

106TH CONGRESS
1ST SESSION

S. 1690

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 SENATE OF THE UNITED STATES

OCTOBER 5, 1999

Mr. MACK (for himself, Mr. SARBANES, Mr. DEWINE, Mr. LIEBERMAN, Mr. JEFFORDS, Mr. KERREY, Mr. LUGAR, Mr. KERRY, Mr. DODD, and Ms. LANDRIEU) introduced the following bill; which was read twice and referred to the Committee on Foreign Relations

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; FINDINGS; PURPOSE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Debt Relief for Poor Countries Act of 1999”.

6 (b) FINDINGS.—Congress makes the following find-
7 ings:

1 (1) The burden of external debt has become a
2 major impediment to economic development and pov-
3 erty reduction in many of the world's poorest coun-
4 tries.

5 (2) Until recently, the United States Govern-
6 ment and other official creditors sought to address
7 the problem by rescheduling loans and in some cases
8 providing limited debt reduction.

9 (3) Despite such efforts, the cumulative debt of
10 many of the poorest countries continued to grow be-
11 yond their capacity to repay.

12 (4) In 1996, the World Bank and the Inter-
13 national Monetary Fund adopted the Heavily In-
14 debted Poor Countries Initiative (HIPC), a commit-
15 ment by the international community that all multi-
16 lateral and bilateral creditors, acting in a coordi-
17 nated and concerted fashion, would reduce poor
18 country debt to a sustainable level.

19 (5) HIPC in practice has resulted in too little
20 debt relief being granted too slowly to too few coun-
21 tries.

22 (6) The macro-economic and sectoral policy re-
23 forms which are conditions of HIPC debt relief are
24 intended to promote a private sector-led, free mar-
25 ket-oriented pattern of development.

1 (7) It is essential that such fundamental and
2 wide-ranging policies be designed and implemented
3 in a transparent manner and with broad participa-
4 tion of the citizenry of the debtor country to assure
5 that country circumstances are adequately taken
6 into account and that the interests particularly of
7 the poor and vulnerable are protected.

8 (8) The poor and the vulnerable make up the
9 large majority of the population in the heavily in-
10 debted poor countries and have suffered from the di-
11 version of scarce domestic resources to the servicing
12 of excessive external debt.

13 (c) PURPOSE.—It is the purpose of this Act to bring
14 about more generous and rapid relief from debts owed to,
15 or guaranteed by, the United States, and to promote
16 United States leadership in improving HIPC to provide
17 more debt reduction, more quickly, to more countries.

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

21 (a) CANCELLATION AND REDUCTION OF DEBT AND
22 PROCEDURES FOR NEW LOANS, CREDITS, AND GUARAN-
23 TEES.—The Foreign Assistance Act of 1961 (22 U.S.C.
24 2151 et seq.) is amended by adding at the end the fol-
25 lowing:

1 **“PART VI—CANCELLATION AND REDUCTION OF**
2 **DEBT OWED TO THE UNITED STATES BY**
3 **POOR COUNTRIES AND PROCEDURES FOR**
4 **NEW LOANS, CREDITS, AND GUARANTEES TO**
5 **DEVELOPING COUNTRIES**

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

7 “(a) CANCELLATION 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, cancel all
11 amounts owed to the United States (or any agency
12 of the United States) by heavily indebted poor coun-
13 tries described in section 902 as a result of
14 concessional loans made or credits extended prior to
15 January 1, 1996, under any of the provisions of law
16 described in paragraph (2).

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

19 “(A) Part I of this Act, chapter 4 of part
20 II of this Act, or predecessor foreign economic
21 assistance legislation.

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

25 “(b) REDUCTION OF DEBT.—

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

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

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

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

16 “(C) Section 5(f) of the Commodity Credit
17 Corporation Charter Act.

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

20 “(ii) Section 202 of such Act (7 U.S.C.
21 5622).

22 “(E) The Export-Import Bank Act of
23 1945 (12 U.S.C. 635 et seq.).

1 **“SEC. 902. ELIGIBLE COUNTRIES.**

2 “(a) HEAVILY INDEBTED POOR COUNTRIES.—Ex-
3 cept as provided in subsection (b) and subject to the fulfill-
4 ment of the additional requirement in subsection (c), a
5 country shall be considered to be a heavily indebted poor
6 country and eligible for cancellation or reduction of debt
7 under section 901 if the country—

8 “(1) is eligible to borrow from the International
9 Development Association;

10 “(2) is not eligible to borrow from the Inter-
11 national Bank for Reconstruction and Development;
12 and

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

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

21 “(1) has an excessive level of military expendi-
22 tures;

23 “(2) has repeatedly provided support for acts of
24 international terrorism, as determined by the Sec-
25 retary of State under section 6(j)(1) of the Export
26 Administration Act of 1979 (50 U.S.C. App.

1 2405(j)(1)) or section 620A(a) of the Foreign As-
2 sistance Act of 1961 (22 U.S.C. 2371(a));

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

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

8 “(c) ADDITIONAL REQUIREMENT.—A country that is
9 otherwise eligible to receive cancellation or reduction of
10 debt under section 901 may receive such cancellation or
11 reduction, as the case may be, only if the government of
12 the country—

13 “(1) agrees to and initiates the establishment of
14 a mechanism, which would make appropriate ac-
15 counts and records available to the public, to ensure
16 that all savings generated by cancellation or reduc-
17 tion of the debt under section 901 will be used to—

18 “(A) enable, facilitate, or encourage the
19 implementation of policy changes and institu-
20 tional reforms under economic reform pro-
21 grams, in a manner that—

22 “(i) ensures that such policy changes
23 and institutional reforms are adopted
24 through transparent and participatory pro-
25 cedures; and

1 “(ii) ensures that such policy changes
2 and institutional reforms are designed to
3 promote sustainable growth, ensure that
4 the benefits of such growth are shared
5 widely by the population; and

6 “(B) initiate new or enhance existing poli-
7 cies, programs or projects designed through
8 transparent and participatory procedures, in-
9 cluding the participation of the nongovern-
10 mental organizations of a civil society (including
11 charitable, educational, trade union, business,
12 professional, voluntary, community, and other
13 civic organizations), to reduce the number of
14 persons living in poverty, expand access of the
15 poorest members of society to basic social serv-
16 ices, such as education, health, clean water and
17 sanitation, and prevent the degradation of the
18 environment; and

19 “(2) ensures that all savings realized through
20 debt relief during a given year will be used by the
21 government to increase annual expenditures, de-
22 scribed in paragraph (1) (A) and (B), in an amount
23 that is the greater of—

1 “(A) the total amount of such annual ex-
2 penditures made by the government in the pre-
3 ceding year; or

4 “(B) the average total amount of such ex-
5 penditures for the 3 years immediately pre-
6 ceding the year in which debt reduction is made
7 available.

8 **“SEC. 903. PRIORITY.**

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

14 **“SEC. 904. SPECIAL PROVISIONS.**

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

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

1 **“SEC. 905. ANNUAL REPORTS TO 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 Poor Countries
9 Act of 1999, and the progress made in accomplishing the
10 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 and
17 the Committee on Banking, Housing, and Urban Af-
18 fairs of the Senate.

19 **“SEC. 906. SENSE OF CONGRESS.**

20 “It is the sense of Congress that the amounts that
21 would otherwise be provided by the United States for de-
22 velopment assistance or other debt relief should not be re-
23 duced on account of any appropriations made pursuant
24 to section 907.

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

2 “For the cost (as defined in section 502(5) of the
3 Federal Credit Reform Act of 1990) of the cancellation
4 or reduction of any debt under section 901 of this Act,
5 there are authorized to be appropriated to the President
6 such sums as may be necessary for each of the fiscal years
7 2000 and 2001.

8 **“SEC. 908. PROCEDURES FOR NEW LOANS, CREDITS, AND**
9 **GUARANTEES.**

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

20 (b) **ENSURING BURDENSARING BY OTHER CRED-**
21 **ITOR COUNTRIES.**—In order to accelerate bilateral debt
22 relief and promote economic and human development and
23 poverty alleviation in heavily indebted poor countries, Con-
24 gress urges the President, immediately after the date of
25 enactment of this Act, to establish diplomatic efforts with
26 countries that are members of the Paris Club of Official

1 Creditors (in this Act referred to as the “Club”), and, if
2 necessary, with other creditors, to accomplish the fol-
3 lowing by September 30, 2001:

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

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

17 (3) The establishment of procedures by the
18 Club to ensure greater transparency in the decision-
19 making process, including publication of each deci-
20 sion and its rationale, on all applications to the Club
21 for debt reduction by heavily indebted poor countries
22 described in section 902 of the Foreign Assistance
23 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 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) REVISION OF COUNTRY ELIGIBILITY RE-
4 QUIREMENT.—A country shall be regarded as having
5 an unsustainable debt burden for purposes of quali-
6 fying for debt reduction (or for further debt reduc-
7 tion) under the HIPC Initiative if the net present
8 value of the outstanding public and publicly guaran-
9 teed debt of the country at the end of 1996 was at
10 least 150 percent of the average annual value of the
11 exports of the country for the period 1994 through
12 1996.

13 “(3) ADDITIONAL REQUIREMENT.—Debt reduc-
14 tion under the HIPC Initiative shall not be provided
15 for the benefit of a country unless the government
16 of the country has, through transparent and
17 participatory processes—

18 “(A) established a plan of action for eco-
19 nomic opportunity and human development (in
20 this section referred to as the ‘Action Plan’)
21 which shall include policies, programs, and in-
22 vestments, by the public or private sectors as
23 appropriate, designed to—

1 “(i) promote sustainable growth and
2 ensure that the benefits of such growth are
3 shared widely by the population; and

4 “(ii) reduce the number of persons liv-
5 ing in poverty, expand access of the poor-
6 est members of society to basic social serv-
7 ices, including but not limited to education,
8 health, clean water and sanitation, and
9 prevent the degradation of the environ-
10 ment; and

11 “(B) agreed to, and initiated establishment
12 of, a mechanism, which would make appropriate
13 accounts and records available to the public, to
14 ensure that all savings generated by debt reduc-
15 tion provided for the benefit of the country
16 under the HIPC Initiative are dedicated to
17 achieving the purposes of the Action Plan.

18 “(4) AMOUNT OF DEBT REDUCTION.—The
19 amount of the debt reduction provided under the
20 HIPC Initiative for the benefit of a country with an
21 unsustainable debt burden shall be sufficient to
22 reduce—

23 “(A) the net present value of the out-
24 standing public and publicly guaranteed debt of

1 the country to less than 150 percent of the
2 value of the annual exports of the country; and

3 “(B) the amount of annual payments due
4 on such public and publicly guaranteed debt to
5 not more than 10 percent of the amount of an-
6 nual current revenue received by the govern-
7 ment of the country from internal sources.

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

14 “(A) transparent, including publication of
15 the content of the decisions and of all relevant
16 analytical, legal, and policy documents, includ-
17 ing Debt Sustainability Analyses, Policy Frame-
18 work Papers, debt relief agreements, and na-
19 tional development programs and budgets; and

20 “(B) participatory, including the participa-
21 tion of civil society.

22 “(6) SPECIAL PROVISIONS.—

23 “(A) Debt reduction under the HIPC Ini-
24 tiative for the benefit of a country that has
25 demonstrated a sustained commitment to pov-

1 erty alleviation or has recently suffered a major
2 natural disaster shall be provided in a greater
3 amount or more quickly than would otherwise
4 be the case under the HIPC Initiative.

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

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

1 “(A) an analysis of the contribution of the
2 HIPC Initiative to the poverty reduction and
3 social development goals for the 21st century
4 established by the Development Assistance
5 Committee of the Organization for Economic
6 Cooperation and Development; and

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

13 “(8) TERMINATION OF THE HIPC INITIATIVE.—
14 The HIPC Initiative shall not terminate until all the
15 debt reduction contemplated by this section has been
16 carried out.

17 “(b) PROMOTION OF EQUITABLE BURDEN SHAR-
18 ING.—In order to promote equitable burden-sharing by bi-
19 lateral, multilateral, and private creditors under the HIPC
20 Initiative, Congress urges the President to commence im-
21 mediately diplomatic efforts to ensure that such creditors
22 draw upon their own resources to finance debt reduction
23 under the HIPC Initiative to the extent possible without
24 diverting funds from other high priority poverty alleviation
25 programs.

1 “(c) CONTRIBUTIONS TO THE HIPC TRUST FUND.—
2 For payment to the Heavily Indebted Poor Countries
3 Trust Fund of the International Bank for Reconstruction
4 and Development, there are authorized to be appropriated
5 to the President such sums as may be necessary for fiscal
6 years 2000, 2001, and 2002, except that if, with respect
7 to fiscal year 2001 or 2002, the President has not deter-
8 mined that, during the then preceding fiscal year, satisfac-
9 tory progress was made in accomplishing the improve-
10 ments in the HIPC Initiative described in subsections (a)
11 and (b), then no sums are authorized to be appropriated
12 for such purpose for the fiscal year.

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

18 “(e) REPORT TO CONGRESS.—Not later than Decem-
19 ber 31 of each year, the President shall submit to the
20 Committees on Banking and Financial Services and on
21 International Relations of the House of Representatives
22 and the Committee on Foreign Relations of the Senate
23 a report, which shall be made available to the public, on
24 the activities undertaken under this section, and on the

1 progress made in accomplishing the purposes of this sec-
2 tion, for the prior fiscal year.

3 **“SEC. 1624. IMPROVEMENT OF PROCEDURES FOR NEW**
4 **LENDING.**

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

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

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

21 “(3) provision of detailed information to the
22 Board of Directors of such an institution and to the
23 public, prior to the approval of a lending operation
24 for a developing country, as to the nature and extent

- 1 of civil society participation in the design of, and ap-
- 2 proval process for, such operation.”.

