

108TH CONGRESS
1ST SESSION

H. R. 1376

To improve the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative.

IN THE HOUSE OF REPRESENTATIVES

MARCH 20, 2003

Mr. SMITH of New Jersey (for himself, Mr. FRANK of Massachusetts, Mr. LEACH, Mr. LANTOS, Mr. SHAYS, Mr. BACHUS, and Mrs. MALONEY) introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committee on International Relations, 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 improve the Enhanced Heavily Indebted Poor Countries
(HIPC) Initiative.

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. AUTHORIZATIONS OF APPROPRIATIONS FOR**
4 **THE HIPC TRUST FUND.**

5 (a) AUTHORIZATION TO MEET FINANCING GAP IN
6 THE ENHANCED HIPC INITIATIVE.—In order to meet the
7 President's commitment to fund the United States share
8 of the additional financing needs of the current HIPC pro-

1 gram, there are authorized to be appropriated to the
2 President \$75,000,000 for fiscal year 2004, for payment
3 to the Heavily Indebted Poor Countries Trust Fund ad-
4 ministered by the International Bank for Reconstruction
5 and Development.

6 (b) **ADDITIONAL AUTHORIZATION FOR FUNDING**
7 **CONDITIONED UPON IMPROVEMENT OF THE ENHANCED**
8 **HIPC INITIATIVE.**—In addition to the amounts author-
9 ized to be appropriated under subsection (a), on a deter-
10 mination by the Secretary of the Treasury that the agree-
11 ment described in section 1625 of the International Finan-
12 cial Institutions Act has been reached, there are author-
13 ized to be appropriated to the President such sums as may
14 be necessary for payment to the Heavily Indebted Poor
15 Countries Trust Fund administered by the International
16 Bank for Reconstruction and Development to meet the ad-
17 ditional financing needs of the Enhanced HIPC Initiative
18 that result from the implementation of the agreement.

19 **SEC. 2. IMPROVEMENT OF THE ENHANCED HIPC INITIA-**
20 **TIVE.**

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

1 **“SEC. 1625. IMPROVEMENT OF THE ENHANCED HIPC INI-**
2 **TIATIVE.**

3 “(a) IN GENERAL.—In order to ensure that the En-
4 hanced HIPC Initiative achieves the objective of substan-
5 tially increasing resources available for human develop-
6 ment and poverty reduction in heavily indebted poor coun-
7 tries, the Secretary of the Treasury shall immediately
8 commence efforts within the Paris Club of Official Credi-
9 tors, as well as the International Bank for Reconstruction
10 and Development (World Bank), the International Mone-
11 tary Fund, and other appropriate multilateral develop-
12 ment institutions, to reach an agreement to modify the
13 Enhanced HIPC Initiative so that the Initiative is carried
14 out in accordance with the provisions set forth in sub-
15 section (b).

16 “(b) MODIFICATIONS.—The provisions set forth in
17 this subsection are the following:

18 “(1) LEVEL OF EXPORTS AND REVENUES.—

19 “(A) IN GENERAL.—The amount of debt
20 stock reduction approved for a country eligible
21 for debt relief under the Enhanced HIPC Ini-
22 tiative shall be sufficient to reduce, for at least
23 each year through 2006, or each of the first 3
24 years after the Decision Point, whichever is
25 later—

1 “(i) the net present value of the out-
2 standing public and publicly guaranteed
3 debt of the country to not more than 150
4 percent of the annual value of exports of
5 the country for the year preceding the De-
6 cision Point; and

7 “(ii) the annual payments due on such
8 public and publicly guaranteed debt to not
9 more than—

10 “(I) 10 percent or, in the case of
11 a country suffering a public health
12 crisis, not more than 5 percent, of the
13 amount of the annual current reve-
14 nues received by the country from in-
15 ternal sources; or

16 “(II) a percentage of gross na-
17 tional product or other benchmark
18 which will yield a result substantially
19 equivalent to that which would be
20 achieved through application of sub-
21 clause (I).

22 “(B) LIMITATION.—In financing the objec-
23 tives of the Enhanced HIPC Initiative, an
24 international financial institution shall give pri-
25 ority to using its own resources.

1 “(2) RELATION TO POVERTY AND THE ENVI-
2 RONMENT.—The debt cancellation under the En-
3 hanced HIPC Initiative shall not be conditioned on
4 any agreement by an impoverished country to imple-
5 ment or comply with policies that deepen poverty or
6 degrade the environment, including any policy
7 that—

8 “(A) implements or extends user fees on
9 primary education or primary health care, in-
10 cluding prevention and treatment efforts for
11 HIV/AIDS, tuberculosis, malaria, and infant,
12 child, and maternal well-being;

13 “(B) provides for increased cost recovery
14 from poor people to finance basic public services
15 such as education, health care, or sanitation;

16 “(C) would have the effect of increasing
17 the cost to consumers with incomes of less than
18 \$2.00 per day for access to clean drinking
19 water through—

20 “(i) decreased public subsidy for
21 water supply, treatment, disposal, distribu-
22 tion, or management; or

23 “(ii) reduced intrasectoral or intersec-
24 toral subsidization of residential water con-

1 sumers with incomes of less than \$2.00 per
2 day; or

3 “(D) undermines workers’ ability to exer-
4 cise effectively their internationally recognized
5 worker rights, as defined under section 526(e)
6 of the Foreign Operations, Export Financing
7 and Related Programs Appropriations Act,
8 1995 (22 U.S.C. 262p–4p).

9 “(3) FOREIGN GOVERNMENT POLICIES.—A
10 country shall not be eligible for cancellation of debt
11 under the Enhanced HIPC Initiative if the govern-
12 ment of the country—

13 “(A) supports acts of international ter-
14 rorism, as determined by the Secretary of State
15 under section 6(j)(1) of the Export Administra-
16 tion Act of 1979 (50 U.S.C. App. 2405(j)(1))
17 or section 620A(a) of the Foreign Assistance
18 Act of 1961 (22 U.S.C. 2371(a));

19 “(B) engages in gross violations of inter-
20 nationally recognized human rights, such as
21 torture (as defined in section 2340 of title 18,
22 United States Code) or violations of the Con-
23 vention Against Torture and Other Cruel, Inhu-
24 mane, or Degrading Treatment or Punishment;
25 or

1 “(C) has been designated, in the most re-
2 cent Department of State ‘Trafficking in Per-
3 sons Report’, as a ‘Tier 3’ nation pursuant to
4 the Victims of Trafficking and Violence Protec-
5 tion Act of 2000 (Public Law 106–386) for its
6 failure to cooperate on international trafficking
7 in persons prevention efforts.

8 “(4) PROGRAMS TO COMBAT POVERTY.—A
9 country that is otherwise eligible to receive cancella-
10 tion of debt under the Enhanced HIPC Initiative
11 may receive such cancellation only if the country has
12 agreed—

13 “(A) to ensure that the financial benefits
14 of debt cancellation are applied to programs to
15 combat poverty (in particular through concrete
16 measures to improve basic services in education,
17 nutrition, and health), and to redress environ-
18 mental degradation;

19 “(B) to ensure that the financial benefits
20 of debt cancellation are in addition to the gov-
21 ernment’s total spending on programs to com-
22 bat poverty for the previous year or the average
23 total of such expenditures for the previous 3
24 years, whichever is greater;

1 “(C) to implement transparent and
2 participatory policymaking and budget proce-
3 dures, good governance, and effective
4 anticorruption measures; and

5 “(D) to broaden public participation and
6 popular understanding of the principles and
7 goals of poverty reduction.

8 “(c) DEFINITIONS.—In this section:

9 “(1) AIDS.—The term “AIDS” means the ac-
10 quired immune deficiency syndrome.

11 “(2) PUBLIC HEALTH CRISIS.—A country is
12 deemed to be suffering ‘a public health crisis’ if—

13 “(A) the nationwide HIV/AIDS infection
14 rate for the country, as reported in the most re-
15 cent epidemiological data as compiled by the
16 Joint United Nations Program on HIV/AIDS,
17 is at least 5 percent among women attending
18 prenatal clinics, or 20 percent or more among
19 individuals in groups with high-risk behavior; or

20 “(B) the country is suffering a health cri-
21 sis or epidemic, as defined by the World Health
22 Organization.

23 “(3) DECISION POINT.—The term ‘Decision
24 Point’ means the date on which the executive boards
25 of the World Bank and the International Monetary

1 Fund review the debt sustainability analysis for a
2 country and determine that the country is eligible
3 for debt relief under the Enhanced HIPC Initiative.

4 “(4) ENHANCED HIPC INITIATIVE.—The term
5 ‘Enhanced HIPC Initiative’ means the multilateral
6 debt initiative for heavily indebted poor countries
7 presented in the Report of G–7 Finance Ministers
8 on the Cologne Debt Initiative to the Cologne Eco-
9 nomic Summit, Cologne, June 18–20, 1999.

10 “(5) HIV.—The term ‘HIV’ means the human
11 immunodeficiency virus, the pathogen that causes
12 AIDS.

13 “(6) HIV/AIDS.—The term ‘HIV/AIDS’
14 means, with respect to an individual, an individual
15 who is infected with HIV or living with AIDS.”.

16 **SEC. 3. MODIFICATION OF DETERMINATION OF COUNTRIES**
17 **SUPPORTING TERRORISM UNDER CERTAIN**
18 **INTERNATIONAL AFFAIRS LAWS.**

19 (a) FOREIGN ASSISTANCE ACT OF 1961.—

20 (1) GENERAL PROHIBITION ON ASSISTANCE.—
21 Section 620A(a) of the Foreign Assistance Act of
22 1961 (22 U.S.C. 2371(a)) is amended by inserting
23 after “international terrorism” the following: “or
24 has failed to cooperate with the United States on ef-
25 forts to combat international terrorism”.

1 (2) ENTERPRISE FOR THE AMERICAS INITIA-
2 TIVE.—Section 703(a)(2) of such Act (22 U.S.C.
3 2430b(a)(2)) is amended by inserting after “inter-
4 national terrorism” the following: “and has cooper-
5 ated with the United States on efforts to combat
6 international terrorism”.

7 (b) ARMS EXPORT CONTROL ACT.—

8 (1) GENERAL PROHIBITION ON TRANS-
9 ACTIONS.—Section 40(d) of the Arms Export Con-
10 trol Act (22 U.S.C. 2780(d)) is amended in the first
11 sentence by inserting after “international terrorism”
12 the following: “or has failed to cooperate with the
13 United States on efforts to combat international ter-
14 rorism”.

15 (2) TRANSFER OF MISSILE EQUIPMENT OR
16 TECHNOLOGY BY UNITED STATES PERSON.—Section
17 72(c) of such Act (22 U.S.C. 2797a(c)) is amended
18 by inserting after “international terrorism” the fol-
19 lowing: “or has failed to cooperate with the United
20 States on efforts to combat international terrorism”.

21 (3) TRANSFER OF MISSILE EQUIPMENT OR
22 TECHNOLOGY BY FOREIGN PERSON.—Section 73(f)
23 of such Act (22 U.S.C. 2797b(f)) is amended by in-
24 serting after “international terrorism” the following:

1 “or has failed to cooperate with the United States
2 on efforts to combat international terrorism”.

3 (4) TRANSFER OF CHEMICAL OR BIOLOGICAL
4 WEAPONS BY FOREIGN PERSON.—Section
5 81(a)(2)(B) of such Act (22 U.S.C. 2798(a)(2)(B))
6 is amended by inserting after “international ter-
7 rorism” the following: “or has failed to cooperate
8 with the United States on efforts to combat inter-
9 national terrorism”.

10 (c) EXPORT ADMINISTRATION ACT OF 1979.—

11 (1) GENERAL REQUIREMENTS.—Section
12 6(j)(1)(A) of the Export Administration Act of 1979
13 (50 U.S.C. app. 2405(j)(1)(A)) is amended—

14 (A) in subsection (j)(1)(A), by inserting
15 after “international terrorism” the following:
16 “or has failed to cooperate with the United
17 States on efforts to combat international ter-
18 rorism”; and

19 (B) in subsection (l)(3)(B), by inserting
20 after “international terrorism” the following:
21 “or to have failed to cooperate with the United
22 States on efforts to combat international ter-
23 rorism”.

24 (2) TRANSFER OF CHEMICAL OR BIOLOGICAL
25 WEAPONS BY FOREIGN PERSON.—Section

1 11C(a)(2)(B) of such Act (50 U.S.C. app.
2 2410c(a)(2)(B)) is amended by inserting after
3 “international terrorism” the following: “or has
4 failed to cooperate with the United States on efforts
5 to combat international terrorism”.

6 **SEC. 4. REPORTS ON IMPLEMENTATION OF IMPROVE-**
7 **MENTS TO THE ENHANCED HIPC INITIATIVE.**

8 (a) INITIAL REPORT.—Not later than 180 days after
9 the date of enactment of this Act, the Secretary of the
10 Treasury shall submit to the appropriate congressional
11 committees a report describing the progress made in con-
12 cluding the agreement described in section 1625(b) of the
13 International Financial Institutions Act (as added by sec-
14 tion 1 of this Act).

15 (b) SUBSEQUENT REPORT.—Not later than 1 year
16 after the date of submission of the initial report under
17 subsection (a), the Secretary of the Treasury shall submit
18 to the Committee on Foreign Relations of the Senate and
19 the Committee on International Relations of the House
20 of Representatives a report describing the actions taken
21 by countries to satisfy the conditions set forth in the
22 agreement referred to in subsection (a).

1 **SEC. 5. REPORT ON EXPANSION OF DEBT RELIEF TO NON-**
2 **HIPC COUNTRIES.**

3 (a) IN GENERAL.—Within 90 days after the date of
4 the enactment of this Act, the Secretary of the Treasury
5 shall submit to the Congress a report on—

6 (1) the options and costs associated with ex-
7 panding debt relief to include poor countries who
8 were not eligible for inclusion in the Enhanced
9 HIPC Initiative;

10 (2) options for burden-sharing among donor
11 countries and multilateral institutions of costs asso-
12 ciate with expanding debt relief; and

13 (3) options, in addition to the Enhanced HIPC
14 Initiative, to ensure debt sustainability in poor coun-
15 tries, particularly in cases when the poor country
16 has suffered an external economic shock or a natural
17 disaster.

18 (b) SPECIFIC OPTIONS TO BE CONSIDERED.—
19 Among the options for expansion of debt relief, consider-
20 ation should be given to making eligible for the relief poor
21 countries for which outstanding public and publicly guar-
22 anteed debt requires annual payments in excess of 10 per-
23 cent or, in the case of countries suffering a public health
24 crisis, 5 percent of the amount of the annual current reve-
25 nues received by the countries from internal sources.

1 (c) ENHANCED HIPC INITIATIVE DEFINED.—In this
2 section, the term “Enhanced HIPC Initiative” means the
3 multilateral debt initiative for heavily indebted poor coun-
4 tries presented in the Report of G–7 Finance Ministers
5 on the Cologne Debt Initiative to the Cologne Economic
6 Summit, Cologne, June 18–20, 1999.

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