

**AMENDMENT IN THE NATURE OF A SUBSTITUTE  
TO H.R. 1095**

**OFFERED BY MR. LEACH, MR. LAFALCE, MR.  
BACHUS, AND MS. WATERS**

Strike all after the enacting clause and insert the following:

**1 SECTION 1. SHORT TITLE.**

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

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

7 (a) AMENDMENT TO THE FOREIGN ASSISTANCE ACT  
8 OF 1961.—The Foreign Assistance Act of 1961 (22  
9 U.S.C. 2151 et seq.) is amended by adding at the end  
10 the following:

**11 “PART VI—CANCELLATION OF DEBT OWED TO  
12 THE UNITED STATES BY POOR COUNTRIES**

**13 “SEC. 901. CANCELLATION OF DEBT.**

14 “(a) CANCELLATION OF CONCESSIONAL DEBT.—

15 “(1) IN GENERAL.—Subject to amounts pro-  
16 vided in advance in appropriations Acts, the Presi-  
17 dent shall, prior to September 30, 2004, cancel all  
18 amounts owed to the United States (or any agency



1 of the United States) by countries eligible under sec-  
2 tion 902 as a result of concessional loans made or  
3 credits extended prior to June 20, 1999, under any  
4 of the provisions of law described in paragraph (2).

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

7 “(A) Part I of this Act, including chapter  
8 4 of part II of this Act, or predecessor foreign  
9 economic assistance legislation.

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

13 “(b) CANCELLATION OF NONCONCESSIONAL  
14 DEBT.—

15 “(1) IN GENERAL.—Subject to amounts pro-  
16 vided in advance in appropriations Acts, the Presi-  
17 dent shall, prior to September 30, 2004, cancel all  
18 amounts owed to the United States (or any agency  
19 of the United States) by countries eligible under sec-  
20 tion 902 as a result of nonconcessional loans made,  
21 guarantees or insurance issued, or credits extended  
22 prior to June 20, 1999, under any of the provisions  
23 of law described in paragraph (2).

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



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

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

4   **“SEC. 902. ELIGIBLE COUNTRIES.**

5           “(a) IN GENERAL.—Except as provided in subsection  
6 (b) and subject to the fulfillment of the additional require-  
7 ment in subsection (c), a country that is performing satis-  
8 factorily under an economic reform program shall be eligi-  
9 ble for cancellation of debt under section 901 if the  
10 country—

11           “(1) as of December 31, 2000, is eligible to  
12 borrow from the International Development Associa-  
13 tion;

14           “(2) as of December 31, 2000, is not eligible to  
15 borrow from the International Bank for Reconstruc-  
16 tion and Development; and

17           “(3)(A) has outstanding public and publicly  
18 guaranteed debt, the net present value of which on  
19 December 31, 1996, was at least 150 percent of the  
20 average annual value of the exports of the country  
21 for the period 1994 through 1996; or

22           “(B) has outstanding public and publicly guar-  
23 anteed debt, the net present value of which, as of  
24 the date the President determines that the country



1 is eligible for debt relief under the modified Heavily  
2 Indebted Poor Countries (HIPC) Initiative, is—

3 “(i) at least 150 percent of the annual  
4 value of the exports of the country, for the most  
5 recent year for which such information is avail-  
6 able; or

7 “(ii) at least 250 percent of the annual fis-  
8 cal revenues of the country, and the country  
9 has a minimum ratio of exports to gross domes-  
10 tic product of 30 percent and a minimum ratio  
11 of fiscal revenues of the country to gross do-  
12 mestic product of 15 percent, for the most re-  
13 cent year for which such information is avail-  
14 able.

15 “(b) EXCEPTIONS.—A country shall not be eligible  
16 for cancellation of debt under section 901 if the govern-  
17 ment of the country—

18 “(1) has an excessive level of military expendi-  
19 tures;

20 “(2) has repeatedly provided support for acts of  
21 international terrorism, as determined by the Sec-  
22 retary of State under section 6(j)(1) of the Export  
23 Administration Act of 1979 (50 U.S.C. App.  
24 2405(j)(1)) or section 620A(a) of the Foreign As-  
25 sistance Act of 1961 (22 U.S.C. 2371(a));



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

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

6           “(c) ADDITIONAL REQUIREMENT.—A country which  
7           is otherwise eligible to receive cancellation of debt under  
8           section 901 may receive such cancellation only if—

9           “(1) the government of the country has estab-  
10          lished, through transparent and participatory proc-  
11          esses, including participation of civil society—

12                 “(A) a human development fund (herein-  
13                 after referred to as the ‘Human Development  
14                 Fund’)—

15                         “(i) the resources of which shall be  
16                         dedicated to reducing the number of per-  
17                         sons living in poverty, expanding access of  
18                         the poorest members of society to basic so-  
19                         cial services, including education, health,  
20                         clean water and sanitation, and preventing  
21                         the degradation of the environment; and

22                         “(ii) into which shall be deposited all  
23                         savings generated by debt reduction pursu-  
24                         ant to section 901 and section 2(c) of the



1 Debt Relief for Poverty Reduction Act of  
2 1999;

3 “(B) arrangements to ensure that all ex-  
4 penditures from the Human Development Fund  
5 during a year will be used to the extent possible  
6 to increase annual expenditures for human de-  
7 velopment by the government above the greater  
8 of—

9 “(i) the total amount of annual ex-  
10 penditures for human development by the  
11 government for the preceding year; or

12 “(ii) the average total amount of such  
13 expenditures for the 3 years immediately  
14 preceding the year in which such fund is  
15 established; and

16 “(C) arrangements for monitoring the op-  
17 erations and financial transactions and ac-  
18 counts of the Human Development Fund by an  
19 oversight body which includes representatives of  
20 civil society; or

21 “(2) the country has developed and committed  
22 to an integrated strategy, of the type described in  
23 section 1624(a)(1) of the International Financial In-  
24 stitutions Act, for poverty reduction developed in co-  
25 operation with the International Bank for Recon-

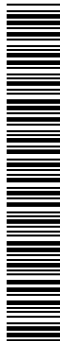


1       struction and Development and the International  
2       Monetary Fund, and in consultation with civil soci-  
3       ety, which—

4               “(A) uses economic reform and technical  
5       assistance programs developed and jointly ad-  
6       ministered by the International Bank for Re-  
7       construction and Development and Inter-  
8       national Monetary Fund;

9               “(B) includes monitorable poverty reduc-  
10      tion goals (such as increasing literacy, reducing  
11      infant and child mortality, lowering the inci-  
12      dence of AIDS, and improving environmental  
13      conditions) developed in cooperation with the  
14      International Bank for Reconstruction and De-  
15      velopment, relevant agencies of the United Na-  
16      tions, civil society groups, and other appropriate  
17      organizations;

18              “(C) takes steps so that the financial bene-  
19      fits from debt relief pursuant to the modified  
20      Heavily Indebted Poor Countries (HIPC) Ini-  
21      tiative, including savings realized as a result of  
22      debt relief pursuant to section 901 and section  
23      2(e) of the Debt Relief for Poverty Reduction  
24      Act of 1999, are applied to poverty reduction



1 programs dedicated to achieving the goals de-  
2 scribed in subparagraph (B);

3 “(D) includes transparent policymaking  
4 and budget procedures, good governance, and  
5 anti-corruption measures; and

6 “(E) broadens public participation and  
7 popular understanding of the principles and  
8 goals of poverty reduction, sustainable develop-  
9 ment, and good governance.

10 On request of the country, the Secretary of the Treasury  
11 should encourage international financial institutions to  
12 provide funds for the country to hire technical assistance  
13 consultants regarding the establishment and management  
14 of the Human Development Fund in accordance with  
15 paragraph (1) of this subsection.

16 “(d) DEFINITION.—In this section, the term ‘modi-  
17 fied Heavily Indebted Poor Countries Initiative’ means the  
18 multilateral debt initiative presented in the Report of G-  
19 7 Finance Ministers on the Köln Debt Initiative to the  
20 Köln Economic Summit, Cologne, Germany, held from  
21 June 18-20, 1999.

22 **“SEC. 903. PRIORITY.**

23 “In carrying out section 901, the President should  
24 seek to leverage scarce foreign assistance dollars by giving





1 priority to heavily indebted poor countries receiving com-  
2 parable debt relief from other official creditors.

3 **“SEC. 904. SPECIAL PROVISIONS.**

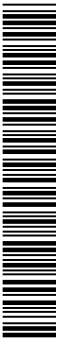
4 “(a) CANCELLATION OF DEBT NOT CONSIDERED TO  
5 BE ASSISTANCE.—Except as the President may otherwise  
6 determine for reasons of national security, a cancellation  
7 of debt under section 901 shall not be considered to be  
8 assistance for purposes of any provision of law limiting  
9 assistance to a country.

10 “(b) INAPPLICABILITY OF CERTAIN PROHIBITIONS  
11 RELATING TO CANCELLATION OF DEBT.—The authority  
12 to provide for cancellation of debt under section 901 may  
13 be exercised notwithstanding section 620(r) of this Act or  
14 any similar provision of law.

15 “(c) OTHER DEBT CANCELLATION AUTHORITIES.—  
16 The authority to cancel debt under section 901 is in addi-  
17 tion to the authority to cancel debt under any other provi-  
18 sion of law and does not in any way limit or otherwise  
19 affect such other authority.

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

21 “(a) IN GENERAL.—Not later than December 31 of  
22 each year, the President shall prepare and transmit to the  
23 appropriate congressional committees a report, which shall  
24 be made available to the public, concerning the cancella-  
25 tion of debt under section 901 and section 2(c) of the Debt



1 Relief for Poverty Reduction Act of 1999, determinations  
2 made under section 904(a), activities undertaken under  
3 section 2(d) of the Debt Relief for Poverty Reduction Act  
4 of 1999, the progress made in accomplishing the purposes  
5 of such section 2(d), and other debt restructuring activi-  
6 ties for the prior fiscal year. The report shall also include  
7 a list of the countries that have received debt cancellation  
8 under section 901 and a list of the countries that, al-  
9 though eligible under section 902(a)(3)(A), have been de-  
10 nied debt cancellation under section 902 and the reasons  
11 therefor.

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

14 “(1) the Committee on Banking and Financial  
15 Services, the Committee on Appropriations, and the  
16 Committee on International Relations of the House  
17 of Representatives; and

18 “(2) the Committee on Banking, Housing, and  
19 Urban Affairs, the Committee on Foreign Relations,  
20 and the Committee on Appropriations of the Senate.

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

22 “It is the sense of the Congress that the amounts  
23 that would otherwise be provided by the United States for  
24 development aid or other debt relief should not be reduced



1 on account of any appropriations made pursuant to sec-  
2 tion 907.

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

4 “For the cost (as defined in section 502(5) of the  
5 Federal Credit Reform Act of 1990) of the cancellation  
6 of any debt under section 901 of this Act, there are au-  
7 thorized to be appropriated to the President such sums  
8 as may be necessary for each of the fiscal years 2000  
9 through 2004.”.

10 (b) ANNUAL REPORT BY THE SECRETARY OF THE  
11 TREASURY ON PARIS CLUB DEBT RESTRUCTURING AC-  
12 TIONS AND CANCELLATIONS.—Not later than January 1,  
13 2000, and not later than January 1 of each year there-  
14 after, the Secretary of the Treasury shall prepare and sub-  
15 mit to the Congress a report containing the following:

16 (1) A description of debt restructuring actions  
17 and cancellations undertaken by the United States  
18 as a member of the Paris Club of Official Creditors  
19 for the prior fiscal year, including—

20 (A)(i) the amount of debt restructured  
21 with respect to each such debtor country;

22 (ii) the new maturity or maturities of each  
23 such debt restructured;

24 (iii) the new interest rates and other costs  
25 of each such debt restructured; and



1 (iv) any other terms and conditions of each  
2 such debt restructured; and

3 (B) an assessment of the debt restruc-  
4 turing described in subparagraph (A), including  
5 an assessment of the effect of the restructuring  
6 on the debt service payments of the debtor  
7 country.

8 (2) A description, based on the most recently  
9 available information, of all outstanding amounts  
10 owed to the United States Government by foreign  
11 countries as a result of loans made, guarantees or  
12 insurance issued, or credits extended under any pro-  
13 vision of law, including the amount owed by each  
14 country under each provision of law.

15 (c) CANCELLATION OF DEBT OWED TO THE EX-  
16 PORT-IMPORT BANK OR THE COMMODITY CREDIT COR-  
17 PORATION.—

18 (1) IN GENERAL.—Subject to amounts provided  
19 in advance in appropriations Acts, the President  
20 shall cancel all amounts owed to—

21 (A) the Export-Import Bank of the United  
22 States by each country that the President de-  
23 termines is eligible for debt reduction under  
24 this paragraph, as a result of loans made, or  
25 guarantees or insurance issued, prior to June



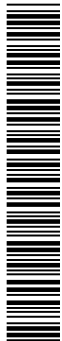
1 20, 1999, under the Export Import Bank Act  
2 of 1945, or

3 (B) the Commodity Credit Corporation by  
4 each country that the President determines is  
5 eligible for debt reduction under this paragraph,  
6 as a result of loans made, or guarantees issued,  
7 prior to June 20, 1999, under section 5(f) of  
8 the Commodity Credit Corporation Charter Act  
9 (15 U.S.C. 714c(f)), section 201 of the Agricul-  
10 tural Trade Act of 1978 (7 U.S.C. 5621), or  
11 section 202 of such Act (7 U.S.C. 5622), or  
12 predecessor provisions under the Food for  
13 Peace Act of 1966.

14 (2) ELIGIBLE COUNTRIES.—Except as provided  
15 in paragraph (3) and subject to the fulfillment of  
16 the additional requirement in paragraph (4), a coun-  
17 try that is performing satisfactorily under an eco-  
18 nomic reform program shall be eligible for debt re-  
19 duction under paragraph (1) if the country—

20 (A) as of December 31, 2000, is eligible to  
21 borrow from the International Development As-  
22 sociation;

23 (B) as of December 31, 2000, is not eligi-  
24 ble to borrow from the International Bank for  
25 Reconstruction and Development; and



1 (C)(i) has outstanding public and publicly  
2 guaranteed debt, the net present value of which  
3 on December 31, 1996, was at least 150 per-  
4 cent of the average annual value of the exports  
5 of the country for the period 1994 through  
6 1996; or

7 (ii) has outstanding public and publicly  
8 guaranteed debt, the net present value of which,  
9 as of the date the President determines that the  
10 country is eligible for debt relief under the  
11 modified HIPC Initiative, is—

12 (I) at least 150 percent of the annual  
13 value of the exports of the country for the  
14 most recent year for which such informa-  
15 tion is available; or

16 (II) at least 250 percent of the annual  
17 fiscal revenues of the country, and the  
18 country has a minimum ratio of exports to  
19 gross domestic product of 30 percent, and  
20 a minimum ratio of fiscal revenues to gross  
21 domestic product of 15 percent, for the  
22 most recent year for which such informa-  
23 tion is available.



1           (3) EXCEPTIONS.—A country shall not be eligi-  
2 ble for debt reduction under paragraph (1) if the  
3 government of the country—

4           (A) has an excessive level of military ex-  
5 penditures;

6           (B) has repeatedly provided support for  
7 acts of international terrorism, as determined  
8 by the Secretary of State under section 6(j)(1)  
9 of the Export Administration Act of 1979 (50  
10 U.S.C. App. 2405(j)(1)) or section 620A(a) of  
11 the Foreign Assistance Act of 1961 (22 U.S.C.  
12 2371(a));

13           (C) is failing to cooperate on international  
14 narcotics control matters; or

15           (D) (including its military or other security  
16 forces) engages in a consistent pattern of gross  
17 violations of internationally recognized human  
18 rights.

19           (4) ADDITIONAL REQUIREMENT.—A country  
20 which is otherwise eligible for debt reduction under  
21 paragraph (1) may receive such reduction only if—

22           (A) the government of the country has es-  
23 tablished, through transparent and  
24 participatory processes, including participation  
25 of civil society—



1 (i) a human development fund (here-  
2 inafter referred to as the “Human Devel-  
3 opment Fund”)—

4 (I) the resources of which shall  
5 be dedicated to reducing the number  
6 of persons living in poverty, expanding  
7 access of the poorest members of soci-  
8 ety to basic social services, including  
9 education, health, clean water and  
10 sanitation, and preventing the deg-  
11 radation of the environment; and

12 (II) into which shall be deposited  
13 all savings generated by debt reduc-  
14 tion received pursuant to section 901  
15 of the Foreign Assistance Act of 1961  
16 or this subsection;

17 (ii) arrangements to ensure that all  
18 expenditures from the Human Develop-  
19 ment Fund during a year will be used, to  
20 the extent possible, to increase annual ex-  
21 penditures for human development by the  
22 government above the greater of—

23 (I) the total amount of annual  
24 expenditures for human development





1 by the government for the preceding  
2 year; or

3 (II) the average total amount of  
4 such expenditures for the 3 years im-  
5 mediately preceding the year in which  
6 such fund is established; and

7 (iii) arrangements for monitoring the  
8 operations and financial transactions and  
9 accounts of the Human Development Fund  
10 by an oversight body which includes rep-  
11 resentatives of civil society; or

12 (B) the country has developed and com-  
13 mitted to an integrated strategy for poverty re-  
14 duction developed in cooperation with the Inter-  
15 national Bank for Reconstruction and Develop-  
16 ment and the International Monetary Fund,  
17 and in consultation with civil society, which—

18 (i) uses economic reform and technical  
19 assistance programs developed and jointly  
20 administered by the International Bank for  
21 Reconstruction and Development and  
22 International Monetary Fund;

23 (ii) includes monitorable poverty re-  
24 duction goals (such as increasing literacy,  
25 reducing infant and child mortality, low-

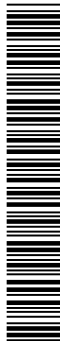


1 ering the incidence of AIDS, and improv-  
2 ing environmental conditions) developed in  
3 cooperation with the International Bank  
4 for Reconstruction and Development, rel-  
5 evant agencies of the United Nations, civil  
6 society groups, and other appropriate orga-  
7 nizations;

8 (iii) takes steps so that the financial  
9 benefits from debt relief pursuant to the  
10 modified Heavily Indebted Poor Countries  
11 (HIPC) Initiative, including savings real-  
12 ized as a result of debt relief pursuant to  
13 section 901 of the Foreign Assistance Act  
14 of 1961 and this subsection, are applied to  
15 poverty reduction programs dedicated to  
16 achieving the goals described in clause (ii)  
17 of this subparagraph;

18 (iv) includes transparent policymaking  
19 and budget procedures, good governance,  
20 and anti-corruption measures; and

21 (v) broadens public participation and  
22 popular understanding of the principles  
23 and goals of poverty reduction, sustainable  
24 development, and good governance.

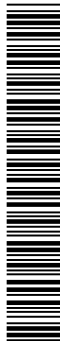


1           (5) DEFINITION OF MODIFIED HEAVILY IN-  
2           DEBTED POOR COUNTRIES (HIPC) INITIATIVE.—For  
3           purposes of this subsection, the term “modified  
4           Heavily Indebted Poor Countries (HIPC) Initiative”  
5           means the multilateral debt initiative presented in  
6           the Report of G-7 Finance Ministers on the Köln  
7           Debt Initiative to the Köln Economic Summit, Co-  
8           logne, 18-20 June, 1999.

9           (6) PRIORITY.—In carrying out this subsection,  
10          the President should seek to leverage scarce foreign  
11          assistance dollars by giving priority to heavily in-  
12          debted poor countries receiving comparable debt re-  
13          lief from other official creditors.

14          (7) OTHER DEBT REDUCTION AUTHORITIES.—  
15          The authority to reduce debt under this subsection  
16          is in addition to the authority to reduce debt under  
17          any other provision of law and does not in any way  
18          limit or otherwise affect such other authority.

19          (8) AUTHORIZATION OF APPROPRIATIONS.—For  
20          the cost (as defined in section 502(5) of the Federal  
21          Credit Reform Act of 1990) of the reduction of any  
22          debt under paragraph (1) of this subsection, there  
23          are authorized to be appropriated to the President  
24          such sums as may be necessary for each of the fiscal  
25          years 2000 through 2004.



1 (d) ENSURING BURDENSARING BY OTHER CRED-  
2 ITOR COUNTRIES.—In order to accelerate bilateral debt  
3 relief and promote human and economic development and  
4 poverty alleviation in countries eligible for debt cancella-  
5 tion under section 901 of the Foreign Assistance Act of  
6 1961 (as added by subsection (a) of this section) or under  
7 subsection (c) of this section, the Congress urges the  
8 President, immediately after the date of the enactment of  
9 this Act, to establish efforts with countries that are mem-  
10 bers of the Paris Club of Official Creditors, and, if nec-  
11 essary, with other creditors, to accomplish the following  
12 by September 30, 2004:

13 (1) The cancellation of all amounts owed to  
14 each such member country by countries eligible for  
15 debt cancellation as of their respective decision  
16 points, as a result of concessional loans made or  
17 credits extended prior to June 20, 1999, by each  
18 such country.

19 (2) The cancellation of all amounts owed to  
20 each such member country by countries eligible for  
21 debt cancellation as of their respective decision  
22 points, as a result of nonconcessional loans made,  
23 guarantees or insurance issued, or credits extended  
24 prior to June 20, 1999, by each such country.



1           (3) The establishment of procedures by the  
2 Club to ensure greater transparency in the decision-  
3 making process, including publication of information  
4 for each restructuring action undertaken by the Club  
5 as to the amount of sovereign debt restructured, as  
6 to whom amounts are owed and by how much each  
7 is owed, disaggregated by each country, as to how  
8 much each debtor country owes each international fi-  
9 nancial institution, as to new maturity or maturities  
10 of the restructured debts, as to new interest rate  
11 and other costs associated with the restructured  
12 debts, and as to any other new terms or conditions.  
13 With due specificity, such information shall be con-  
14 trasted with such amounts, terms, and conditions in  
15 effect before the restructuring, and offer an assess-  
16 ment of the effects the restructuring will have on the  
17 country's debt servicing.

18           (e) DEFINITION OF DECISION POINT.—In subsection  
19 (d), the term “decision point” means the point in time  
20 at which the Executive Boards of the International Bank  
21 for Reconstruction and Development and the International  
22 Monetary Fund review the debt sustainability analysis for  
23 a country and decide that the country is eligible for debt  
24 relief under the modified Heavily Indebted Poor Countries  
25 Initiative.



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 human and economic development and poverty alleviation  
13 in heavily indebted poor countries the Congress urges the  
14 President to commence immediately efforts, within the  
15 Paris Club of Official Creditors, as well as the Inter-  
16 national 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 (HIPC) Initiative:

21 “(1) LIMIT ON MAXIMUM WAITING PERIOD BE-  
22 FORE RECEIVING DEBT RELIEF.—The period of sat-  
23 isfactory implementation of social and economic re-  
24 forms (whether such reforms occurred before or  
25 after modification of the Heavily Indebted Poor  
26 Countries (HIPC) Initiative) which a country may



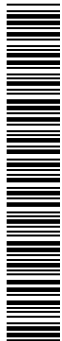
1 need to establish in order to receive multilateral debt  
2 reduction under the modified HIPC Initiative shall  
3 not exceed 3 years.

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

9 “(3) REVISION OF COUNTRY ELIGIBILITY RE-  
10 QUIREMENT.—A country shall be regarded as having  
11 an unsustainable debt burden for purposes of quali-  
12 fying for debt reduction (or for further debt reduc-  
13 tion) under the modified HIPC Initiative if the  
14 country has outstanding public and publicly guaran-  
15 teed debt, the net present value of which at the deci-  
16 sion point, is—

17 “(A) at least 150 percent of the annual  
18 value of the exports of the country for the most  
19 recent year for which such information is avail-  
20 able; or

21 “(B) at least 250 percent of the annual  
22 fiscal revenues of the country, and the country  
23 has a minimum ratio of exports to gross domes-  
24 tic product of 30 percent, and a minimum ratio  
25 of fiscal revenues to gross domestic product of



1 15 percent, for the most recent year for which  
2 such information is available.

3 “(4) ADDITIONAL REQUIREMENT.—Debt reduc-  
4 tion under the modified HIPC Initiative shall not be  
5 provided for the benefit of a country unless—

6 “(A) the government of the country has es-  
7 tablished, through transparent and  
8 participatory processes, including the participa-  
9 tion of civil society—

10 “(i) a plan of action for human devel-  
11 opment (in this section referred to as the  
12 ‘Action Plan’) which includes policies, pro-  
13 grams, and projects designed to reduce the  
14 number of persons living in poverty, ex-  
15 pand access of the poorest members of so-  
16 ciety to basic social services, including  
17 health, education, clean water, and sanita-  
18 tion, and prevent the degradation of the  
19 environment;

20 “(ii) a human development fund (in  
21 this section referred to as the ‘Human De-  
22 velopment Fund’)—

23 “(I) the resources of which are  
24 dedicated to achieving the purposes of  
25 the Action Plan; and





1 “(II) into which are required to  
2 be deposited all savings generated by  
3 debt reduction provided for the benefit  
4 of the country under the modified  
5 HIPC Initiative and under other debt  
6 reduction programs;

7 “(iii) arrangements to ensure that all  
8 expenditures from the Human Develop-  
9 ment Fund during a year will be used, to  
10 the extent possible, to increase annual ex-  
11 penditures for human development by the  
12 government above the greater of—

13 “(I) the total amount of annual  
14 expenditures for human development  
15 by the government for the preceding  
16 year; or

17 “(II) the average total amount of  
18 such expenditures for the 3 years im-  
19 mediately preceding the year in which  
20 such fund is established; and

21 “(iv) arrangements for monitoring the  
22 operations, financial transactions, and ac-  
23 counts of the Human Development Fund  
24 by an oversight body which includes rep-  
25 resentatives of civil society, and a majority



1 of the members of which are citizens of the  
2 country; or

3 “(B) the country has developed and com-  
4 mitted to an integrated strategy, of the type de-  
5 scribed in section 1624(a)(1), for poverty reduc-  
6 tion developed in cooperation with the Inter-  
7 national Bank for Reconstruction and Develop-  
8 ment and the International Monetary Fund,  
9 and in consultation with civil society, which—

10 “(i) uses economic reform and tech-  
11 nical assistance programs developed and  
12 jointly administered by the International  
13 Bank for Reconstruction and Development  
14 and the International Monetary Fund;

15 “(ii) includes monitorable poverty re-  
16 duction goals (such as increasing literacy,  
17 reducing infant and child mortality, low-  
18 ering the incidence of AIDS, and improv-  
19 ing environmental conditions) developed in  
20 cooperation with the International Bank  
21 for Reconstruction and Development, rel-  
22 evant agencies of the United Nations, civil  
23 society groups, and other appropriate orga-  
24 nizations;



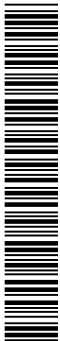
1 “(iii) channels the financial benefits  
2 from debt relief pursuant to the modified  
3 HIPC Initiative into poverty reduction pro-  
4 grams dedicated to achieving the goals de-  
5 scribed in clause (ii);

6 “(iv) includes transparent policy-mak-  
7 ing and budget procedures, good govern-  
8 ance, and anti-corruption measures;

9 “(v) broadens public participation and  
10 popular understanding of the principles  
11 and goals of poverty reduction, sustainable  
12 development, and good governance; and

13 “(vi) includes arrangements for moni-  
14 toring the implementation of the poverty  
15 reduction strategy by an oversight body  
16 which includes representatives of civil soci-  
17 ety, and a majority of the members of  
18 which are citizens of the country.

19 On request of the country, the International  
20 Bank for Reconstruction and Development should  
21 provide technical assistance to the country regarding  
22 the establishment and management of the Human  
23 Development Fund in accordance with subparagraph  
24 (A) of this paragraph and the development of an in-



1       tegrated strategy for poverty reduction in accordance  
2       with subparagraph (B) of this paragraph.

3               “(5) AMOUNT OF DEBT REDUCTION.—The  
4       amount of debt reduction provided under the modi-  
5       fied HIPC Initiative for the benefit of a country  
6       with an unsustainable debt burden shall be sufficient  
7       to help catalyze sustainable growth and poverty re-  
8       duction, by reducing—

9               “(A) the net present value of the out-  
10       standing public and publicly guaranteed debt of  
11       the country to less than 150 percent of the  
12       value of the annual exports of the country; and

13               “(B) the amount of annual payments due  
14       on such public and publicly guaranteed debt to  
15       a percentage of government revenues, not great-  
16       er than 15 percent, that will facilitate higher  
17       levels of expenditure in areas that have been  
18       identified as key to accelerated poverty reduc-  
19       tion as well as ensure that the country is able  
20       to meet its current and future external debt-  
21       service obligations in full, without recourse to  
22       debt relief, rescheduling, or the accumulation of  
23       arrears.

24               “(6) TRANSPARENCY AND PARTICIPATION IN  
25       HIPC DECISION MAKING.—All decisions under the



1 modified HIPC Initiative concerning the amount,  
2 terms and conditions, and timing of debt relief for  
3 a country, and the processes by which such decisions  
4 are made, shall be subject to procedures which—

5 “(A) are transparent, including publication  
6 of the content of the decisions and of all rel-  
7 evant analytical, legal, and policy documents,  
8 including Debt Sustainability Analyses, Policy  
9 Framework Papers, debt relief agreements, and  
10 national development programs and budgets;

11 “(B) are participatory, including the par-  
12 ticipation of civil society and organizations with  
13 social sector expertise, including United Nations  
14 agencies; and

15 “(C) require that the published content of  
16 the decisions and documents described in sub-  
17 paragraph (A) of this paragraph that affect or  
18 pertain to debt relief for the country to be pro-  
19 vided to the relevant oversight body referred to  
20 in paragraph (4), and require that such over-  
21 sight body be consulted in the making of key  
22 decisions regarding such debt relief.

23 “(7) SPECIAL PROVISIONS.—

24 “(A) Debt reduction under the modified  
25 HIPC Initiative for the benefit of a country



1           that has demonstrated a sustained commitment  
2           to poverty alleviation shall be provided in a  
3           greater amount or more quickly than would  
4           otherwise be the case under that Initiative.

5           “(B) A country that is emerging from civil  
6           conflict or that has recently suffered a major  
7           natural disaster should receive special consider-  
8           ation for debt relief under the modified HIPC  
9           Initiative, notwithstanding the country’s record  
10          of performance under the country’s program of  
11          social and economic reform.

12          “(8) HIPC REVIEW.—The Secretary of the  
13          Treasury, after consulting with the Committees on  
14          Banking and Financial Services and on Inter-  
15          national Relations of the House of Representatives  
16          and the Committees on Foreign Relations and on  
17          Banking, Housing, and Urban Affairs of the Senate,  
18          shall make every effort (including instructing the  
19          United States Executive Directors at the IMF and  
20          the World Bank) to ensure that an external assess-  
21          ment of the modified HIPC Initiative, including the  
22          reformed ESAF program as it relates to that Initia-  
23          tive, take place by December 31, 2001, incorporating  
24          the views of debtor governments and civil society,



1 and that such assessment be made public and  
2 include—

3 “(A) an analysis of the contribution of the  
4 modified HIPC Initiative to the poverty reduc-  
5 tion and social development goals for the 21st  
6 century established by the Development Assist-  
7 ance Committee of the Organization for Eco-  
8 nomic Cooperation and Development; and

9 “(B) recommendations to the IMF, World  
10 Bank, and the governments of the United  
11 States and other creditor countries that may be  
12 necessary to strengthen the contribution of the  
13 modified HIPC Initiative to the poverty reduc-  
14 tion and social goals referred to in subpara-  
15 graph (A).

16 “(9) TERMINATION OF THE MODIFIED HIPC  
17 INITIATIVE.—The modified HIPC Initiative shall not  
18 terminate until all the debt reduction contemplated  
19 by this section has been carried out.

20 “(b) PROMOTION OF EQUITABLE BURDEN SHAR-  
21 ING.—In order to promote equitable burden-sharing by bi-  
22 lateral, multilateral, and private creditors under the modi-  
23 fied HIPC Initiative, the Congress urges the President to  
24 commence immediately efforts to ensure that such credi-  
25 tors draw upon their own resources to finance debt reduc-



1 tion under the modified HIPC Initiative to the extent pos-  
2 sible without diverting funds from other high priority pov-  
3 erty alleviation programs.

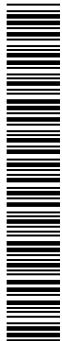
4 “(c) CONTRIBUTIONS TO THE HIPC TRUST FUND.—  
5 For payment to the Heavily Indebted Poor Countries  
6 Trust Fund of the International Bank for Reconstruction  
7 and Development, but only for purposes of debt relief,  
8 there are authorized to be appropriated to the President  
9 such sums as may be necessary for fiscal years 2000  
10 through 2004, except that if, with respect to fiscal year  
11 2001, 2002, 2003, or 2004, the President has not deter-  
12 mined that, during the then preceding fiscal year—

13 “(1) satisfactory progress was made in accom-  
14 plishing the improvements in the HIPC initiative de-  
15 scribed in subsections (a) and (b); and

16 “(2) the United States’ contributions to the re-  
17 duction of multilateral debt pursuant to the modified  
18 HIPC Initiative were matched, by a ratio of at least  
19 two to one, by resources provided in the aggregate  
20 by all other donors,

21 then no sums are authorized to be appropriated for such  
22 purpose for the fiscal year.

23 “(d) SENSE OF CONGRESS.—It is the sense of Con-  
24 gress that the amounts that would otherwise be provided  
25 by the United States for development aid or other debt





1 relief should not be reduced on account of any appropria-  
2 tions pursuant to subsection (e).

3       “(e) REPORT TO THE CONGRESS.—Not later than  
4 December 31 of each year, the President shall submit to  
5 the Committees on Banking and Financial Services, on  
6 Appropriations, and on International Relations of the  
7 House of Representatives and the Committees on Foreign  
8 Relations, on Banking, Housing, and Urban Affairs, and  
9 on Appropriations of the Senate a report, which shall be  
10 made available to the public, on the activities undertaken  
11 under this section, and on the progress made in accom-  
12 plishing the purposes of this section, for the prior fiscal  
13 year. The report shall include a list of the countries that  
14 have received debt relief under the original or modified  
15 HIPC Initiative, a list of the countries whose request for  
16 such debt relief has been denied and the reasons therefor,  
17 and a list of the countries whose requests for such debt  
18 relief are under consideration.

19       “(f) DEFINITIONS.—In this section:

20               “(1) MODIFIED HIPC INITIATIVE.—The term  
21 ‘modified HIPC Initiative’ means the multilateral  
22 debt initiative presented in the Report of the G-7 Fi-  
23 nance Ministers on the Köln Debt Initiative to the  
24 Köln Economic Summit, Cologne, 18-20 June, 1999.



1           “(2) DECISION POINT.—The term ‘decision  
2           point’ means the point in time at which the Execu-  
3           tive Boards of the International Bank for Recon-  
4           struction and Development and the International  
5           Monetary Fund review the debt sustainability anal-  
6           ysis for a country and decide that the country is eli-  
7           gible for debt relief under the modified Heavily In-  
8           debted Poor Countries Initiative.”.

9           **“SEC. 1624. REFORM OF THE ENHANCED STRUCTURAL AD-  
10           JUSTMENT FACILITY.**

11           “The Secretary of the Treasury shall instruct the  
12           United States Executive Directors at the International  
13           Bank for Reconstruction and Development and the Inter-  
14           national Monetary Fund to use the voice and vote of the  
15           United States to promote the establishment of poverty re-  
16           duction strategy policies and procedures at the Inter-  
17           national Bank for Reconstruction and Development and  
18           the International Monetary Fund which support countries’  
19           efforts to honor the commitments as set forth in section  
20           1623(a)(4)(B) and in other lending operations, as appro-  
21           priate, under programs developed and jointly administered  
22           by the International Bank for Reconstruction and Devel-  
23           opment and the International Monetary Fund that have  
24           the following components:



1           “(1) The development of country-specific pov-  
2           erty reduction strategies (Poverty Reduction Strate-  
3           gies) under the leadership of such countries, that—

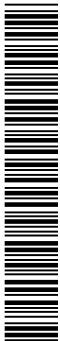
4                   “(A) will be set out in poverty reduction  
5                   strategy papers (PRSPs) to provide the basis  
6                   for the lending operations of the International  
7                   Development Association (IDA) and the En-  
8                   hanced Structural Adjustment Facility and its  
9                   successors (ESAF);

10                   “(B) will reflect the role of the Inter-  
11                   national Bank for Reconstruction and Develop-  
12                   ment in social sector development, structural  
13                   policies, and poverty reduction, and the role of  
14                   the International Monetary Fund in macro-  
15                   economic issues; and

16                   “(C) will make the advice and operations  
17                   of the International Monetary Fund and the  
18                   International Bank for Reconstruction and De-  
19                   velopment fully consistent with the objectives of  
20                   poverty reduction and broad-based growth; and

21                   “(D) should include—

22                           “(i) a participatory poverty assess-  
23                           ment, undertaken as a systematic part of  
24                           the design of the Poverty Reduction Strat-  
25                           egy, involving collaboration between the



1 government, civil society, the International  
2 Bank for Reconstruction and Development,  
3 organizations with expertise in the social  
4 sector, including United Nations agencies,  
5 and donors, which analyzes, among other  
6 things, the economic and social needs of  
7 the poor and the policy reforms and public  
8 investments that will best address these  
9 needs;

10 “(ii) social impact assessments, under-  
11 taken as a systematic part of the design of  
12 the Poverty Reduction Strategy, involving  
13 collaboration between the government, civil  
14 society, the International Bank for Recon-  
15 struction and Development, and organiza-  
16 tions with expertise in the social sector, in-  
17 cluding United Nations agencies, and do-  
18 nors, which analyze the impact of policies  
19 implemented under the Poverty Reduction  
20 Strategy and related lending operations  
21 and which are completed before Inter-  
22 national Bank for Reconstruction and De-  
23 velopment and International Monetary  
24 Fund Executive Board consideration of  
25 such operations;



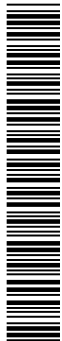
1                   “(iii) explicit consideration of the  
2                   short- and long-term tradeoffs between al-  
3                   ternative policy decisions, such as the dis-  
4                   tributional, equity, and poverty reduction  
5                   implications of monetary and fiscal policies  
6                   or the pace and sequencing of structural  
7                   reforms;

8                   “(iv) implementation of transparent  
9                   budget procedures and mechanisms to help  
10                  ensure that the financial benefits of debt  
11                  relief under the modified HIPC Initiative  
12                  result in increased national expenditures  
13                  on poverty reduction programs; and

14                  “(v) monitorable indicators of  
15                  progress in poverty reduction;

16                  “(2) the adoption of procedures for periodic  
17                  comprehensive reviews of ESAF and IDA programs  
18                  to help ensure progress toward poverty goals out-  
19                  lined in the Poverty Reduction Strategies and to  
20                  allow adjustments in such programs;

21                  “(3) the publication of the PRSPs (including  
22                  social impact assessments) prior to Executive Board  
23                  review of related programs under IDA and the  
24                  ESAF;



1           “(4) the establishment of a standing evaluation  
2 unit at the International Monetary Fund, similar to  
3 the Operations Evaluation Department of the Inter-  
4 national Bank for Reconstruction and Development,  
5 that would report directly to the Executive Board of  
6 the International Monetary Fund and that would  
7 undertake periodic reviews of International Mone-  
8 tary Fund operations, including the operations of  
9 the ESAF, including—

10           “(A) assessments of experience under the  
11 ESAF programs in the areas of poverty reduc-  
12 tion, rapid growth, and access to basic social  
13 services;

14           “(B) assessments of the extent and quality  
15 of participation in program design by civil soci-  
16 ety; and

17           “(C) verifications that ESAF programs are  
18 designed in a manner consistent with the Pov-  
19 erty Reduction Strategies; and

20           “(D) prompt release to the public of all re-  
21 views by the standing evaluation unit;

22           “(5) the promotion of simpler and less onerous  
23 conditionality in IDA and ESAF programs that fo-  
24 cuses on reforms most likely to support poverty re-  
25 duction and broad-based growth;

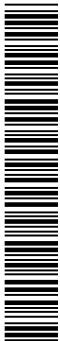


1           “(6) the adoption by the International Mone-  
2           tary Fund of policies aimed at reforming the En-  
3           hanced Structural Adjustment Facility so that  
4           ESAF programs are consistent with the Poverty Re-  
5           duction Strategies;

6           “(7) the adoption by the International Bank for  
7           Reconstruction and Development of policies to en-  
8           sure that International Bank for Reconstruction and  
9           Development lending operations in HIPC countries  
10          are consistent with the Poverty Reduction Strate-  
11          gies;

12          “(8) strengthening the linkage between bor-  
13          rower country performance and lending operations  
14          by IDA and the ESAF on the basis of clear and  
15          monitorable indicators; and

16          “(9) full public disclosure of the proposed objec-  
17          tives, financial organization and operations of the  
18          successor to the Enhanced Structural Adjustment  
19          Facility of the International Monetary Fund at least  
20          90 days before any decision by the Executive Board  
21          of the International Monetary Fund to consider its  
22          adoption.

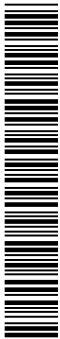


1 **“SEC. 1625. TRANSPARENCY AND PARTICIPATION OF CIVIL**  
2 **SOCIETY IN NEW INTERNATIONAL FINANCIAL**  
3 **INSTITUTION LENDING.**

4 “The Secretary of the Treasury shall instruct the  
5 United States Executive Directors at the international fi-  
6 nancial institutions (as defined in section 1701(c)(2)) to  
7 use the voice and votes of the Executive Directors to en-  
8 courage vigorously that their respective institutions adopt  
9 transparency and other measures that will facilitate par-  
10 ticipation of civil society in developing countries in the de-  
11 sign of poverty reduction strategies and in decisions to  
12 borrow from such institutions in support of such strate-  
13 gies, including—

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

19 “(2) 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.”.





1 **SEC. 4. ENHANCED STRUCTURAL ADJUSTMENT FACILITY/  
 2 **HEAVILY INDEBTED POOR COUNTRIES TRUST  
 3 **FUND.******

4 The Bretton Woods Agreements Act (22 U.S.C. 286–  
 5 286mm) is amended by adding at the end the following:

6 **“SEC. 62. APPROVAL OF CONTRIBUTIONS TO THE EN-  
 7 **HANCED STRUCTURAL ADJUSTMENT FACIL-  
 8 **ITY/HEAVILY INDEBTED POOR COUNTRIES  
 9 **TRUST FUND.**”******

10 “(a) IN GENERAL.—For the purpose of mobilizing  
 11 the resources of the Fund in order to help reduce poverty  
 12 and improve the lives of residents of poor countries and,  
 13 in particular, to allow those poor countries with  
 14 unsustainable debt burdens to receive deeper, broader, and  
 15 faster debt relief, without allowing gold to reach the open  
 16 market or otherwise adversely affecting the market price  
 17 of gold, the Secretary of the Treasury may instruct the  
 18 United States Executive Director of the Fund to vote—

19 “(1) to approve an arrangement whereby the  
 20 Fund—

21 “(A) sells not more than a total of  
 22 14,000,000 ounces of its gold at prevailing mar-  
 23 ket prices to a member or members in non-pub-  
 24 lic transactions;

25 “(B) immediately after, and in conjunction  
 26 with, each such sale, accepts payment by such



1 member or members of such gold to satisfy ex-  
2 isting repurchase obligations of such member or  
3 members so that the Fund retains ownership of  
4 the gold at the conclusion of such payment; and

5 “(C) transfers the earnings on the invest-  
6 ment of the profits of such sales to the Trust  
7 for Special ESAF Operations for the Heavily  
8 Indebted Poor Countries and Interim ESAF  
9 Subsidy Operations (ESAF/HIPC Trust Fund),  
10 provided that such earnings shall be used,  
11 through a separate subaccount, only for the  
12 purpose of providing debt relief from the Fund  
13 under the modified HIPC Initiative to members  
14 that qualify for such relief; and

15 “(2) to support a decision that would make  
16 available to the ESAF/HIPC Trust Fund resources  
17 in Special Contingency Account 2 (SCA-2) of the  
18 Fund derived from the extended burdensharing ar-  
19 rangements adopted pursuant to IMF Decision No.  
20 9471-(90/98), as amended, including any funds at-  
21 tributable to the United States participation in such  
22 arrangements, which shall be used only for debt re-  
23 lief under the original or modified HIPC Initiative  
24 (within the meaning of section 1623 of the Inter-  
25 national Financial Institutions Act).



1           “(b) CERTIFICATION.—Within 15 days after the  
2 United States Executive Director casts the votes necessary  
3 to carry out with the instruction provided pursuant to sub-  
4 section (a), the Secretary of the Treasury shall certify to  
5 the Committee on Banking and Financial Services of the  
6 House of Representatives and the Committee on Foreign  
7 Relations of the Senate that—

8           “(1) the value of the amount of gold sold by the  
9 International Monetary Fund pursuant to the au-  
10 thORIZATION provided under such subsection shall be  
11 approximately equivalent to the present value of the  
12 expected payments by the International Monetary  
13 Fund for debt relief under the original or modified  
14 HIPC Initiative (within the meaning of section 1623  
15 of the International Financial Institutions Act);

16           “(2) the earnings on the invested profits of  
17 such gold sales shall be deposited in a dedicated sub-  
18 account and used only for the purpose of providing  
19 debt relief from the Fund under the original or  
20 modified HIPC Initiative to members that qualify  
21 for such relief; and

22           “(3) any funds attributable to United States  
23 participation in the arrangements referred to in sub-  
24 section (a)(2) shall be used only for debt relief under  
25 the original or modified HIPC Initiative.”.



1 **SEC. 5. UNITED STATES INTERNATIONAL FINANCIAL**  
2 **AGREEMENTS; TRANSMISSION TO CONGRESS.**

3 Section 112b of title 1, United States Code, is  
4 amended by adding at the end the following:

5 “(f) The Secretary of the Treasury shall transmit to  
6 the Committee on Banking and Financial Services of the  
7 House of Representatives and the Committee on Banking,  
8 Housing, and Urban Affairs of the Senate a copy of any  
9 international financial agreement to which this section ap-  
10 plies. Any such agreement the immediate public disclosure  
11 of which would, in the opinion of the President, be preju-  
12 dicial to the national security of the United States, shall  
13 be so transmitted under an injunction of secrecy to be re-  
14 moved only upon due notice by the President.”.

15 **SEC. 6. CORRUPTION IN FOREIGN GOVERNMENTS.**

16 (a) IN GENERAL.—It is the sense of the Congress  
17 that, in deliberations between the United States Govern-  
18 ment and any other country on money laundering and cor-  
19 ruption issues, the United States Government should—

20 (1) emphasize an approach that addresses not  
21 only the laundering of the proceeds of traditional  
22 criminal activity but also the increasingly endemic  
23 problem of governmental corruption and the corrup-  
24 tion of ruling elites; and



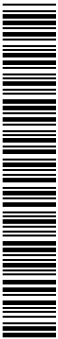
1 (2) encourage the enactment and enforcement  
2 of laws in such country to prevent money laundering  
3 and systemic corruption.

4 (b) UNITED STATES VOTES IN INTERNATIONAL FI-  
5 NANCIAL INSTITUTIONS.—Title XV of the of the Inter-  
6 national Financial Institutions Act (22 U.S.C. 262o–262o-  
7 2) is amended by adding at the end the following:

8 **“SEC. 1504. UNITED STATES VOTES IN INTERNATIONAL FI-**  
9 **NANCIAL INSTITUTIONS.**

10 “The Secretary of the Treasury shall instruct the  
11 United States Executive Director at each multilateral de-  
12 velopment bank (as defined in section 1701(c)(4)) to use  
13 aggressively the voice and vote of the United States to pro-  
14 mote vigorously policies that would make the institution  
15 more effective mechanisms, in concert with appropriate  
16 international authorities and other international financial  
17 institutions (as defined in section 1701(c)(2)), for pro-  
18 moting good governance principles within recipient coun-  
19 tries by fostering structural reforms, including procure-  
20 ment reform, that reduce opportunities for corruption and  
21 bribery, and drug-related money laundering.”.

22 (c) ANNUAL REPORTS REQUIRED.—Not later than  
23 December 31 of each year, the Secretary of the Treasury,  
24 in consultation with the Secretary of State and the Attor-  
25 ney General, shall submit an annual report to the Con-



1 gress on efforts bilaterally and within the international fi-  
2 nancial institutions (as defined in section 1701(e)(2) of  
3 the International Financial Institutions Act) consistent  
4 with the objectives in sections 1503(a)(6) and 1504 of  
5 such Act.

6 **SEC. 7. SAFEGUARDS ON USE OF INTERNATIONAL MONE-**  
7 **TARY FUND RESOURCES.**

8 The Bretton Woods Agreements Act (22 U.S.C. 286–  
9 286mm) is further amended by adding at the end the fol-  
10 lowing:

11 **“SEC. 63. SAFEGUARDS ON USE OF INTERNATIONAL MONE-**  
12 **TARY FUND RESOURCES.**

13 “The Secretary of the Treasury shall instruct the  
14 United States Executive Director at the Fund to use the  
15 voice and vote of the Executive Director to vigorously en-  
16 courage the Fund to—

17 “(1) require independent audits of central bank  
18 and other relevant entities on a more systematic  
19 basis by developing objective criteria to assist in de-  
20 termining when audits are warranted;

21 “(2) ensure that such audits occur before Fund  
22 financing is disbursed;

23 “(3) develop a systematic approach to reducing  
24 inappropriate uses of foreign exchange reserves  
25 through laws, regulations, and procedures, by means



1 including the requirement of arms length trans-  
2 actions and the prohibition of preferential access to  
3 foreign exchange on a nontransparent basis; and

4 “(4) strongly encourage all countries receiving  
5 exceptional levels of financial support to adopt and  
6 comply with Fund standards applicable to manage-  
7 ment of foreign exchange reserves, particularly with  
8 respect to the nature and location of the institutions  
9 where such reserves are placed.”.

