

TROPICAL FOREST CONSERVATION ACT OF 1998

MARCH 13, 1998.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. GILMAN, from the Committee on International Relations,
submitted the following

R E P O R T

[To accompany H.R. 2870]

[Including cost estimate of the Congressional Budget Office]

The Committee on International Relations, to whom was referred the bill (H.R. 2870) to amend the Foreign Assistance Act of 1961 to facilitate protection of tropical forests through debt reduction with developing countries with tropical forests, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. DEBT REDUCTION FOR DEVELOPING COUNTRIES WITH TROPICAL FORESTS.

The Foreign Assistance Act of 1961 (22 U.S.C. 2151 et seq.) is amended by adding at the end the following:

“PART V—DEBT REDUCTION FOR DEVELOPING COUNTRIES WITH TROPICAL FORESTS

“SEC. 801. SHORT TITLE.

“This part may be cited as the ‘Tropical Forest Conservation Act of 1998’.

“SEC. 802. FINDINGS AND PURPOSES.

“(a) FINDINGS.—The Congress finds the following:

“(1) It is the established policy of the United States to support and seek protection of tropical forests around the world.

“(2) Tropical forests provide a wide range of benefits to humankind by—

“(A) harboring a major share of the Earth’s biological and terrestrial resources, which are the basis for developing pharmaceutical products and revitalizing agricultural crops;

“(B) playing a critical role as carbon sinks in reducing greenhouse gases in the atmosphere, thus moderating potential global climate change; and

“(C) regulating hydrological cycles on which far-flung agricultural and coastal resources depend.

“(3) International negotiations and assistance programs to conserve forest resources have proliferated over the past decade, but the rapid rate of tropical deforestation continues unabated.

“(4) Developing countries with urgent needs for investment and capital for development have allocated a significant amount of their forests to logging concessions.

“(5) Poverty and economic pressures on the populations of developing countries have, over time, resulted in clearing of vast areas of forest for conversion to agriculture, which is often unsustainable in the poor soils underlying tropical forests.

“(6) Debt reduction can reduce economic pressures on developing countries and result in increased protection for tropical forests.

“(b) PURPOSES.—The purposes of this part are—

“(1) to recognize the values received by United States citizens from protection of tropical forests;

“(2) to facilitate greater protection of tropical forests (and to give priority to protecting tropical forests with the highest levels of biodiversity and under the most severe threat) by providing for the alleviation of debt in countries where tropical forests are located, thus allowing the use of additional resources to protect these critical resources and reduce economic pressures that have led to deforestation;

“(3) to ensure that resources freed from debt in such countries are targeted to protection of tropical forests and their associated values; and

“(4) to rechannel existing resources to facilitate the protection of tropical forests.

“SEC. 803. DEFINITIONS.

“As used in this part:

“(1) ADMINISTERING BODY.—The term ‘administering body’ means the entity provided for in section 809(c).

“(2) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term ‘appropriate congressional committees’ means—

“(A) the Committee on International Relations and the Committee on Appropriations of the House of Representatives; and

“(B) the Committee on Foreign Relations and the Committee on Appropriations of the Senate.

“(3) BENEFICIARY COUNTRY.—The term ‘beneficiary country’ means an eligible country with respect to which the authority of section 806(a)(1), section 807(a)(1), or paragraph (1) or (2) of section 808(a) is exercised.

“(4) BOARD.—The term ‘Board’ means the board referred to in section 811.

“(5) DEVELOPING COUNTRY WITH A TROPICAL FOREST.—The term ‘developing country with a tropical forest’ means—

“(A)(i) a country that has a per capita income of \$725 or less in 1994 United States dollars (commonly referred to as ‘low-income country’), as determined and adjusted on an annual basis by the International Bank for Reconstruction and Development in its World Development Report; or

“(ii) a country that has a per capita income of more than \$725 but less than \$8,956 in 1994 United States dollars (commonly referred to as ‘middle-income country’), as determined and adjusted on an annual basis by the International Bank for Reconstruction and Development in its World Development Report; and

“(B) a country that contains at least one tropical forest that is globally outstanding in terms of its biological diversity or represents one of the larger intact blocks of tropical forests left, on a regional, continental, or global scale.

“(6) ELIGIBLE COUNTRY.—The term ‘eligible country’ means a country designated by the President in accordance with section 805.

“(7) TROPICAL FOREST AGREEMENT.—The term ‘Tropical Forest Agreement’ or ‘Agreement’ means a Tropical Forest Agreement provided for in section 809.

“(8) TROPICAL FOREST FACILITY.—The term ‘Tropical Forest Facility’ or ‘Facility’ means the Tropical Forest Facility established in the Department of the Treasury by section 804.

“(9) TROPICAL FOREST FUND.—The term ‘Tropical Forest Fund’ or ‘Fund’ means a Tropical Forest Fund provided for in section 810.

“SEC. 804. ESTABLISHMENT OF THE FACILITY.

“There is established in the Department of the Treasury an entity to be known as the ‘Tropical Forest Facility’ for the purpose of providing for the administration of debt reduction in accordance with this part.

“SEC. 805. ELIGIBILITY FOR BENEFITS.

“(a) IN GENERAL.—To be eligible for benefits from the Facility under this part, a country shall be a developing country with a tropical forest—

“(1) whose government meets the requirements applicable to Latin American or Caribbean countries under paragraphs (1) through (5) and (7) of section 703(a) of this Act;

“(2) that has put in place major investment reforms, as evidenced by the conclusion of a bilateral investment treaty with the United States, implementation of an investment sector loan with the Inter-American Development Bank, World Bank-supported investment reforms, or other measures, as appropriate; and

“(3) whose government meets other requirements related to its environmental policies and practices, as determined by the President.

“(b) ELIGIBILITY DETERMINATIONS.—

“(1) IN GENERAL.—Consistent with subsection (a), the President shall determine whether a country is eligible to receive benefits under this part.

“(2) CONGRESSIONAL NOTIFICATION.—The President shall notify the appropriate congressional committees of his intention to designate a country as an eligible country at least 15 days in advance of any formal determination.

“SEC. 806. REDUCTION OF DEBT OWED TO THE UNITED STATES AS A RESULT OF CONCESSIONAL LOANS UNDER THE FOREIGN ASSISTANCE ACT OF 1961.

“(a) AUTHORITY TO REDUCE DEBT.—

“(1) AUTHORITY.—The President may reduce the amount owed to the United States (or any agency of the United States) that is outstanding as of January 1, 1997, as a result of concessional loans made to an eligible country by the United States under part I of this Act, chapter 4 of part II of this Act, or predecessor foreign economic assistance legislation.

“(2) AUTHORIZATION OF APPROPRIATIONS.—For the cost (as defined in section 502(5) of the Federal Credit Reform Act of 1990) for the reduction of any debt pursuant to this section, there are authorized to be appropriated to the President—

“(A) \$25,000,000 for fiscal year 1999;

“(B) \$75,000,000 for fiscal year 2000; and

“(C) \$100,000,000 for fiscal year 2001.

“(3) CERTAIN PROHIBITIONS INAPPLICABLE.—

“(A) IN GENERAL.—A reduction of debt pursuant to this section shall not be considered assistance for purposes of any provision of law limiting assistance to a country.

“(B) ADDITIONAL REQUIREMENT.—The authority of this section may be exercised notwithstanding section 620(r) of this Act or section 321 of the International Development and Food Assistance Act of 1975.

“(b) IMPLEMENTATION OF DEBT REDUCTION.—

“(1) IN GENERAL.—Any debt reduction pursuant to subsection (a) shall be accomplished at the direction of the Facility by the exchange of a new obligation for obligations of the type referred to in subsection (a) outstanding as of the date specified in subsection (a)(1).

“(2) EXCHANGE OF OBLIGATIONS.—

“(A) IN GENERAL.—The Facility shall notify the agency primarily responsible for administering part I of this Act of an agreement entered into under paragraph (1) with an eligible country to exchange a new obligation for outstanding obligations.

“(B) ADDITIONAL REQUIREMENT.—At the direction of the Facility, the old obligations that are the subject of the agreement shall be canceled and a new debt obligation for the country shall be established relating to the agreement, and the agency primarily responsible for administering part I of this Act shall make an adjustment in its accounts to reflect the debt reduction.

“(c) ADDITIONAL TERMS AND CONDITIONS.—The following additional terms and conditions shall apply to the reduction of debt under subsection (a)(1) in the same manner as such terms and conditions apply to the reduction of debt under section 704(a)(1) of this Act:

“(1) The provisions relating to repayment of principal under section 705 of this Act.

“(2) The provisions relating to interest on new obligations under section 706 of this Act.

“SEC. 807. REDUCTION OF DEBT OWED TO THE UNITED STATES AS A RESULT OF CREDITS EXTENDED UNDER TITLE I OF THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954.

“(a) AUTHORITY TO REDUCE DEBT.—

“(1) **AUTHORITY.**—Notwithstanding any other provision of law, the President may reduce the amount owed to the United States (or any agency of the United States) that is outstanding as of January 1, 1997, as a result of any credits extended under title I of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701 et seq.) to a country eligible for benefits from the Facility.

“(2) **AUTHORIZATION OF APPROPRIATIONS.**—For the cost (as defined in section 502(5) of the Federal Credit Reform Act of 1990) for the reduction of any debt pursuant to this section, there are authorized to be appropriated to the President—

“(A) \$25,000,000 for fiscal year 1999;

“(B) \$50,000,000 for fiscal year 2000; and

“(C) \$50,000,000 for fiscal year 2001.

“(b) IMPLEMENTATION OF DEBT REDUCTION.—

“(1) **IN GENERAL.**—Any debt reduction pursuant to subsection (a) shall be accomplished at the direction of the Facility by the exchange of a new obligation for obligations of the type referred to in subsection (a) outstanding as of the date specified in subsection (a)(1).

“(2) EXCHANGE OF OBLIGATIONS.—

“(A) **IN GENERAL.**—The Facility shall notify the Commodity Credit Corporation of an agreement entered into under paragraph (1) with an eligible country to exchange a new obligation for outstanding obligations.

“(B) **ADDITIONAL REQUIREMENT.**—At the direction of the Facility, the old obligations that are the subject of the agreement shall be canceled and a new debt obligation shall be established for the country relating to the agreement, and the Commodity Credit Corporation shall make an adjustment in its accounts to reflect the debt reduction.

“(c) **ADDITIONAL TERMS AND CONDITIONS.**—The following additional terms and conditions shall apply to the reduction of debt under subsection (a)(1) in the same manner as such terms and conditions apply to the reduction of debt under section 604(a)(1) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1738c):

“(1) The provisions relating to repayment of principal under section 605 of such Act.

“(2) The provisions relating to interest on new obligations under section 606 of such Act.

“SEC. 808. AUTHORITY TO ENGAGE IN DEBT-FOR-NATURE SWAPS AND DEBT BUYBACKS.

“(a) LOANS AND CREDITS ELIGIBLE FOR SALE, REDUCTION, OR CANCELLATION.—

“(1) DEBT-FOR-NATURE SWAPS.—

“(A) **IN GENERAL.**—Notwithstanding any other provision of law, the President may, in accordance with this section, sell to any eligible purchaser described in subparagraph (B) any concessional loans described in section 806(a)(1) or any credits described in section 807(a)(1), or on receipt of payment from an eligible purchaser described in subparagraph (B), reduce or cancel such loans (or credits) or portion thereof, only for the purpose of facilitating a debt-for-nature swap to support eligible activities described in section 809(d).

“(B) **ELIGIBLE PURCHASER DESCRIBED.**—A loan or credit may be sold, reduced, or canceled under subparagraph (A) only to a purchaser who presents plans satisfactory to the President for using the loan or credit for the purpose of engaging in debt-for-nature swaps to support eligible activities described in section 809(d).

“(C) **CONSULTATION REQUIREMENT.**—Before the sale under subparagraph (A) to any eligible purchaser described in subparagraph (B), or any reduction or cancellation under such subparagraph (A), of any loan or credit made to an eligible country, the President shall consult with the country concerning the amount of loans or credits to be sold, reduced, or canceled and their uses for debt-for-nature swaps to support eligible activities described in section 809(d).

“(D) **AUTHORIZATION OF APPROPRIATIONS.**—For the cost (as defined in section 502(5) of the Federal Credit Reform Act of 1990) for the reduction of any debt pursuant to subparagraph (A), amounts authorized to appro-

priated under sections 806(a)(2) and 807(a)(2) shall be made available for such reduction of debt pursuant to subparagraph (A).

“(2) DEBT BUYBACKS.—Notwithstanding any other provision of law, the President may, in accordance with this section, sell to any eligible country any concessional loans described in section 806(a)(1) or any credits described in section 807(a)(1), or on receipt of payment from an eligible country, reduce or cancel such loans (or credits) or portion thereof, only for the purpose of facilitating a debt buyback by an eligible country of its own qualified debt, only if the eligible country uses an additional amount of the local currency of the eligible country, equal to not less than the lesser of 40 percent of the price paid for such debt by such eligible country, or the difference between the price paid for such debt and the face value of such debt, to support eligible activities described in section 809(d).

“(3) TERMS AND CONDITIONS.—Notwithstanding any other provision of law, the President shall, in accordance with this section, establish the terms and conditions under which loans and credits may be sold, reduced, or canceled pursuant to this section.

“(4) ADMINISTRATION.—

“(A) IN GENERAL.—The Facility shall notify the administrator of the agency primarily responsible for administering part I of this Act or the Commodity Credit Corporation, as the case may be, of eligible purchasers described in paragraph (1)(B) that the President has determined to be eligible under paragraph (1), and shall direct such agency or Corporation, as the case may be, to carry out the sale, reduction, or cancellation of a loan pursuant to such paragraph.

“(B) ADDITIONAL REQUIREMENT.—Such agency or Corporation, as the case may be, shall make an adjustment in its accounts to reflect the sale, reduction, or cancellation.

“(b) DEPOSIT OF PROCEEDS.—The proceeds from the sale, reduction, or cancellation of any loan sold, reduced, or canceled pursuant to this section shall be deposited in the United States Government account or accounts established for the repayment of such loan.

“SEC. 809. TROPICAL FOREST AGREEMENT.

“(a) AUTHORITY.—

“(1) IN GENERAL.—The Secretary of State is authorized, in consultation with other appropriate officials of the Federal Government, to enter into a Tropical Forest Agreement with any eligible country concerning the operation and use of the Fund for that country.

“(2) CONSULTATION.—In the negotiation of such an Agreement, the Secretary shall consult with the Board in accordance with section 811.

“(b) CONTENTS OF AGREEMENT.—The requirements contained in section 708(b) of this Act (relating to contents of an agreement) shall apply to a Agreement in the same manner as such requirements apply to an Americas Framework Agreement.

“(c) ADMINISTERING BODY.—

“(1) IN GENERAL.—Amounts disbursed from the Fund in each beneficiary country shall be administered by a body constituted under the laws of that country.

“(2) COMPOSITION.—

“(A) IN GENERAL.—The administering body shall consist of—

“(i) one or more individuals appointed by the United States Government;

“(ii) one or more individuals appointed by the government of the beneficiary country; and

“(iii) individuals who represent a broad range of—

“(I) environmental nongovernmental organizations of, or active in, the beneficiary country;

“(II) local community development nongovernmental organizations of the beneficiary country; and

“(III) scientific or academic organizations or institutions of the beneficiary country.

“(B) ADDITIONAL REQUIREMENT.—A majority of the members of the administering body shall be individuals described in subparagraph (A)(iii).

“(3) RESPONSIBILITIES.—The requirements contained in section 708(c)(3) of this Act (relating to responsibilities of the administering body) shall apply to an administering body described in paragraph (1) in the same manner as such requirements apply to an administering body described in section 708(c)(1) of this Act.

“(d) ELIGIBLE ACTIVITIES.—Amounts deposited in a Fund shall be used to provide grants to preserve, maintain, and restore the tropical forests in the beneficiary country, including one or more of the following activities:

“(1) Establishment, restoration, protection, and maintenance of parks, protected areas, and reserves.

“(2) Development and implementation of scientifically sound systems of natural resource management, including land and ecosystem management practices.

“(3) Training programs to strengthen conservation institutions and increase scientific, technical, and managerial capacities of individuals and organizations involved in conservation efforts.

“(4) Restoration, protection, or sustainable use of diverse animal and plant species.

“(5) Mitigation of greenhouse gases in the atmosphere.

“(6) Development and support of the livelihoods of individuals living in or near a tropical forest, including the cultures of such individuals, in a manner consistent with protecting such tropical forest.

“(e) GRANT RECIPIENTS.—

“(1) IN GENERAL.—Grants made from a Fund shall be made to—

“(A) nongovernmental environmental, conservation, and indigenous people organizations of, or active in, the beneficiary country;

“(B) other appropriate local or regional entities of, or active in, the beneficiary country; and

“(C) in exceptional circumstances, the government of the beneficiary country.

“(2) PRIORITY.—In providing grants under paragraph (1), priority shall be given to projects that are run by nongovernmental organizations and other private entities and that involve local communities in their planning and execution.

“(f) REVIEW OF LARGER GRANTS.—Any grant of more than \$100,000 from a Fund shall be subject to veto by the Government of the United States or the government of the beneficiary country.

“(g) ELIGIBILITY CRITERIA.—In the event that a country ceases to meet the eligibility requirements set forth in section 805(a), as determined by the President pursuant to section 805(b), then grants from the Fund for that country may only be made to nongovernmental organizations until such time as the President determines that such country meets the eligibility requirements set forth in section 805(a).

“SEC. 810. TROPICAL FOREST FUND.

“(a) ESTABLISHMENT.—Each beneficiary country that enters into a Tropical Forest Agreement under section 809 shall be required to establish a Tropical Forest Fund to receive payments of interest on new obligations undertaken by the beneficiary country under this part.

“(b) REQUIREMENTS RELATING TO OPERATION OF FUND.—The following terms and conditions shall apply to the Fund in the same manner as such terms and conditions apply to an Enterprise for the Americas Fund under section 707 of this Act:

“(1) The provision relating to deposits under subsection (b) of such section.

“(2) The provision relating to investments under subsection (c) of such section.

“(3) The provision relating to disbursements under subsection (d) of such section.

“SEC. 811. BOARD.

“(a) ENTERPRISE FOR THE AMERICAS BOARD.—The Enterprise for the Americas Board established under section 610(a) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1738i(a)) shall, in addition to carrying out the responsibilities of the Board under section 610(c) of such Act, carry out the duties described in subsection (c) of this section for the purposes of this part.

“(b) ADDITIONAL MEMBERSHIP.—

“(1) IN GENERAL.—The Enterprise for the Americas Board shall be composed of an additional four members appointed by the President as follows:

“(A) Two representatives from the United States Government.

“(B) Two representatives from private nongovernmental environmental, scientific, and academic organizations with experience and expertise in preservation, maintenance, and restoration of tropical forests.

“(2) CHAIRPERSON.—Notwithstanding section 610(b)(2) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1738i(b)(2)), the Enterprise for the Americas Board shall be headed by a chairperson who shall be appointed by the President from among the representatives appointed under section 610(b)(1)(A) of such Act or paragraph (1)(A) of this subsection.

“(c) DUTIES.—The duties described in this subsection are as follows:

“(1) Advise the Secretary of State on the negotiations of Tropical Forest Agreements.

“(2) Ensure, in consultation with—

“(A) the government of the beneficiary country,

“(B) nongovernmental organizations of the beneficiary country,

“(C) nongovernmental organizations of the region (if appropriate),

“(D) environmental, scientific, and academic leaders of the beneficiary country, and

“(E) environmental, scientific, and academic leaders of the region (as appropriate),

that a suitable administering body is identified for each Fund.

“(3) Review the programs, operations, and fiscal audits of each administering body.

“SEC. 812. CONSULTATIONS WITH THE CONGRESS.

“The President shall consult with the appropriate congressional committees on a periodic basis to review the operation of the Facility under this part and the eligibility of countries for benefits from the Facility under this part.

“SEC. 813. ANNUAL REPORTS TO THE CONGRESS.

“(a) IN GENERAL.—Not later than December 31 of each fiscal year, the President shall prepare and transmit to the Congress an annual report concerning the operation of the Facility for the prior fiscal year. Such report shall include—

“(1) a description of the activities undertaken by the Facility during the previous fiscal year;

“(2) a description of any Agreement entered into under this part;

“(3) a report on any Funds that have been established under this part and on the operations of such Funds; and

“(4) a description of any grants that have been provided by administering bodies pursuant to Agreements under this part.

“(b) SUPPLEMENTAL VIEWS IN ANNUAL REPORT.—Not later than December 15 of each fiscal year, each member of the Board shall be entitled to receive a copy of the report required under subsection (a). Each member of the Board may prepare and submit supplemental views to the President on the implementation of this part by December 31 for inclusion in the annual report when it is transmitted to Congress pursuant to this section.”.

BACKGROUND AND PURPOSE

IN GENERAL

H.R. 2870, the Tropical Forest Conservation Act of 1998, was introduced on November 7, 1997 by Mr. Portman, Mr. Kasich and Mr. Hamilton. The bill amends the Foreign Assistance Act of 1961 to facilitate the protection of tropical forests through debt reduction for developing countries with tropical forests.

THE PROBLEM—DIMINISHING TROPICAL FORESTS

Tropical forests are home to half of all known species of plants and animals. These forests, which include rain, moist and dry forests, absorb massive quantities of carbon dioxide, thereby reducing greenhouse gases. Tropical forests serve as the anchor of the growing eco-tourism industry. These forests regulate rainfall and are genetic storehouses of materials essential for new medicines, strains of grain and other products essential to boosting the health and productivity of the world’s economy in the 21st century. Genetic diversity used in plant breeding accounts for about one-half of all the grains in agricultural yields in the U.S. between 1930 and 1980. One quarter of all prescription drugs in the U.S. contain compounds derived from wild species.

Since 1950, half of all tropical forests have been burned or logged. From 1980 to 1990, tropical forest areas have been shrinking on an average of 30–40 million acres (15.4 million hectares) per

year. This represents an area the size of Pennsylvania denuded of forest cover each year. In sum, approximately .8% of the world's total remaining tropical forest cover is lost each year. At the current rate, half of all tropical forests will be lost by 2030. By 2015, 6% of all known living species will become extinct.

While 76 countries contain tropical forests, half of the remaining forest cover is located in four countries: Brazil, Indonesia, Peru and the Democratic Republic of the Congo (Zaire). These four countries plus Mexico and Bolivia account for over half of tropical deforestation. The loss of habitats is clearest on islands. When the Philippine island of Cebu was completely logged, nine out of the island's ten species of birds unique to the island became extinct.

DEVELOPING COUNTRY DEBT CRISIS

Developing countries where most tropical forests are located suffer from a number of problems including massive debts to international creditors. Following their independence and growing economies during the 1950s and 1960s, many developing countries borrowed heavily from the private sector, multilateral banks and foreign governments to finance their development. With the recession of the 1970s following the oil price shocks, many developing countries were unable to repay their debts. Developing country debts topped \$1.2 trillion in the late 1980s, much of which could not be repaid. While newly industrializing countries like Mexico eventually worked their way out of bankruptcy, many other developing countries stagnated under debts built up over years past. As a result, many developing country governments were unable to foster the conservation of unique habitats within their borders.

THE FIRST DEBT-FOR-NATURE SWAP

The debt crisis presented a unique opportunity for supporters of conservation who could help developing countries work their way out of debt. The world's first major debt-for-nature swap was arranged by Conservation International (CI), a U.S. environmental organization, in 1987. Using \$100,000 donated by the Frank Weeden Foundation, CI purchased \$650,000 in debt owed by the Bolivian government. CI agreed to cancel the debt in return for the Bolivian government's promise to protect 3.7 million acres in what became the Beni Biosphere Reserve. The government of Bolivia endowed a fund with \$100,000 to help manage the reserve. The U.S. Agency for International Development (AID) also contributed \$250,000 to the management fund. These funds support the Bolivian National Academy of Sciences to manage and conserve the reserve.

THE ENTERPRISE FOR THE AMERICAS INITIATIVE (EAI)

President Bush accelerated such transactions under his Enterprise for the Americas Initiative (EAI). One main pillar of the EAI was debt-for-nature swaps. Under the EAI as approved by Congress in 1991, the United States forgave \$874 million out of \$1.6 billion in debts owed by seven Latin American countries. The cost of reducing such debt to the U.S. was \$90 million. In return, these countries endowed conservation funds with \$154 million to be spent

for conservation purposes. Under the EAI, an international board in each host country composed of representatives of the U.S. government, host country and Non-Governmental (NGO) representatives supervised the forest management and other projects supported by the endowments.

Debt relief for the poorest countries remains a high priority for President Clinton. Under the President's Highly Indebted Poor Country (HIPC) program, the United States and other official creditors are offering increased debt relief for the poorest countries that continue to sink under the weight of old loans.

The Committee notes that many developing countries participating in the Enterprise for the Americas Initiative (EAI) established a successful track record in making debt reduction proceeds available for environmental projects. The Environmental Fund for Jamaica, for example, has used \$12 million to provide funding for more than 200 projects in Jamaica, including several relating to reforestation and the protection of endangered species in forest habitats. El Salvador's national EAI fund has allocated nearly \$10 million for a variety of environmental education projects, including many relating to biodiversity and reforestation. The Committee believes that such debt-for-nature swaps represent an important model for the kind of debt reduction authorized in this legislation, and would welcome the full participation of these countries in the new facility.

THE TROPICAL FOREST PROTECTION ACT

H.R. 2870 follows in the legislative path of the EAI in a number of important aspects. It authorizes the Treasury Department to offer countries debt relief for commitments to conservation in much the same way as the EAI. It differs from the EAI in four key aspects:

- Programs would be focused on tropical forest conservation,
- Debtors outside the Americas would be eligible for relief,
- Debt beyond the stock offered under the EAI may be offered for relief, and
- Cost-free debt buybacks by developing countries and swaps with eligible third parties are specifically permitted.

As shown above, many key tropical forests are outside of the Americas. Under H.R. 2870, the U.S. government would be able to rechannel existing resources to use the EAI debt-relief mechanism to offer debt relief for the protection of these key habitats. The Act would also permit the Treasury Department to offer AID and Department of Agriculture debt beyond amounts authorized under the EAI for relief and permit eligible third parties to purchase debt for the beneficiary country in exchange for that country's providing substantial local currency for tropical forest conservation. Finally, the U.S. government would be authorized to offer the innovative debt buyback mechanism to middle income developing countries in transactions that do not have an impact on the U.S. budget. Under such transactions, a debtor country may repurchase its debt at a fair market value in return for commitments to protect tropical forests. The government of Peru recently carried out such a transaction with the U.S. at no net cost to the taxpayer. Testimony from both the private sector and the Administration has verified the im-

portance of the programs provided for in this Act to reduce developing country debt and preserve tropical forests.

COMMITTEE ACTION

On March 4, 1998, the Full Committee held a hearing on H.R. 2870, The Tropical Forest Protection Act. Witnesses for the hearing included: Hon. Rob Portman, Member of Congress; Mr. Thomas Fox, Assistant Administrator, Policy and Planning Bureau, Agency for International Development; Ms. Mary Chaves, Director, International Debt Policy, Department of Treasury; Ms. Tia Nelson, Senior Policy Advisor for Latin American and Caribbean Programs, The Nature Conservancy; Mr. Ian Bowles, Vice President of Conservation Policy, Conservation International; and Mr. James Resor, Director of Conservation Finance, World Wildlife Fund.

H.R. 2870 was introduced by Rep. Portman on November 7, 1997. The Full Committee marked up the bill in open session, pursuant to notice, on March 11, 1998. During the debate, testimony was taken from three Administration officials, Mr. Michael Klosson, Deputy Assistant Secretary of State for Legislative Affairs; Ms. Mary Chaves, Director, International Debt Policy, Department of Treasury; and Mr. James Hester, Agency Environmental Coordinator, Agency for International Development.

The Full Committee considered the bill as original text for the purpose of amendment and took the following preliminary action, by voice vote: Adopted the Gilman amendment in the nature of a substitute as amended by a Campbell amendment. After concluding consideration of the bill, with a quorum being present, the Committee ordered the bill favorably reported to the House by voice vote.

ROLL CALL VOTES

Clause (2)(1)(2)(B) of rule XI of the Rules of the House of Representatives requires the Committee to list the recorded votes on the motion to report legislation and amendments thereto. No roll call votes were held on the motion to report the legislation or on amendments to the legislation.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 2(1)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee reports the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT FINDINGS

No findings or recommendations of the Committee on Government Reform and Oversight were received as referred to in clause 2(1)(3)(D) of rule XI of the Rules of the House of Representatives.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

The Committee adopts the cost estimate of the Congressional Budget Office, set out below, as its submission of any required in-

formation on new budget authority, new spending authority, new credit authority, or an increase or decrease in the national debt required by clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives.

FEDERAL MANDATES STATEMENT

The Committee adopted as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

APPLICABILITY TO THE LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

CONSTITUTIONAL AUTHORITY STATEMENT

In compliance with clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee cites the following specific powers granted to the Congress in the Constitution as authority for enactment of H.R. 2870 as reported by the Committee: Article I, section 8, clause 3 (relating to the regulation of commerce with foreign nations and among the several states); and Article I, section 8, clause 18 (relating to making all laws necessary and proper for carrying into execution powers vested by the Constitution in the government of the United States).

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

In compliance with clause 2(l)(3)(C) of rule XI of the Rules of the House of Representatives, the Committee sets forth with respect to H.R. 2870 as reported by the Committee the following estimate and comparison prepared by the Director of the Congressional Budget Office under section 403 of the Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 13, 1998.

Hon. BENJAMIN A. GILMAN,
Chairman, Committee on International Relations,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2870, the Tropical Forest Conservation Act of 1998.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Joseph C. Whitehill.

Sincerely,

JUNE E. O'NEILL, *Director.*

Enclosure.

H.R. 2870—Tropical Forest Conservation Act of 1998

Summary: H.R. 2870 would authorize the Secretary of State to negotiate agreements with eligible countries to create local funds administered by local boards with the authority to make grants to preserve, maintain, and restore tropical forests. The local funds would receive a stream of interest payments generated by modifying the terms of outstanding development assistance or food-aid debt owed to the United States. In addition, the bill would authorize the President to reduce or cancel such debt, to use the debt for debt-for-nature swaps, or to allow an eligible country to buy back its debt. The bill would authorize the appropriation of \$325 million over the fiscal years 1999–2001 for the cost of modifying debt, and CBO estimates that outlays totaling that amount would be recorded over the 1999–2003 period.

Because H.R. 2870 would not affect direct spending or receipts, pay-as-you-go procedures would not apply. The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA), and would not affect the budgets of state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 2870 is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs).

Basis of estimate: The estimate assumes enactment of H.R. 2870 and subsequent appropriation of the amounts authorized by the bill. Outlays would be recorded at the time outstanding debt are modified. The estimate assumes it will take from one to three years to negotiate agreements with eligible countries and to sign bilateral agreements that cancel, reduce, sell, or otherwise modify outstanding debt.

[By fiscal year, in millions of dollars]

	1998	1999	2000	2001	2002	2003
SPENDING SUBJECT TO APPROPRIATION						
Spending under current law for debt restructuring:						
Budget authority ¹	27	0	0	0	0	0
Estimated outlays	31	15	1	0	0	0
Proposed changes:						
Authorization level	0	50	125	150	0	0
Estimated outlays	0	23	81	133	81	8
Spending under H.R. 2870 for debt restructuring:						
Authorization level ¹	27	50	125	150	0	0
Estimated outlays	31	38	82	133	81	8

¹ The 1998 level is the amount appropriated for that year.

Pay-as-you-go considerations: None.

Intergovernmental and private-sector impact: The bill contains no intergovernmental or private-sector mandates as defined in UMRA, and would not affect the budgets of state, local, or tribal governments.

Estimate prepared by: Federal Costs: Joseph C. Whitehill; Impact on State, Local, and Tribal Governments: Pepper Santalucia; Impact on the Private Sector: Lesley Frymier.

Estimate approved by: Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.

SECTION-BY-SECTION ANALYSIS

SEC. 801. SHORT TITLE

This section allows this section of the Foreign Assistance Act to be cited as the “Tropical Forest Conservation Act of 1998”.

SEC. 802. FINDINGS AND PURPOSES

This section makes the following findings by Congress:

- (1) It is the established policy of the United States to support and seek protection of tropical forests around the world
- (2) Tropical forests provide a wide range of benefits to humankind by—
 - (A) harboring a major share of the Earth’s biological and terrestrial resources, which are the basis for developing pharmaceutical products and revitalizing agricultural crops;
 - (B) playing a critical role as carbon sinks in reducing greenhouse gases in the atmosphere, thus moderating potential global climate change; and
 - (C) regulating hydrological cycles on which far-flung agricultural and coastal resources depend.
- (3) International negotiations and assistance programs to conserve forest resources have proliferated over the past decade, but the rapid rate of tropical deforestation continues unabated.
- (4) Developing countries with urgent needs for investment and capital for development have allocated a significant amount of their forests to logging concessions.
- (5) Poverty and economic pressures on the populations of developing countries have, over time, resulted in clearing of vast areas of forest for conversion to agriculture, which is often unsustainable in the poor soils underlying tropical forests.
- (6) Debt reduction can reduce economic pressures on developing countries and result in increased protection for tropical forests.

The section also sets out the following purposes of the Act:

- (1) to recognize the values received by United States citizens from protection of tropical forests;
- (2) to facilitate greater protection of tropical forests (and to give priority to protecting tropical forests with the highest levels of biodiversity and under the most severe threat) by providing for the alleviation of debt in countries where tropical forests are located, thus allowing the use of additional resources to protect these critical resources and reduce economic pressures that have led to deforestation;
- (3) to ensure that resources freed from debt in such countries are targeted to protection of tropical forests and their associated values; and
- (4) to rechannel existing resources to facilitate the protection of tropical forests.

SEC. 803. DEFINITIONS

This section defines the following terms used in the Act:

(1) Administering body.—The term “administering body” means the entity provided for in section 809(c).

(2) Appropriate congressional committees.—The term “appropriate congressional committees” means—

(A) the Committee on International Relations and the Committee on Appropriations of the House of Representatives; and

(B) the Committee on Foreign Relations and the Committee on Appropriations of the Senate.

(3) Beneficiary country.—The term “beneficiary country” means an eligible country with respect to which the authority of section 806(a)(1), section 807(a)(1), or paragraph (1) or (2) of section 808(a) is exercised.

(4) Board.—The term “Board” means the board referred to in section 811.

(5) Developing country with a tropical forest.—The term “developing country with a tropical forest” means—

(A)(i) a country that has a per capita income of \$725 or less in 1994 United States dollars (commonly referred to as “low-income country”), as determined and adjusted on an annual basis by the International Bank for Reconstruction and Development in its World Development Report; or

(ii) a country that has a per capita income of more than \$725 but less than \$8,956 in 1994 United States dollars (commonly referred to as “middle-income country”), as determined and adjusted on an annual basis by the International Bank for Reconstruction and Development in its World Development Report; and

(B) a country that contains at least one tropical forest that is globally outstanding in terms of its biological diversity or represents one of the larger intact blocks of tropical forests left, on a regional, continental, or global scale.

(6) Eligible country.—The term “eligible country” means a country designated by the President in accordance with section 805.

(7) Tropical forest agreement.—The term “Tropical Forest Agreement” or “Agreement” means a Tropical Forest Agreement provided for in section 809.

(8) Tropical forest facility.—The term “Tropical Forest Facility” or “Facility” means the Tropical Forest Facility established in the Department of the Treasury by section 804.

(9) Tropical forest fund.—The term “Tropical Forest Fund” or “Fund” means a Tropical Forest Fund provided for in section 810.

SEC. 804. ESTABLISHMENT OF THE FACILITY

This section establishes the Tropical Forest Facility in the Department of the Treasury to provide for the administration of debt reduction in accordance with this part.

The Committee encourages the Treasury Department to show flexibility in the administration and operation of the Tropical Forest Facility, Tropical Forest Funds and Tropical Forest Agreements to limit bureaucracy and to maximize efficiencies. For those beneficiary countries that are also participating in the Enterprise for

the Americas Initiative, for example, it may be advisable for the local administering bodies established under Section 809(c) to build on, work with, or consist of the same organizations and individuals that are part of the administering bodies under the Enterprise for the Americas Initiative. It may also be appropriate to consolidate the work of, share resources with and otherwise coordinate the Tropical Forest Facility and the EAI Facility within the Treasury Department. Because the eligible activities under this legislation are different from the Enterprise for the Americas Initiative and other programs, however, it is essential that funds for this program remain segregated from funds for any other program. Tropical Forest Agreements must also be separate and apart from EAI Framework Agreements for the same reasons.

SEC. 805. ELIGIBILITY FOR BENEFITS

This section establishes the eligibility requirements for benefits under the Act. Subsection (a)(1) requires the developing country with a tropical forest to meet the requirements applicable to Latin American or Caribbean countries under paragraphs (1) through (5) and (7) of section 703(a) of the Foreign Assistance Act.

These paragraphs contain several requirements. First, the government must be democratically elected. Second, the government is prohibited from: repeatedly supporting acts of international terrorism; failing to cooperate on international narcotics control matters; and engaging in violations of internationally recognized human rights. Finally, the government must receive approval for or (in exceptional cases) make significant progress towards an IMF standby arrangement; have a structural or sectoral adjustment loan of the World Bank in place (unless the President determines that the standby or adjustment requirements could reasonably be expected to have significant adverse social or environmental effects); and, as appropriate, have reached an agreement with commercial bank lenders on a satisfactory lending program.

Subsection (a)(2) requires the developing country to have put in place major investment reforms, as evidenced by the conclusion of a bilateral investment treaty with the United States, implementation of an investment sector loan with the Inter-American Development Bank, World Bank-supported investment reforms, or other measures, as appropriate. The Committee intends that such reforms would be consistent with the goals of the Act.

Subsection (a)(3) requires the developing country to meet any other requirements related to its environmental policies and practices, as determined by the President.

Subsection (b)(1) governs eligibility determinations as required by subsection (a) and a notification to Congress under (b)(2) of whether a country is eligible to receive benefits under this part to the appropriate congressional committees of his intention to designate a country as an eligible country at least 15 days in advance of any formal determination.

The Act requires that in addition to meeting the eligibility criteria under EAI, a country must meet other requirements related to its environmental policies and practices. This provision recognizes the progress that has been made by many countries since the enactment of EAI with the focus more narrowly placed on the pro-

tection of tropical forests. It is not the intent of this provision to exclude countries that currently do not have environmental policies and practices, but only those countries who show no willingness to work toward implementing programs that can facilitate the activities contemplated under this bill.

The Act also requires a country to have a government that is democratically elected. One of the purposes of this legislation is to promote democracy in those areas of the world where it has not yet taken hold. The Committee intends to give the Administration flexibility in interpreting this provision.

In addition to the eligibility criteria outlined in the legislation, the Committee notes that to qualify under this program, a country must have at least one tropical forest that is globally outstanding in terms of its biological diversity or have a tropical forest that is one of the larger intact blocks of tropical forests left, on a regional, continental or global scale. The intention of this provision is to ensure that limited resources are used in a targeted fashion. When exercising the authority under this Act, the President may also want to consider the immediacy or severity of the threat posed to a tropical forest, such as the burnings that have occurred in various countries over the past year. The President may also want to consider the potential benefits from the transaction, such as the ability to leverage more conservation dollars in local currency with the reduction of U.S. debt.

The Committee notes that there are a number of countries, such as Bangladesh, that have tropical forests that are significant on a regional scale which should qualify and would benefit from reforestation and other conservation efforts contemplated under this program. According to the Food and Agricultural Organization's Forest Resource Assessment for 1990, Bangladesh has 769,000 hectares (approximately 1.9 million acres) of natural forest cover. This habitat is critical to the region and is under pressure from Bangladesh's high population density. Given Bangladesh's high level of indebtedness to the U.S. government, the Committee believes that Bangladesh is an ideal candidate for debt relief under this Act. The Committee's understanding of current law is that if debt relief is provided to Bangladesh or any other P.L.-480 Title I recipient under this Act, that the country will remain eligible for agricultural credits. It is the Committee's understanding that constraints on new lending under section 411 of the Agricultural Trade and Development Assistance Act of 1954 (7 U.S.C. 1701 et seq.) not carry over to the provisions of this Act.

SEC. 806. REDUCTION OF DEBT OWED TO THE UNITED STATES AS A RESULT OF CONCESSIONAL LOANS UNDER THE FOREIGN ASSISTANCE ACT OF 1961

Subsection (a) provides the President with the authority to reduce debt owed to the United States (or any agency of the United States) that is outstanding as of January 1, 1997, as a result of concessional loans made to an eligible country by the United States under development assistance (part I of the FAA) or the economic support fund (chapter 4 of part II), or predecessor foreign economic assistance legislation.

Subsection (a)(2) authorizes appropriations for the cost (as defined in section 502(5) of the Federal Credit Reform Act of 1990) for the reduction of any debt pursuant to this section in the following amounts: \$25,000,000 for fiscal year 1999, \$75,000,000 for fiscal year 2000, and \$100,000,000 for fiscal year 2001.

Under subsection (3)(A) debt reductions under this section are not considered to be assistance for purposes of any provision of law limiting assistance to a country. Subsection (B) provides that this authority may be exercised notwithstanding requirements for the full repayment of debts to the U.S. under section 620(r) of the FAA or section 321 of the International Development and Food Assistance Act of 1975.

Subsection (b) requires the Facility to carry out any debt reduction by exchanging new obligations for obligations of the type referred to in subsection (a) outstanding as of the date specified in subsection (a)(1). Subsection (2)(A) required the Facility to notify AID (the agency primarily responsible for administering part I of the FAA) of an agreement entered into under paragraph (1) with an eligible country to exchange a new obligation for outstanding obligations.

Subsection (c) adds additional terms and conditions for debt reduced under subsection (a)(1). These terms must be provided in the same manner as such terms and conditions apply to the reduction of debt under the EAI (section 704(a)(1) of the FAA), including repayment in U.S. dollars (Section 705) and that interest be charged at concessional rates (section 706).

SEC. 807. REDUCTION OF DEBT OWED TO THE UNITED STATES AS A RESULT OF CREDITS EXTENDED UNDER TITLE I OF THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954

This section follows the example of section 806 but concerns debt extended under Title I of the Agricultural Trade Act of 1954. Subsection (a)(1) provides the authority to the President to reduce the amount owed to the United States (or any agency of the United States) that is outstanding as of January 1, 1997, as a result of any credits extended under title I of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701 et seq.) to a country eligible for benefits from the Facility.

Subsection (a)(2) authorizes the appropriations of the following amounts for cost as defined under section 502(5) of the Federal Credit Reform Act of 1990: \$25,000,000 for fiscal year 1999, \$50,000,000 for fiscal year 2000, and \$50,000,000 for fiscal year 2001.

Subsection (b)(2) requires the Facility to notify the Commodity Credit Corporation of an agreement entered into under paragraph (1) with an eligible country to exchange a new obligation for outstanding obligations.

Subsection (c) requires the following additional terms and conditions shall apply to the reduction of debt under subsection (a)(1) in the same manner as such terms and conditions apply to the reduction of debt under the EAI section of the Agricultural Trade Development and Assistance Act of 1954 (section 604(a)(1) or 7 U.S.C. 1738c). Other requirements include the repayment of principal (section 605), and concessional interest (section 606).

SEC. 808. AUTHORITY TO ENGAGE IN DEBT-FOR-NATURE SWAPS AND
DEBT BUYBACKS

This section includes new language permitting debtors who can afford to repurchase their debts in return for commitments to the environment. The Committee understands that the U.S. government recently concluded such a transaction with the government of Peru.

Under subsection (a), the President may, in accordance with this section, sell to any eligible purchaser described in subparagraph (B) any concessional development assistance loans described in section 806(a)(1) or any agricultural credits described in section 807(a)(1), or on receipt of payment from an eligible purchaser described in subparagraph (B), reduce or cancel such loans (or credits) or portion thereof, only for the purpose of facilitating a debt-for-nature swap to support eligible activities described in section 809(d).

Under subsection (B), loans or credits may be sold, reduced, or canceled under subparagraph (A) only to a purchaser who presents plans satisfactory to the President for using the loan or credit for the purpose of engaging in debt-for-nature swaps to support eligible activities described in section 809(d). Subsection (C) requires that before the sale, or any reduction or cancellation of debt, that the President consult with the country concerning the amount of loans or credits to be sold, reduced, or canceled and their uses for debt-for-nature swaps to support eligible activities described in section 809(d). Subsection (D) limits the authorization of appropriations for such purchasers to the amounts authorized to be appropriated under sections 806(a)(2) and 807(a)(2).

Under subsection (2) the President may sell to any eligible country any development assistance concessional loans (described in section 806(a)(1)) or any agricultural credits (described in section 807(a)(1)). On receipt of payment from an eligible country, the President may reduce or cancel such loans (or credits) or portion thereof, only for the purpose of facilitating a debt buyback by an eligible country of its own qualified debt. The President may only do this if the eligible country uses an additional amount of the local currency of the eligible country, equal to not less than the lesser of 40 percent of the price paid for such debt by such eligible country, or the difference between the price paid for such debt and the face value of such debt, to support eligible activities described in section 809(d).

For example, if Bolivia owed the U.S. government \$1 million in development loan debt with a net present value of \$600,000, the President could sell that debt to Peru for \$600,000 only if Peru committed to provide the lesser of the difference from the purchase price from the face value (\$400,000) or 40% of the price paid (\$240,000). In sum, Peru could purchase \$1 million of its debt if it paid the U.S. government \$600,000 and committed \$240,000 to tropical forest conservation projects managed under an international agreement specified under this Act.

Under subsection (3), funds to carry out swaps and buybacks may be made available only to the extent provided in advance by

appropriations for the cost as defined in section 502(5) of the Credit Reform Act of 1990 for the modification of any debt.

Subsection (4) authorizes the President to establish the terms and conditions under which loans and credits may be sold, reduced, or canceled pursuant to this section. Subsection (5) requires the Facility to notify the administrator of AID or the Commodity Credit Corporation (CCC) of eligible purchasers described in paragraph (1)(B) that the President has determined to be eligible under paragraph (1), and shall direct AID or the CCC to carry out the sale, reduction, or cancellation of a loan. AID or the CCC would then make adjustments in its accounts to reflect the sale, reduction, or cancellation.

Subsection (b) required the proceeds from the sale, reduction, or cancellation of any loan sold, reduced, or canceled pursuant to this section to be deposited in the United States Government account or accounts established for the repayment of such loan.

SEC. 809. TROPICAL FOREST AGREEMENT

This section authorizes the Secretary of State to enter into a Tropical Forest Agreement with any eligible country concerning the operation and use of the Fund for that country. The Secretary must consult with the Board in accordance with section 811. These agreements must contain the requirements contained in section 708(b) of the FAA (relating to interest payments, prompt disbursements, conservation of value, purposes of the agreement and enforcement terms), applied in the same manner as such requirements apply to an EAI Americas Framework Agreement.

Funds disbursed from the Fund in each beneficiary country must be administered by a body constituted under the laws of that country. The administering body must consist of one or more individuals appointed by the United States Government, one or more individuals appointed by the government of the beneficiary country and individuals who represent a broad range of environmental non-governmental organizations of, or active in, the beneficiary country, local community development non-governmental organizations of the beneficiary country and scientific or academic organizations or institutions of the beneficiary country. A majority of the members of the administering body must be representatives of scientific or academic organizations or institutions of the beneficiary country.

The required responsibilities of the administering bodies are contained in section 708(c)(3) of the FAA (relating to the receipt of grant proposals, program oversight, annual audits, access by the U.S. General Accounting Office, and annual reports) and apply in the same manner as such requirements apply to an administering body described in section 708(c)(1) of the FAA.

Subsection (d) details the eligible activities that can be supported. The administering bodies may provide grants to preserve, maintain, and restore the tropical forests in the beneficiary country, including one or more of the following activities:

- (1) Establishment, restoration, protection, and maintenance of parks, protected areas, and reserves,
- (2) Development and implementation of scientifically-sound systems of natural resource management, including land and ecosystem management practices,

(3) Training programs to strengthen conservation institutions and increase scientific, technical, and managerial capacities of individuals and organizations involved in conservation efforts,

(4) Restoration, protection, or sustainable use of diverse animal and plant species,

(5) Mitigation of greenhouse gases in the atmosphere, and

(6) Development and support of the livelihoods of individuals living in or near a tropical forest, including the cultures of such individuals, in a manner consistent with protecting such tropical forest.

In conjunction with these activities, a beneficiary country is encouraged to enforce its laws against illegal logging and illegal trade in tropical timber.

Subsection (e) specifies eligible grant recipients who are:

(A) nongovernmental environmental, conservation, and indigenous people organizations of, or active in, the beneficiary country;

(B) other appropriate local or regional entities of, or active in, the beneficiary country; and

(C) in exceptional circumstances, the government of the beneficiary country.

The Committee stresses that governments should be truly rare recipients of grants made by Administering boards—less than 1% of the number of grants or funds made available. This subsection also establishes that priority must be given to projects that are run by nongovernmental organizations and other private entities and that involve local communities in their planning and execution. Subsection (f) provides that any grant of more than \$100,000 from a Fund is also subject to a veto by the Government of the United States or the government of the beneficiary country.

Subsection (g) provides that if a country ceases to meet the eligibility requirements set forth in section 805(a), as determined by the President pursuant to section 805(b), then grants from the Fund for that country may only be made to nongovernmental organizations until such time as the President determines that such country meets the eligibility requirements set forth in section 805(a).

SEC. 810. TROPICAL FOREST FUND

This section requires that each beneficiary country that enters into a Tropical Forest Agreement under section 809 shall be required to establish a Tropical Forest Fund to receive payments of interest on new obligations undertaken by the beneficiary country under this part.

Subsection (b) requires that the terms and conditions shall apply to the Fund in the same manner as such terms as conditions apply to an Enterprise for the Americas Fund under section 707 of the FAA (relating to the deposit of local currencies not considered as assistance, the investment of funds not expended and the requirement that funds be disbursed only pursuant to the agreement).

SEC. 811. BOARD

This section expands the duties of the Enterprise for the Americas Board which in addition to carrying out the responsibilities of

the Board under section 610(c) of the FAA, will carry out the duties described in subsection (c) of this section for the purposes of this part. The Act requires the addition of four members to the EAI board appointed by the President as follows:

(A) Two representatives from the United States Government, and

(B) Two representatives from private nongovernmental environmental, scientific, and academic organizations with experience and expertise in preservation, maintenance, and restoration of tropical forests.

This section provides, notwithstanding section 610(b)(2) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1738i(b)(2)) that the the Enterprise for the Americas Board shall be headed by a chairperson who shall be appointed by the President from among the representatives appointed under section 610(b)(1)(A) of such Act or paragraph (1)(A) of this subsection. The duties of the Board are expanded to reflect the broader scope of this Act, including advising the Secretary of State on the negotiations of Tropical Forest Agreements, consultation with the government of the beneficiary country, non-governmental organizations of the beneficiary country, non-governmental organizations of the region (if appropriate), environmental, scientific, and academic leaders of the beneficiary country, and environmental, scientific, and academic leaders of the region (as appropriate) to identify a suitable administering body; and oversight and review of the programs, operations, and fiscal audits of each administering body.

Under the Enterprise for the Americas Initiative, individual Environmental Framework Agreements establishing the local boards limit administrative expenses to a certain percentage (typically 10 percent) of the total annual interest payments made into the account by the host country. The purpose of this cap was to minimize the risk that funds would be diverted from environmental (and child survival) projects to overhead. The Committee understands that six of the seven countries participating in Enterprise for the Americas Initiative have a cap on administrative expenses equal to or less than 10 percent of the total annual interest payments. The Committee also understands that this administrative cap can be changed only by amending the bilateral agreements through an exchange of notes between the U.S. Government and the beneficiary country.

It is the intention of the Committee that administrative expenses are generally not to exceed 10 percent of the total annual interest payments made into a Tropical Forest Fund and that such cap should be referenced in all Tropical Forest Agreements with the beneficiary country.

In order to avoid duplication of effort and to maximize efficiencies, the bill provides that the EAI Board shall have expanded authority and membership to oversee the operational implementation of the Tropical Forest Agreements and Funds.

SEC. 812. CONSULTATIONS WITH THE CONGRESS

This section requires the President to consult with the appropriate congressional committees on a periodic basis to review the

operation of the Facility under this part and the eligibility of countries for benefits from the Facility under this part.

SEC. 813. ANNUAL REPORTS TO THE CONGRESS

Section (a) requires the President to transmit a report, not later than December 31 of each fiscal year, concerning the operation of the Facility for the prior fiscal year. This report must include a description of the activities undertaken by the Facility during the previous fiscal year, a description of any Agreement entered into under this part, a report on any Funds that have been established under this part and on the operations of such Funds and a description of any grants that have been provided by administering bodies pursuant to Agreements under this part.

Subsection (b) requires that not later than December 15 of each fiscal year, each member of the Board shall be entitled to receive a copy of the report required in subsection (a). Each member of the Board may prepare and submit supplemental views to the President on the implementation of this part by December 31 for inclusion in the annual report when it is transmitted to Congress pursuant to this section.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italic and existing law in which no change is proposed is shown in roman):

FOREIGN ASSISTANCE ACT OF 1961

* * * * *

PART V—DEBT REDUCTION FOR DEVELOPING COUNTRIES WITH TROPICAL FORESTS

SEC. 801. SHORT TITLE.

This part may be cited as the “Tropical Forest Conservation Act of 1998”.

SEC. 802. FINDINGS AND PURPOSES.

(a) *FINDINGS.—The Congress finds the following:*

(1) *It is the established policy of the United States to support and seek protection of tropical forests around the world.*

(2) *Tropical forests provide a wide range of benefits to humankind by—*

(A) *harboring a major share of the Earth’s biological and terrestrial resources, which are the basis for developing pharmaceutical products and revitalizing agricultural crops;*

(B) *playing a critical role as carbon sinks in reducing greenhouse gases in the atmosphere, thus moderating potential global climate change; and*

(C) *regulating hydrological cycles on which far-flung agricultural and coastal resources depend.*

(3) *International negotiations and assistance programs to conserve forest resources have proliferated over the past decade, but the rapid rate of tropical deforestation continues unabated.*

(4) *Developing countries with urgent needs for investment and capital for development have allocated a significant amount of their forests to logging concessions.*

(5) *Poverty and economic pressures on the populations of developing countries have, over time, resulted in clearing of vast areas of forest for conversion to agriculture, which is often unsustainable in the poor soils underlying tropical forests.*

(6) *Debt reduction can reduce economic pressures on developing countries and result in increased protection for tropical forests.*

(b) **PURPOSES.**—*The purposes of this part are—*

(1) *to recognize the values received by United States citizens from protection of tropical forests;*

(2) *to facilitate greater protection of tropical forests (and to give priority to protecting tropical forests with the highest levels of biodiversity and under the most severe threat) by providing for the alleviation of debt in countries where tropical forests are located, thus allowing the use of additional resources to protect these critical resources and reduce economic pressures that have led to deforestation;*

(3) *to ensure that resources freed from debt in such countries are targeted to protection of tropical forests and their associated values; and*

(4) *to rechannel existing resources to facilitate the protection of tropical forests.*

SEC. 803. DEFINITIONS.

As used in this part:

(1) **ADMINISTERING BODY.**—*The term “administering body” means the entity provided for in section 809(c).*

(2) **APPROPRIATE CONGRESSIONAL COMMITTEES.**—*The term “appropriate congressional committees” means—*

(A) *the Committee on International Relations and the Committee on Appropriations of the House of Representatives; and*

(B) *the Committee on Foreign Relations and the Committee on Appropriations of the Senate.*

(3) **BENEFICIARY COUNTRY.**—*The term “beneficiary country” means an eligible country with respect to which the authority of section 806(a)(1), section 807(a)(1), or paragraph (1) or (2) of section 808(a) is exercised.*

(4) **BOARD.**—*The term “Board” means the board referred to in section 811.*

(5) **DEVELOPING COUNTRY WITH A TROPICAL FOREST.**—*The term “developing country with a tropical forest” means—*

(A)(i) *a country that has a per capita income of \$725 or less in 1994 United States dollars (commonly referred to as “low-income country”), as determined and adjusted on an annual basis by the International Bank for Reconstruction and Development in its World Development Report; or*

(ii) *a country that has a per capita income of more than \$725 but less than \$8,956 in 1994 United States dollars*

(commonly referred to as “middle-income country”), as determined and adjusted on an annual basis by the International Bank for Reconstruction and Development in its World Development Report; and

(B) a country that contains at least one tropical forest that is globally outstanding in terms of its biological diversity or represents one of the larger intact blocks of tropical forests left, on a regional, continental, or global scale.

(6) **ELIGIBLE COUNTRY.**—The term “eligible country” means a country designated by the President in accordance with section 805.

(7) **TROPICAL FOREST AGREEMENT.**—The term “Tropical Forest Agreement” or “Agreement” means a Tropical Forest Agreement provided for in section 809.

(8) **TROPICAL FOREST FACILITY.**—The term “Tropical Forest Facility” or “Facility” means the Tropical Forest Facility established in the Department of the Treasury by section 804.

(9) **TROPICAL FOREST FUND.**—The term “Tropical Forest Fund” or “Fund” means a Tropical Forest Fund provided for in section 810.

SEC. 804. ESTABLISHMENT OF THE FACILITY.

There is established in the Department of the Treasury an entity to be known as the “Tropical Forest Facility” for the purpose of providing for the administration of debt reduction in accordance with this part.

SEC. 805. ELIGIBILITY FOR BENEFITS.

(a) **IN GENERAL.**—To be eligible for benefits from the Facility under this part, a country shall be a developing country with a tropical forest—

(1) whose government meets the requirements applicable to Latin American or Caribbean countries under paragraphs (1) through (5) and (7) of section 703(a) of this Act;

(2) that has put in place major investment reforms, as evidenced by the conclusion of a bilateral investment treaty with the United States, implementation of an investment sector loan with the Inter-American Development Bank, World Bank-supported investment reforms, or other measures, as appropriate; and

(3) whose government meets other requirements related to its environmental policies and practices, as determined by the President.

(b) **ELIGIBILITY DETERMINATIONS.**—

(1) **IN GENERAL.**—Consistent with subsection (a), the President shall determine whether a country is eligible to receive benefits under this part.

(2) **CONGRESSIONAL NOTIFICATION.**—The President shall notify the appropriate congressional committees of his intention to designate a country as an eligible country at least 15 days in advance of any formal determination.

SEC. 806. REDUCTION OF DEBT OWED TO THE UNITED STATES AS A RESULT OF CONCESSIONAL LOANS UNDER THE FOREIGN ASSISTANCE ACT OF 1961.

(a) **AUTHORITY TO REDUCE DEBT.**—

(1) *AUTHORITY.*—The President may reduce the amount owed to the United States (or any agency of the United States) that is outstanding as of January 1, 1997, as a result of concessional loans made to an eligible country by the United States under part I of this Act, chapter 4 of part II of this Act, or predecessor foreign economic assistance legislation.

(2) *AUTHORIZATION OF APPROPRIATIONS.*—For the cost (as defined in section 502(5) of the Federal Credit Reform Act of 1990) for the reduction of any debt pursuant to this section, there are authorized to be appropriated to the President—

- (A) \$25,000,000 for fiscal year 1999;
- (B) \$75,000,000 for fiscal year 2000; and
- (C) \$100,000,000 for fiscal year 2001.

(3) *CERTAIN PROHIBITIONS INAPPLICABLE.*—

(A) *IN GENERAL.*—A reduction of debt pursuant to this section shall not be considered assistance for purposes of any provision of law limiting assistance to a country.

(B) *ADDITIONAL REQUIREMENT.*—The authority of this section may be exercised notwithstanding section 620(r) of this Act or section 321 of the International Development and Food Assistance Act of 1975.

(b) *IMPLEMENTATION OF DEBT REDUCTION.*—

(1) *IN GENERAL.*—Any debt reduction pursuant to subsection (a) shall be accomplished at the direction of the Facility by the exchange of a new obligation for obligations of the type referred to in subsection (a) outstanding as of the date specified in subsection (a)(1).

(2) *EXCHANGE OF OBLIGATIONS.*—

(A) *IN GENERAL.*—The Facility shall notify the agency primarily responsible for administering part I of this Act of an agreement entered into under paragraph (1) with an eligible country to exchange a new obligation for outstanding obligations.

(B) *ADDITIONAL REQUIREMENT.*—At the direction of the Facility, the old obligations that are the subject of the agreement shall be canceled and a new debt obligation for the country shall be established relating to the agreement, and the agency primarily responsible for administering part I of this Act shall make an adjustment in its accounts to reflect the debt reduction.

(c) *ADDITIONAL TERMS AND CONDITIONS.*—The following additional terms and conditions shall apply to the reduction of debt under subsection (a)(1) in the same manner as such terms and conditions apply to the reduction of debt under section 704(a)(1) of this Act:

(1) The provisions relating to repayment of principal under section 705 of this Act.

(2) The provisions relating to interest on new obligations under section 706 of this Act.

SEC. 807. REDUCTION OF DEBT OWED TO THE UNITED STATES AS A RESULT OF CREDITS EXTENDED UNDER TITLE I OF THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954.

(a) *AUTHORITY TO REDUCE DEBT.*—

(1) *AUTHORITY.*—Notwithstanding any other provision of law, the President may reduce the amount owed to the United States (or any agency of the United States) that is outstanding as of January 1, 1997, as a result of any credits extended under title I of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701 et seq.) to a country eligible for benefits from the Facility.

(2) *AUTHORIZATION OF APPROPRIATIONS.*—

(A) *IN GENERAL.*—For the cost (as defined in section 502(5) of the Federal Credit Reform Act of 1990) for the reduction of any debt pursuant to this section, there are authorized to be appropriated to the President—

- (i) \$25,000,000 for fiscal year 1999;
- (ii) \$50,000,000 for fiscal year 2000; and
- (iii) \$50,000,000 for fiscal year 2001.

(B) *LIMITATION.*—The authority provided by this section shall be available only to the extent that appropriations for the cost (as defined in section 502(5) of the Federal Credit Reform Act of 1990) of the modification of any debt pursuant to this section are made in advance.

(b) *IMPLEMENTATION OF DEBT REDUCTION.*—

(1) *IN GENERAL.*—Any debt reduction pursuant to subsection (a) shall be accomplished at the direction of the Facility by the exchange of a new obligation for obligations of the type referred to in subsection (a) outstanding as of the date specified in subsection (a)(1).

(2) *EXCHANGE OF OBLIGATIONS.*—

(A) *IN GENERAL.*—The Facility shall notify the Commodity Credit Corporation of an agreement entered into under paragraph (1) with an eligible country to exchange a new obligation for outstanding obligations.

(B) *ADDITIONAL REQUIREMENT.*—At the direction of the Facility, the old obligations that are the subject of the agreement shall be canceled and a new debt obligation shall be established for the country relating to the agreement, and the Commodity Credit Corporation shall make an adjustment in its accounts to reflect the debt reduction.

(c) *ADDITIONAL TERMS AND CONDITIONS.*—The following additional terms and conditions shall apply to the reduction of debt under subsection (a)(1) in the same manner as such terms and conditions apply to the reduction of debt under section 604(a)(1) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1738c):

(1) The provisions relating to repayment of principal under section 605 of such Act.

(2) The provisions relating to interest on new obligations under section 606 of such Act.

SEC. 808. AUTHORITY TO ENGAGE IN DEBT-FOR-NATURE SWAPS AND DEBT BUYBACKS.

(a) *LOANS AND CREDITS ELIGIBLE FOR SALE, REDUCTION, OR CANCELLATION.*—

(1) *DEBT-FOR-NATURE SWAPS.*—

(A) *IN GENERAL.*—Notwithstanding any other provision of law, the President may, in accordance with this section, sell

to any eligible purchaser described in subparagraph (B) any concessional loans described in section 806(a)(1) or any credits described in section 807(a)(1), or on receipt of payment from an eligible purchaser described in subparagraph (B), reduce or cancel such loans (or credits) or portion thereof, only for the purpose of facilitating a debt-for-nature swap to support eligible activities described in section 809(d).

(B) *ELIGIBLE PURCHASER DESCRIBED.*—A loan or credit may be sold, reduced, or canceled under subparagraph (A) only to a purchaser who presents plans satisfactory to the President for using the loan or credit for the purpose of engaging in debt-for-nature swaps to support eligible activities described in section 809(d).

(C) *CONSULTATION REQUIREMENT.*—Before the sale under subparagraph (A) to any eligible purchaser described in subparagraph (B), or any reduction or cancellation under such subparagraph (A), of any loan or credit made to an eligible country, the President shall consult with the country concerning the amount of loans or credits to be sold, reduced, or canceled and their uses for debt-for-nature swaps to support eligible activities described in section 809(d).

(D) *AUTHORIZATION OF APPROPRIATIONS.*—For the cost (as defined in section 502(5) of the Federal Credit Reform Act of 1990) for the reduction of any debt pursuant to subparagraph (A), amounts authorized to appropriated under sections 806(a)(2) and 807(a)(2) shall be made available for such reduction of debt pursuant to subparagraph (A).

(2) *DEBT BUYBACKS.*—Notwithstanding any other provision of law, the President may, in accordance with this section, sell to any eligible country any concessional loans described in section 806(a)(1) or any credits described in section 807(a)(1), or on receipt of payment from an eligible country, reduce or cancel such loans (or credits) or portion thereof, only for the purpose of facilitating a debt buyback by an eligible country of its own qualified debt, only if the eligible country uses an additional amount of the local currency of the eligible country, equal to not less than the lesser of 40 percent of the price paid for such debt by such eligible country, or the difference between the price paid for such debt and the face value of such debt, to support eligible activities described in section 809(d).

(3) *TERMS AND CONDITIONS.*—Notwithstanding any other provision of law, the President shall, in accordance with this section, establish the terms and conditions under which loans and credits may be sold, reduced, or canceled pursuant to this section.

(4) *ADMINISTRATION.*—

(A) *IN GENERAL.*—The Facility shall notify the administrator of the agency primarily responsible for administering part I of this Act or the Commodity Credit Corporation, as the case may be, of eligible purchasers described in paragraph (1)(B) that the President has determined to be eligible under paragraph (1), and shall direct such agency or Corporation, as the case may be, to carry out the sale, re-

duction, or cancellation of a loan pursuant to such paragraph.

(B) *ADDITIONAL REQUIREMENT.*—Such agency or Corporation, as the case may be, shall make an adjustment in its accounts to reflect the sale, reduction, or cancellation.

(b) *DEPOSIT OF PROCEEDS.*—The proceeds from the sale, reduction, or cancellation of any loan sold, reduced, or canceled pursuant to this section shall be deposited in the United States Government account or accounts established for the repayment of such loan.

SEC. 809. TROPICAL FOREST AGREEMENT.

(a) *AUTHORITY.*—

(1) *IN GENERAL.*—The Secretary of State is authorized, in consultation with other appropriate officials of the Federal Government, to enter into a Tropical Forest Agreement with any eligible country concerning the operation and use of the Fund for that country.

(2) *CONSULTATION.*—In the negotiation of such an Agreement, the Secretary shall consult with the Board in accordance with section 811.

(b) *CONTENTS OF AGREEMENT.*—The requirements contained in section 708(b) of this Act (relating to contents of an agreement) shall apply to a Agreement in the same manner as such requirements apply to an Americas Framework Agreement.

(c) *ADMINISTERING BODY.*—

(1) *IN GENERAL.*—Amounts disbursed from the Fund in each beneficiary country shall be administered by a body constituted under the laws of that country.

(2) *COMPOSITION.*—

(A) *IN GENERAL.*—The administering body shall consist of—

(i) one or more individuals appointed by the United States Government;

(ii) one or more individuals appointed by the government of the beneficiary country; and

(iii) individuals who represent a broad range of—

(I) environmental nongovernmental organizations of, or active in, the beneficiary country;

(II) local community development nongovernmental organizations of the beneficiary country; and

(III) scientific or academic organizations or institutions of the beneficiary country.

(B) *ADDITIONAL REQUIREMENT.*—A majority of the members of the administering body shall be individuals described in subparagraph (A)(iii).

(3) *RESPONSIBILITIES.*—The requirements contained in section 708(c)(3) of this Act (relating to responsibilities of the administering body) shall apply to an administering body described in paragraph (1) in the same manner as such requirements apply to an administering body described in section 708(c)(1) of this Act.

(d) *ELIGIBLE ACTIVITIES.*—Amounts deposited in a Fund shall be used to provide grants to preserve, maintain, and restore the tropi-

cal forests in the beneficiary country, including one or more of the following activities:

(1) Establishment, restoration, protection, and maintenance of parks, protected areas, and reserves.

(2) Development and implementation of scientifically sound systems of natural resource management, including land and ecosystem management practices.

(3) Training programs to strengthen conservation institutions and increase scientific, technical, and managerial capacities of individuals and organizations involved in conservation efforts.

(4) Restoration, protection, or sustainable use of diverse animal and plant species.

(5) Mitigation of greenhouse gases in the atmosphere.

(6) Development and support of the livelihoods of individuals living in or near a tropical forest, including the cultures of such individuals, in a manner consistent with protecting such tropical forest.

(e) GRANT RECIPIENTS.—

(1) **IN GENERAL.**—Grants made from a Fund shall be made to—

(A) nongovernmental environmental, conservation, and indigenous people organizations of, or active in, the beneficiary country;

(B) other appropriate local or regional entities of, or active in, the beneficiary country; and

(C) in exceptional circumstances, the government of the beneficiary country.

(2) **PRIORITY.**—In providing grants under paragraph (1), priority shall be given to projects that are run by nongovernmental organizations and other private entities and that involve local communities in their planning and execution.

(f) **REVIEW OF LARGER GRANTS.**—Any grant of more than \$100,000 from a Fund shall be subject to veto by the Government of the United States or the government of the beneficiary country.

(g) **ELIGIBILITY CRITERIA.**—In the event that a country ceases to meet the eligibility requirements set forth in section 805(a), as determined by the President pursuant to section 805(b), then grants from the Fund for that country may only be made to nongovernmental organizations until such time as the President determines that such country meets the eligibility requirements set forth in section 805(a).

SEC. 810. TROPICAL FOREST FUND.

(a) **ESTABLISHMENT.**—Each beneficiary country that enters into a Tropical Forest Agreement under section 809 shall be required to establish a Tropical Forest Fund to receive payments of interest on new obligations undertaken by the beneficiary country under this part.

(b) **REQUIREMENTS RELATING TO OPERATION OF FUND.**—The following terms and conditions shall apply to the Fund in the same manner as such terms and conditions apply to an Enterprise for the Americas Fund under section 707 of this Act:

(1) The provision relating to deposits under subsection (b) of such section.

(2) The provision relating to investments under subsection (c) of such section.

(3) *The provision relating to disbursements under subsection (d) of such section.*

SEC. 811. BOARD.

(a) *ENTERPRISE FOR THE AMERICAS BOARD.*—*The Enterprise for the Americas Board established under section 610(a) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1738i(a)) shall, in addition to carrying out the responsibilities of the Board under section 610(c) of such Act, carry out the duties described in subsection (c) of this section for the purposes of this part.*

(b) *ADDITIONAL MEMBERSHIP.*—

(1) *IN GENERAL.*—*The Enterprise for the Americas Board shall be composed of an additional four members appointed by the President as follows:*

(A) *Two representatives from the United States Government.*

(B) *Two representatives from private nongovernmental environmental, scientific, and academic organizations with experience and expertise in preservation, maintenance, and restoration of tropical forests.*

(2) *CHAIRPERSON.*—*Notwithstanding section 610(b)(2) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1738i(b)(2)), the Enterprise for the Americas Board shall be headed by a chairperson who shall be appointed by the President from among the representatives appointed under section 610(b)(1)(A) of such Act or paragraph (1)(A) of this subsection.*

(c) *DUTIES.*—*The duties described in this subsection are as follows:*

(1) *Advise the Secretary of State on the negotiations of Tropical Forest Agreements.*

(2) *Ensure, in consultation with—*

(A) *the government of the beneficiary country,*

(B) *nongovernmental organizations of the beneficiary country,*

(C) *nongovernmental organizations of the region (if appropriate),*

(D) *environmental, scientific, and academic leaders of the beneficiary country, and*

(E) *environmental, scientific, and academic leaders of the region (as appropriate),*

that a suitable administering body is identified for each Fund.

(3) *Review the programs, operations, and fiscal audits of each administering body.*

SEC. 812. CONSULTATIONS WITH THE CONGRESS.

The President shall consult with the appropriate congressional committees on a periodic basis to review the operation of the Facility under this part and the eligibility of countries for benefits from the Facility under this part.

SEC. 813. ANNUAL REPORTS TO THE CONGRESS.

(a) *IN GENERAL.*—*Not later than December 31 of each fiscal year, the President shall prepare and transmit to the Congress an annual report concerning the operation of the Facility for the prior fiscal year. Such report shall include—*

(1) a description of the activities undertaken by the Facility during the previous fiscal year;

(2) a description of any Agreement entered into under this part;

(3) a report on any Funds that have been established under this part and on the operations of such Funds; and

(4) a description of any grants that have been provided by administering bodies pursuant to Agreements under this part.

(b) *SUPPLEMENTAL VIEWS IN ANNUAL REPORT.*—Not later than December 15 of each fiscal year, each member of the Board shall be entitled to receive a copy of the report required under subsection (a). Each member of the Board may prepare and submit supplemental views to the President on the implementation of this part by December 31 for inclusion in the annual report when it is transmitted to Congress pursuant to this section.

