviation or have recently suffered a major nat-
12 ural disaster.

13 **“SEC. 904. SPECIAL PROVISIONS.**

14 “(a) CANCELLATION OR REDUCTION OF DEBT NOT
15 CONSIDERED TO BE ASSISTANCE.—Except as the Presi-
16 dent may otherwise determine for reasons of national se-
17 curity, a cancellation or reduction of debt under section
18 901 shall not be considered to be assistance for purposes
19 of any provision of law limiting assistance to a country.

20 “(b) INAPPLICABILITY OF CERTAIN PROHIBITIONS
21 RELATING TO CANCELLATION OR REDUCTION OF
22 DEBT.—The authority to provide for cancellation or re-
23 duction of debt under section 901 may be exercised not-
24 withstanding section 620(r) of this Act.

1 **“SEC. 905. ANNUAL REPORTS TO THE CONGRESS.**

2 “(a) IN GENERAL.—Not later than December 31 of
3 each year, the President shall prepare and transmit to the
4 appropriate congressional committees a report, which shall
5 be made available to the public, concerning the cancella-
6 tion and reduction of debt under section 901, determina-
7 tions made under section 904(a), activities undertaken
8 under section 2(b) of the Debt Relief for Poverty Reduc-
9 tion Act of 1999, and the progress made in accomplishing
10 the purposes of such section 2(b), for the prior fiscal year.

11 “(b) DEFINITION.—In this section, the term ‘appro-
12 priate congressional committees’ means—

13 “(1) the committee on Banking and Financial
14 Services and the Committee on International Rela-
15 tions of the House of Representatives; and

16 “(2) the committee on Foreign Relations of the
17 Senate.

18 **“SEC. 906. SENSE OF THE CONGRESS.**

19 “It is the sense of the Congress that the amounts
20 that would otherwise be provided by the United States for
21 development aid or other debt relief should not be reduced
22 on account of any appropriations made pursuant to sec-
23 tion 907.

24 **“SEC. 907. AUTHORIZATION OF APPROPRIATIONS.**

25 “For the cost (as defined in section 502(5) of the
26 Federal Credit Reform Act of 1990) of the cancellation

1 or reduction of any debt under section 901 of this Act,
2 there are authorized to be appropriated to the President
3 such sums as may be necessary for each of the fiscal years
4 2000 and 2001.

5 **“SEC. 908. PROCEDURES FOR NEW LOANS, CREDITS, AND
6 GUARANTEES.**

7 “The President shall, to the extent appropriate, en-
8 sure that all decisions by the Government of the United
9 States (or any agency of the United States) to make new
10 loans, extend new credits or issue new guarantees to the
11 governments (or any agency of the governments) of, or
12 private parties in, any developing country shall be subject
13 to transparent and participatory processes, including giv-
14 ing due notice to the public in advance of such decisions
15 of the proposed purposes, terms, and conditions of such
16 loans, credits, and guarantees.”.

17 (b) ENSURING BURDENSHARING BY OTHER CRED-
18 ITOR COUNTRIES.—In order to accelerate bilateral debt
19 relief and promote economic and human development and
20 poverty alleviation in heavily indebted poor countries, the
21 Congress urges the President, immediately after the date
22 of the enactment of this Act, to establish diplomatic ef-
23 forts with countries that are members of the Paris Club
24 of Official Creditors, and, if necessary, with other credi-
25 tors, to accomplish the following by September 30, 2001:

1 (1) The cancellation of all amounts owed to
2 each such country by heavily indebted poor countries
3 described in section 902 of the Foreign Assistance
4 Act of 1961 (as added by subsection (a)) as a result
5 of concessional loans made or credits extended prior
6 to January 1, 1996, by each such country.

7 (2) The reduction, by not less than 90 percent,
8 of amounts owed to each such country by heavily in-
9 debted poor countries described in section 902 of the
10 Foreign Assistance Act of 1961 (as added by sub-
11 section (a)) as a result of nonconcessional loans
12 made, guarantees issued, or credits extended prior to
13 January 1, 1996, by each such country.

14 (3) The establishment of procedures by the
15 Club to ensure greater transparency in the decision-
16 making process, including publication of each deci-
17 sion and its rationale, on all applications to the Club
18 for debt reduction by heavily indebted poor countries
19 described in section 902 of the Foreign Assistance
20 Act of 1961 (as added by subsection (a)).

1 **SEC. 3. ACTIONS TO IMPROVE THE PROVISION OF MULTI-**
2 **LATERAL DEBT RELIEF AND PROCEDURES**
3 **FOR NEW LENDING.**

4 Title XVI of the International Financial Institutions
5 Act (22 U.S.C. 262p–262p–5) is amended by adding at
6 the end the following:

7 **“SEC. 1623. IMPROVEMENT OF THE HEAVILY INDEBTED**
8 **POOR COUNTRIES INITIATIVE; ENSURING EQ-**
9 **UITABLE BURDEN SHARING.**

10 “(a) IMPROVEMENT OF THE HIPC INITIATIVE.—In
11 order to accelerate multilateral debt relief and promote
12 economic and human development and poverty alleviation
13 in heavily indebted poor countries the Congress urges the
14 President to commence immediately diplomatic efforts,
15 within the Paris Club of Official Creditors, as well as the
16 International Bank for Reconstruction and Development
17 (World Bank), the International Monetary Fund (IMF),
18 and other appropriate multilateral development institu-
19 tions to accomplish the following modifications in the
20 Heavily Indebted Poor Countries Initiative:

21 “(1) LIMIT ON MAXIMUM WAITING PERIOD BE-
22 FORE RECEIVING DEBT RELIEF.—The period of sat-
23 isfactory implementation of economic and social re-
24 forms which a country may need to establish in
25 order to receive bilateral and multilateral debt re-

1 duction under the HIPC Initiative shall not exceed
2 3 years.

3 “(2) PROMOTION OF POVERTY ALLEVIATION
4 AND ENVIRONMENTAL PROTECTION.—The economic
5 and social reforms on which HIPC debt relief is con-
6 ditioned shall incorporate effective measures for pov-
7 erty reduction and environmental protection.

8 “(3) REVISION OF COUNTRY ELIGIBILITY RE-
9 QUIREMENT.—A country shall be regarded as having
10 an unsustainable debt burden for purposes of qualifi-
11 cating for debt reduction (or for further debt reduc-
12 tion) under the HIPC Initiative if the net present
13 value of the outstanding public and publicly guaran-
14 teed debt of the country at the end of 1996 was at
15 least 150 percent of the average annual value of the
16 exports of the country for the period 1994 through
17 1996.

18 “(4) ADDITIONAL REQUIREMENT.—Debt reduc-
19 tion under the HIPC Initiative shall not be provided
20 for the benefit of a country unless the government
21 of the country has established, through transparent
22 and participatory processes, including the participa-
23 tion of civil society—

24 “(A) a plan of action for human develop-
25 ment (in this section referred to as the ‘Action

1 Plan') which includes policies, programs, and
2 projects designed to reduce the number of per-
3 sons living in poverty, expand access of the
4 poorest members of society to basic social serv-
5 ices, including health, education, clean water,
6 and sanitation, and prevent the degradation of
7 the environment;

8 “(B) a human development fund (in this
9 section referred to as the ‘Human Development
10 Fund’)—

11 “(i) the resources of which are dedi-
12 cated to achieving the purposes of the Ac-
13 tion Plan; and

14 “(ii) into which are required to be de-
15 posited all savings generated by debt re-
16 duction provided for the benefit of the
17 country under the Heavily Indebted Poor
18 Countries (HIPC) Initiative and under
19 other debt reduction programs;

20 “(C) arrangements to ensure that all ex-
21 penditures from the Human Development Fund
22 during a year will be used to increase annual
23 expenditures for human development by the
24 government above the greater of—

1 “(i) the total amount of annual ex-
2 penditures for human development by the
3 government for the preceding year; or

4 “(ii) the average total amount of such
5 expenditures for the 3 years immediately
6 preceding the year in which such fund is
7 established; and

8 “(D) arrangements for monitoring the op-
9 erations, financial transactions, and accounts of
10 the Human Development Fund by an oversight
11 body which includes representatives of civil soci-
12 ety.

13 “(5) AMOUNT OF DEBT REDUCTION.—The
14 amount of the debt reduction provided under the
15 HIPC Initiative for the benefit of a country with an
16 unsustainable debt burden shall be sufficient to
17 reduce—

18 “(A) the net present value of the out-
19 standing public and publicly guaranteed debt of
20 the country to less than 150 percent of the
21 value of the annual exports of the country; and

22 “(B) the amount of annual payments due
23 on such public and publicly guaranteed debt to
24 not more than 10 percent of the amount of an-

1 nual current revenue received by the govern-
2 ment of the country from internal sources.

3 “(6) TRANSPARENCY AND PARTICIPATION IN
4 HIPC DECISION MAKING.—All decisions under the
5 HIPC Initiative concerning the amount, terms and
6 conditions, and timing of debt relief for a country,
7 and the processes by which such decisions are made,
8 shall be subject to procedures which are—

9 “(A) transparent, including publication of
10 the content of the decisions and of all relevant
11 analytical, legal, and policy documents, includ-
12 ing Debt Sustainability Analyses, Policy Frame-
13 work Papers, debt relief agreements, and na-
14 tional development programs and budgets; and
15 “(B) participatory, including the participa-
16 tion of civil society.

17 “(7) SPECIAL PROVISIONS.—

18 “(A) Debt reduction under the HIPC In-
19 itiative for the benefit of a country that has
20 demonstrated a sustained commitment to pov-
21 erty alleviation or has recently suffered a major
22 natural disaster shall be provided in a greater
23 amount or more quickly than would otherwise
24 be the case under the HIPC Initiative.

1 “(B) Notwithstanding any longer period of
2 satisfactory performance required pursuant to
3 paragraph (1), in the case of a country emerg-
4 ing from civil conflict which has an economic
5 performance agreement with the IMF and is
6 otherwise entitled to begin receiving enhanced
7 bilateral and multilateral debt reduction under
8 the HIPC Initiative, the lack of a 3-year period
9 of satisfactory performance under such IMF
10 agreement shall not cause a delay in the provi-
11 sion of debt reduction for the benefit of the
12 country under the HIPC Initiative.

13 “(8) HIPC REVIEW.—The Secretary of the
14 Treasury shall make every effort (including instruct-
15 ing the United States Executive Directors at the
16 IMF and the World Bank) to ensure that a com-
17 prehensive external assessment of the HIPC Initia-
18 tive shall take place by December 31, 2001, shall in-
19 corporate the views of debtor governments and civil
20 society, shall be made public, and shall include—

21 “(A) an analysis of the contribution of the
22 HIPC Initiative to the poverty reduction and
23 social development goals for the 21st century
24 established by the Development Assistance

1 Committee of the Organization for Economic
2 Cooperation and Development; and

3 “(B) recommendations to the IMF, World
4 Bank, and the governments of the United
5 States and other creditor countries that may be
6 necessary to strengthen the contribution of the
7 HIPC Initiative to the poverty reduction and
8 social goals referred to in subparagraph (A).

9 “(9) TERMINATION OF THE HIPC INITIATIVE.—
10 The HIPC Initiative shall not terminate until all the
11 debt reduction contemplated by this section has been
12 carried out.

13 “(b) PROMOTION OF EQUITABLE BURDEN SHAR-
14 ING.—In order to promote equitable burden-sharing by bi-
15 lateral, multilateral, and private creditors under the HIPC
16 initiative, the Congress urges the President to commence
17 immediately diplomatic efforts to ensure that such credi-
18 tors draw upon their own resources to finance debt reduc-
19 tion under the HIPC Initiative to the extent possible with-
20 out diverting funds from other high priority poverty allevi-
21 ation programs.

22 “(c) CONTRIBUTIONS TO THE HIPC TRUST FUND.—
23 For payment to the Heavily Indebted Poor Countries
24 Trust Fund of the International Bank for Reconstruction
25 and Development, there are authorized to be appropriated

1 to the President such sums as may be necessary for fiscal
2 years 2000, 2001, and 2002, except that if, with respect
3 to fiscal year 2001 or 2002, the President has not deter-
4 mined that, during the then preceding fiscal year, satisfa-
5 tory progress was made in accomplishing the improve-
6 ments in the HIPC initiative described in subsections (a)
7 and (b), then no sums are authorized to be appropriated
8 for such purpose for the fiscal year.

9 “(d) SENSE OF CONGRESS.—It is the sense of Con-
10 gress that the amounts that would otherwise be provided
11 by the United States for development aid or other debt
12 relief should not be reduced on account of any appropria-
13 tions pursuant to subsection (c).

14 “(e) REPORT TO THE CONGRESS.—Not later than
15 December 31 of each year, the President shall submit to
16 the Committees on Banking and Financial Services and
17 on International Relations of the House of Representa-
18 tives and the Committee on Foreign Relations of the Sen-
19 ate a report, which shall be made available to the public,
20 on the activities undertaken under this section, and on the
21 progress made in accomplishing the purposes of this sec-
22 tion, for the prior fiscal year.

1 **“SEC. 1624. IMPROVEMENT OF PROCEDURES FOR NEW**
2 **LENDING.**

3 “The President, acting through the Secretary of the
4 Treasury, shall work with the member countries of the
5 international financial institutions (as defined in section
6 1701(c)(2)) to ensure transparency and public participa-
7 tion in decisions to make new loans, and the terms and
8 conditions of such loans, to developing countries,
9 including—

10 “(1) disclosure of Policy Framework Papers,
11 Public Expenditure Reviews, Country Assistance
12 Strategies, International Monetary Fund Letters of
13 Intent, appraisal documents, and other reports rel-
14 evant to proposed lending operations;

15 “(2) participation of civil society in developing
16 countries in the design of national development pro-
17 grams and in decisions to borrow from such institu-
18 tions in support of such programs; and

19 “(3) provision of detailed information to the
20 Board of Directors of such an institution and to the
21 public, prior to the approval of a lending operation
22 for a developing country, as to the nature and extent
23 of civil society participation in the design of, and ap-
24 proval process for, such operation.”.

