

DEBT RELIEF FOR POVERTY REDUCTION ACT OF 1999

NOVEMBER 18, 1999.—Ordered to be printed

Mr. LEACH, from the Committee on Banking and Financial
Services, submitted the following

REPORT

together with

ADDITIONAL AND DISSENTING VIEWS

[To accompany H.R. 1095]

The Committee on Banking and Financial Services, to whom was referred the bill (H.R. 1095) to require the United States to take action to provide bilateral debt relief, and improve the provision of multilateral debt relief, in order to give a fresh start to poor countries, 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. SHORT TITLE.

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

SEC. 2. ACTIONS TO PROVIDE BILATERAL DEBT RELIEF AND PROCEDURES FOR NEW LOANS, CREDITS, AND GUARANTEES.

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

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

“SEC. 901. CANCELLATION OF DEBT.

“(a) CANCELLATION OF CONCESSIONAL DEBT.—

“(1) IN GENERAL.—Subject to amounts provided in advance in appropriations Acts, the President shall, prior to September 30, 2004, cancel all amounts owed to the United States (or any agency of the United States) by countries eligible under section 902 as a result of concessional loans made or credits extended prior to June 20, 1999, under any of the provisions of law described in paragraph (2).

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

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

“(B) Title I of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701 et seq.).

“(b) CANCELLATION OF NONCONCESSIONAL DEBT.—

“(1) IN GENERAL.—Subject to amounts provided in advance in appropriations Acts, the President shall, prior to September 30, 2004, cancel all amounts owed to the United States (or any agency of the United States) by countries eligible under section 902 as a result of nonconcessional loans made, guarantees or insurance issued, or credits extended prior to June 20, 1999, under any of the provisions of law described in paragraph (2).

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

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

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

“(c) IMMEDIATE RELIEF FROM DEBT SERVICE PAYMENTS.—A country eligible under section 902 for debt cancellation under this section shall not be obligated to make debt service payments with respect to amounts owed to the United States for which debt cancellation is to be provided beginning on the date on which the country is determined to be so eligible under section 902 so long as the country remains in compliance with the other provisions of this part.

“SEC. 902. ELIGIBLE COUNTRIES.

“(a) IN GENERAL.—Except as provided in subsection (b) and subject to the fulfillment of the additional requirement in subsection (c), a country that is performing satisfactorily under an economic reform program shall be eligible for cancellation of debt under section 901 if the country—

“(1) as of December 31, 2000, is eligible to borrow from the International Development Association;

“(2) as of December 31, 2000, is not eligible to borrow from the International Bank for Reconstruction and Development, or is Nigeria; and

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

“(B) has outstanding public and publicly guaranteed debt, the net present value of which, as of the date the President determines that the country is eligible for debt relief under all the criteria set forth in this section, is—

“(i) at least 150 percent of the annual value of the exports of the country, for the most recent year for which such information is available; or

“(ii) at least 250 percent of the annual fiscal revenues of the country, and the country has a minimum ratio of exports to gross domestic product of 30 percent and a minimum ratio of fiscal revenues of the country to gross domestic product of 15 percent, for the most recent year for which such information is available.

“(b) EXCEPTIONS.—A country shall not be eligible for cancellation of debt under section 901 if—

“(1) the government of the country has an excessive level of military expenditures;

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

“(3) the government of the country is failing to cooperate on international narcotics control matters;

“(4) the government of the country (including its military or other security forces) engages in a consistent pattern of gross violations of internationally recognized human rights;

“(5) the government of the country supports or condones the practice of slavery or there is documented evidence of the existence of slavery in the country and the government is not making a concerted effort to eradicate the practice; or

“(6) the country is located in Southeast Asia, and the government of the country is failing to fully cooperate with the United States on all issues involving United States prisoners of war/missing in action (POW/MIA), as determined by the Secretary of State.

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

“(1) the government of the country has established, through transparent and participatory processes, including participation of civil society—

“(A) a human development fund (hereinafter referred to as the ‘Human Development Fund’)—

“(i) the resources of which shall be dedicated to reducing the number of persons living in poverty, expanding access of the poorest members of society to basic social services, including education, health, clean water and sanitation, and preventing the degradation of the environment; and

“(ii) into which shall be deposited all savings generated by debt reduction pursuant to section 901 and section 2(c) of the Debt Relief for Poverty Reduction Act of 1999;

“(B) arrangements to ensure that all expenditures from the Human Development Fund during a year will be used to the extent possible to increase annual expenditures for human development by the government above the greater of—

“(i) the total amount of annual expenditures for human development by the government for the preceding year; or

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

“(C) arrangements for monitoring the operations and financial transactions and accounts of the Human Development Fund by an oversight body which includes representatives of civil society; or

“(2) the country has developed and committed to an integrated strategy, of the type described in section 1624(a)(1) of the International Financial Institutions Act, for poverty reduction developed in cooperation with the International Bank for Reconstruction and Development and the International Monetary Fund, and in consultation with civil society, which—

“(A) uses economic reform and technical assistance programs developed and jointly administered by the International Bank for Reconstruction and Development and the International Monetary Fund;

“(B) includes monitorable poverty reduction goals (such as increasing literacy, reducing infant and child mortality, lowering the incidence of AIDS, and improving environmental conditions) developed in cooperation with the International Bank for Reconstruction and Development, relevant agencies of the United Nations, civil society groups, and other appropriate organizations;

“(C) takes steps so that the financial benefits from debt relief pursuant to the modified Heavily Indebted Poor Countries (HIPC) Initiative, including savings realized as a result of debt relief pursuant to section 901 and section 2(c) of the Debt Relief for Poverty Reduction Act of 1999, are applied to poverty reduction programs dedicated to achieving the goals described in subparagraph (B);

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

“(E) broadens public participation and popular understanding of the principles and goals of poverty reduction, sustainable development, and good governance.

On request of the country, the Secretary of the Treasury shall provide or otherwise arrange for technical assistance to the country regarding the establishment and management of the Human Development Fund in accordance with paragraph (1) of this subsection. The Secretary of the Treasury should also encourage international financial institutions to provide funds for the country to hire technical assistance consultants regarding the establishment and management of the Human Development Fund in accordance with paragraph (1) of this subsection.

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

“SEC. 903. PRIORITY.

“In carrying out section 901, the President should seek to leverage scarce foreign assistance dollars and give priority to those heavily indebted poor countries with demonstrated need and the capacity to use such relief effectively.

“SEC. 904. SPECIAL PROVISIONS.

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

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

“(c) OTHER DEBT CANCELLATION AUTHORITIES.—The authority to cancel debt under section 901 is in addition to the authority to cancel debt under any other provision of law and does not in any way limit or otherwise affect such other authority.

“(d) CHILD LABOR AND WORKERS RIGHTS.—In exercising the authority under section 901, the President shall take into account the country’s record on international child labor and international workers rights.

“(e) FEMALE GENITAL MUTILATION.—In exercising the authority under section 901, the President shall take into account the country’s record with regard to female genital mutilation.

“SEC. 905. ANNUAL REPORTS TO THE CONGRESS.

“(a) IN GENERAL.—Not later than December 31 of each year, the President shall prepare and transmit to the appropriate congressional committees a report, which shall be made available to the public, concerning the cancellation of debt under section 901 and section 2(c) of the Debt Relief for Poverty Reduction Act of 1999, determinations made under section 904(a), activities undertaken under section 2(d) of the Debt Relief for Poverty Reduction Act of 1999, the progress made in accomplishing the purposes of such section 2(d), and other debt restructuring activities for the prior fiscal year. The report shall also include a list of the countries that have received debt cancellation under section 901 and a list of the countries that, although eligible under section 902(a)(3)(A), have been denied debt cancellation under section 902 and the reasons therefor. The report shall also include a description of the extent to which countries that receive debt cancellation under section 901 or under section 2(c)(1) of the Debt Relief for Poverty Reduction Act of 1999 have complied with the requirements described in section 902(c) or section 2(c)(4) of such Act, respectively.

“(b) DEFINITION.—In this section, the term ‘appropriate congressional committees’ means—

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

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

“SEC. 906. SENSE OF THE CONGRESS.

“It is the sense of the Congress that the amounts that would otherwise be provided by the United States for development aid or other debt relief should not be reduced on account of any appropriations made pursuant to section 907.

“SEC. 907. AUTHORIZATION OF APPROPRIATIONS.

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

(b) ANNUAL REPORT BY THE SECRETARY OF THE TREASURY ON PARIS CLUB DEBT RESTRUCTURING ACTIONS AND CANCELLATIONS.—Not later than January 1, 2000, and not later than January 1 of each year thereafter, the Secretary of the Treasury shall prepare and submit to the Congress a report containing the following:

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

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

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

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

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

(B) an assessment of the debt restructuring described in subparagraph (A), including an assessment of the effect of the restructuring on the debt service payments of the debtor country.

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

(c) CANCELLATION OF DEBT OWED TO THE EXPORT-IMPORT BANK OR THE COMMODITY CREDIT CORPORATION.—

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

(A) the Export-Import Bank of the United States by each country that the President determines is eligible for debt cancellation under this paragraph, as a result of loans made, or guarantees or insurance issued, prior to June 20, 1999, under the Export Import Bank Act of 1945, or

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

A country eligible under paragraph (2) for debt cancellation under this paragraph shall not be obligated to make debt service payments with respect to amounts owed to the United States for which debt cancellation is to be provided beginning on the date on which the country is determined to be so eligible under paragraph (2) so long as the country remains in compliance with the other provisions of this subsection.

(2) ELIGIBLE COUNTRIES.—Except as provided in paragraph (3) and subject to the fulfillment of the additional requirement in paragraph (4), a country that is performing satisfactorily under an economic reform program shall be eligible for debt cancellation under paragraph (1) if the country—

(A) as of December 31, 2000, is eligible to borrow from the International Development Association;

(B) as of December 31, 2000, is not eligible to borrow from the International Bank for Reconstruction and Development, or is Nigeria; and

(C)(i) has outstanding public and publicly guaranteed debt, the net present value of which on December 31, 1996, was at least 150 percent of the average annual value of the exports of the country for the period 1994 through 1996; or

(ii) has outstanding public and publicly guaranteed debt, the net present value of which, as of the date the President determines that the country is eligible for debt relief under all the criteria set forth in this paragraph, is—

(I) at least 150 percent of the annual value of the exports of the country for the most recent year for which such information is available; or

(II) at least 250 percent of the annual fiscal revenues of the country, and the country has a minimum ratio of exports to gross domestic product of 30 percent, and a minimum ratio of fiscal revenues to gross domestic product of 15 percent, for the most recent year for which such information is available.

(3) EXCEPTIONS.—A country shall not be eligible for debt cancellation under paragraph (1) if—

(A) the government of the country has an excessive level of military expenditures;

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

(C) the government of the country is failing to cooperate on international narcotics control matters;

(D) the government of the country (including its military or other security forces) engages in a consistent pattern of gross violations of internationally recognized human rights;

(E) the government of the country supports or condones the practice of slavery or there is documented evidence of the existence of slavery in the country and the government is not making a concerted effort to eradicate the practice; or

(F) the country is located in Southeast Asia, and the government of the country is failing to fully cooperate with the United States on all issues involving United States prisoners of war/missing in action (POW/MIA), as determined by the Secretary of State.

(4) REQUIREMENT FOR AN ACTION PLAN FOR HUMAN DEVELOPMENT.—A country which is otherwise eligible for debt cancellation under paragraph (1) may receive such cancellation only if—

(A) the government of the country has established, through transparent and participatory processes, including participation of civil society—

(i) a human development fund (hereinafter referred to as the “Human Development Fund”)—

(I) the resources of which shall be dedicated to reducing the number of persons living in poverty, expanding access of the poorest members of society to basic social services, including education, health, clean water and sanitation, and preventing the degradation of the environment; and

(II) into which shall be deposited all savings generated by debt cancellation received pursuant to section 901 of the Foreign Assistance Act of 1961 or this subsection;

(ii) arrangements to ensure that all expenditures from the Human Development Fund during a year will be used, to the extent possible, to increase annual expenditures for human development by the government above the greater of—

(I) the total amount of annual expenditures for human development by the government for the preceding year; or

(II) the average total amount of such expenditures for the 3 years immediately preceding the year in which such fund is established; and

(iii) arrangements for monitoring the operations and financial transactions and accounts of the Human Development Fund by an oversight body which includes representatives of civil society; or

(B) the country has developed and committed to an integrated strategy for poverty reduction developed in cooperation with the International Bank for Reconstruction and Development and the International Monetary Fund, and in consultation with civil society, which—

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

(ii) includes monitorable poverty reduction goals (such as increasing literacy, reducing infant and child mortality, lowering the incidence of AIDS, and improving environmental conditions) developed in cooperation with the International Bank for Reconstruction and Development, relevant agencies of the United Nations, civil society groups, and other appropriate organizations;

(iii) takes steps so that the financial benefits from debt relief pursuant to the modified Heavily Indebted Poor Countries (HIPC) Initiative, including savings realized as a result of debt cancellation under section 901 of the Foreign Assistance Act of 1961 and this subsection, are applied to poverty reduction programs dedicated to achieving the goals described in clause (ii) of this subparagraph;

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

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

(5) DEFINITION OF MODIFIED HEAVILY INDEBTED POOR COUNTRIES (HIPC) INITIATIVE.—For purposes of this subsection, the term “modified Heavily Indebted Poor Countries (HIPC) Initiative” means the multilateral debt initiative presented in the Report of G-7 Finance Ministers on the Koln Debt Initiative to the Koln Economic Summit, Cologne, 18–20 June, 1999.

(6) PRIORITY.—In carrying out this subsection, the President should seek to leverage scarce foreign assistance dollars and give priority to those heavily indebted poor countries with demonstrated need and the capacity to use such relief effectively.

(7) CHILD LABOR AND WORKERS RIGHTS.—In exercising the authority under this subsection, the President shall take into account the country’s record on international child labor and international workers rights.

(8) FEMALE GENITAL MUTILATION.—In exercising the authority under this subsection, the President shall take into account the country's record with regard to female genital mutilation.

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

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

(d) ENSURING BURDENSARING BY OTHER CREDITOR COUNTRIES.—In order to accelerate bilateral debt relief and promote human and economic development and poverty alleviation in countries eligible for debt cancellation under section 901 of the Foreign Assistance Act of 1961 (as added by subsection (a) of this section) or under subsection (c) of this section, the Congress urges the President, immediately after the date of the enactment of this Act, to establish efforts with countries that are members of the Paris Club of Official Creditors, and, if necessary, with other creditors, to accomplish the following by September 30, 2004:

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

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

(3) The establishment of procedures by the Club to ensure greater transparency in the decision-making process, including publication of information for each restructuring action undertaken by the Club as to the amount of sovereign debt restructured, as to whom amounts are owed and by how much each is owed, disaggregated by each country, as to how much each debtor country owes each international financial institution, as to new maturity or maturities of the restructured debts, as to new interest rate and other costs associated with the restructured debts, and as to any other new terms or conditions. With due specificity, such information shall be contrasted with such amounts, terms, and conditions in effect before the restructuring, and offer an assessment of the effects the restructuring will have on the country's debt servicing.

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

(f) SENSE OF CONGRESS.—It is the sense of the Congress that any assistance proposed to be provided by the United States to a country that receives cancellation of debt under this section should be in the form of grants only.

SEC. 3. ACTIONS TO IMPROVE THE PROVISION OF MULTILATERAL DEBT RELIEF AND PROCEDURES FOR NEW LENDING.

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

"SEC. 1623. IMPROVEMENT OF THE HEAVILY INDEBTED POOR COUNTRIES INITIATIVE; ENSURING EQUITABLE BURDEN SHARING.

"(a) IMPROVEMENT OF THE HIPC INITIATIVE.—In order to accelerate multilateral debt relief and promote human and economic development and poverty alleviation in heavily indebted poor countries the Congress urges the President to commence immediately efforts, within the Paris Club of Official Creditors, as well as the International Bank for Reconstruction and Development (World Bank), the International Monetary Fund (IMF), and other appropriate multilateral development institutions to accomplish the following modifications in the Heavily Indebted Poor Countries (HIPC) Initiative:

"(1) PROHIBITION ON STRUCTURAL ADJUSTMENT PROGRAMS.—The provision of debt reduction under the modified HIPC Initiative shall not be conditioned on any country adopting or implementing any structural adjustment or stabilization program of the Enhanced Structural Adjustment Facility of the IMF or any other structural adjustment or stabilization program operated solely or jointly by the IMF, or any other program of the IMF.

“(2) PROMOTION OF POVERTY ALLEVIATION AND ENVIRONMENTAL PROTECTION.—The social and economic reforms on which debt reduction under the modified HIPC Initiative is conditioned shall incorporate effective measures for poverty reduction and environmental protection.

“(3) REVISION OF COUNTRY ELIGIBILITY REQUIREMENT.—A country shall be regarded as having an unsustainable debt burden for purposes of qualifying for debt reduction (or for further debt reduction) under the modified HIPC Initiative if the country is Nigeria or has outstanding public and publicly guaranteed debt, the net present value of which at the decision point, is—

“(A) at least 150 percent of the annual value of the exports of the country for the most recent year for which such information is available; or

“(B) at least 250 percent of the annual fiscal revenues of the country, and the country has a minimum ratio of exports to gross domestic product of 30 percent, and a minimum ratio of fiscal revenues to gross domestic product of 15 percent, for the most recent year for which such information is available.

“(4) REQUIREMENT FOR AN ACTION PLAN FOR HUMAN DEVELOPMENT.—Debt reduction under the modified HIPC Initiative shall not be provided for the benefit of a country unless the government of the country has established, through transparent and participatory processes, including the participation of civil society—

“(A) a plan of action for human development (in this section referred to as the ‘Action Plan’) which includes policies, programs, and projects designed to reduce the number of persons living in poverty, expand access of the poorest members of society to basic social services, including health, education, clean water, and sanitation, and prevent the degradation of the environment;

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

“(i) the resources of which are dedicated to achieving the purposes of the Action Plan; and

“(ii) into which are required to be deposited all savings generated by debt reduction provided for the benefit of the country under the modified HIPC Initiative and under other debt reduction programs;

“(C) arrangements to ensure that all expenditures from the Human Development Fund during a year will be used, to the extent possible, to increase annual expenditures for human development by the government above the greater of—

“(i) the total amount of annual expenditures for human development by the government for the preceding year; or

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

“(D) arrangements for monitoring the operations, financial transactions, and accounts of the Human Development Fund by an oversight body which includes representatives of civil society, and a majority of the members of which are citizens of the country.

On request of the country, the World Bank should provide technical assistance to the country regarding the establishment and management of the Human Development Fund in accordance with the preceding sentence.

“(5) REQUIREMENT OF SOUTHEAST ASIAN COUNTRIES TO COOPERATE WITH UNITED STATES ON POW/MIA ISSUES.—Debt reduction under the modified HIPC Initiative shall not be provided for the benefit of a country located in Southeast Asia if the government of the country is failing to fully cooperate with the United States on all issues involving United States prisoners of war/missing in action (POW/MIA), as determined by the Secretary of State.

“(6) REQUIREMENT FOR A NATURAL RESOURCES DEVELOPMENT PLAN.—

“(A) IN GENERAL.—Debt reduction under the modified HIPC Initiative shall not be provided for the benefit of a country unless the government of the country has established through transparent and participatory processes (including the participation of civil society) a plan (in this section referred to as the ‘Natural Resources Development Plan’), covering at least a 5-year period, for the development of the country’s natural resources in a manner that will benefit the population of the country. The plan shall specify at least the following:

“(i) The natural resources that are being developed or will be developed in the country.

“(ii) The profits and other benefits that the government estimates will accrue to the companies involved in the development of such natural resources.

“(iii) The corporate tax revenues, land use fees, resource extraction fees, export tariffs, and other revenues that the government estimates will be raised as a result of the development and extraction of such natural resources.

“(iv) The plans of the government for the use of the revenues so raised.

“(v) The plans of the government to conserve such natural resources and protect the environment of the country.

“(vi) The plans of the government to protect public health and safety and the rights of workers.

“(vii) The plans of the government to provide for the training and education of the local population and to ensure that the companies involved in the development of such natural resources provide members of the local population opportunities for employment and advancement.

“(viii) Any other plans of the government to ensure a fair return to the country and its people for the development of such natural resources.

“(B) TRANSPARENCY.—All contracts between the government (including any enterprise owned or controlled by the government) and a foreign or multinational corporation for the development of natural resources of the country shall be made available to the public.

“(C) ASSISTANCE.—The World Bank, the African Development Bank, the IMF, or other appropriate multilateral development institutions shall, under the modified HIPC Initiative, provide assistance to countries in developing their Natural Resources Development Plans and in negotiating or renegotiating equitable contracts with foreign or multinational corporations for the development of natural resources.

“(7) AMOUNT OF DEBT REDUCTION.—The amount of debt reduction provided under the modified HIPC Initiative for the benefit of a country with an unsustainable debt burden shall be sufficient to help catalyze sustainable growth and poverty reduction, by reducing—

“(A) the net present value of the outstanding public and publicly guaranteed debt of the country to less than 100 percent of the value of the annual exports of the country; and

“(B) the amount of annual payments due on such public and publicly guaranteed debt to a percentage of government revenues, not greater than 10 percent, that will facilitate higher levels of expenditure in areas that have been identified as key to accelerated poverty reduction as well as ensure that the country is able to meet its current and future external debt-service obligations in full, without recourse to debt relief, rescheduling, or the accumulation of arrears.

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

“(A) are transparent, including publication of the content of the decisions and of all relevant analytical, legal, and policy documents, including Debt Sustainability Analyses, Policy Framework Papers, debt relief agreements, and national development programs and budgets;

“(B) are participatory, including the participation of civil society and organizations with social sector expertise, including United Nations agencies; and

“(C) require that the published content of the decisions and documents described in subparagraph (A) of this paragraph that affect or pertain to debt relief for the country to be provided to the relevant oversight body referred to in paragraph (4), and require that such oversight body be consulted in the making of key decisions regarding such debt relief.

“(9) SPECIAL PROVISIONS.—

“(A) Debt reduction under the modified HIPC Initiative for the benefit of a country that has demonstrated a sustained commitment to poverty alleviation shall be provided in a greater amount or more quickly than would otherwise be the case under that Initiative.

“(B) A country that is emerging from civil conflict or that has recently suffered a major natural disaster should receive special consideration for debt relief under the modified HIPC Initiative, notwithstanding the coun-

try's record of performance under the country's program of social and economic reform.

“(10) HIPC REVIEW.—The Secretary of the Treasury, after consulting with the Committees on Banking and Financial Services and on International Relations of the House of Representatives and the Committees on Foreign Relations and on Banking, Housing, and Urban Affairs of the Senate, shall make every effort (including instructing the United States Executive Directors at the IMF and the World Bank) to ensure that an external assessment of the modified HIPC Initiative, including the reformed ESAF program as it relates to that Initiative, take place by December 31, 2001, incorporating the views of debtor governments and civil society, and that such assessment be made public and include—

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

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

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

“(b) PROMOTION OF EQUITABLE BURDEN SHARING.—In order to promote equitable burden-sharing by bilateral, multilateral, and private creditors under the modified HIPC Initiative, the Congress urges the President to commence immediately efforts to ensure that such creditors draw upon their own resources to finance debt reduction under the modified HIPC Initiative to the extent possible without diverting funds from other high priority poverty alleviation programs.

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

“(1) satisfactory progress was made in accomplishing the improvements in the HIPC initiative described in subsections (a) and (b); and

“(2) the United States' contributions to the reduction of multilateral debt pursuant to the modified HIPC Initiative were matched, by a ratio of at least two to one, by resources provided in the aggregate by all other donors, then no sums are authorized to be appropriated for such purpose for the fiscal year.

“(d) SENSE OF CONGRESS.—It is the sense of Congress that the amounts that would otherwise be provided by the United States for development aid or other debt relief should not be reduced on account of any appropriations pursuant to subsection (c).

“(e) REPORT TO THE CONGRESS.—Not later than December 31 of each year, the President shall submit to the Committees on Banking and Financial Services, on Appropriations, and on International Relations of the House of Representatives and the Committees on Foreign Relations, on Banking, Housing, and Urban Affairs, and on Appropriations of the Senate a report, which shall be made available to the public, on the activities undertaken under this section, and on the progress made in accomplishing the purposes of this section, for the prior fiscal year. The report shall include a list of the countries that have received debt relief under the original or modified HIPC Initiative, a list of the countries whose request for such debt relief has been denied and the reasons therefor, and a list of the countries whose requests for such debt relief are under consideration. The report shall also include a description of the extent to which countries that receive debt relief under the modified HIPC Initiative have complied with the requirements described in subsection (a)(4).

“(f) DEFINITIONS.—In this section:

“(1) MODIFIED HIPC INITIATIVE.—The term ‘modified HIPC Initiative’ means the multilateral-debt initiative presented in the Report of the G-7 Finance Ministers on the Koln Debt Initiative to the Koln Economic Summit, Cologne, 18–20 June, 1999.

“(2) DECISION POINT.—The term ‘decision point’ means the point in time at which the Executive Boards of the International Bank for Reconstruction and Development and the International Monetary Fund review the debt sustainability analysis for a country and decide that the country is eligible for debt relief under the modified Heavily Indebted Poor Countries Initiative.

“SEC. 1624. REFORM OF THE ENHANCED STRUCTURAL ADJUSTMENT FACILITY.

“The Secretary of the Treasury shall instruct the United States Executive Directors at the International Bank for Reconstruction and Development and the International Monetary Fund to use the voice and vote of the United States to promote the establishment of poverty reduction strategy policies and procedures at the International Bank for Reconstruction and Development and the International Monetary Fund which support countries’ efforts to honor the commitments as set forth in lending operations under programs developed and jointly administered by the International Bank for Reconstruction and Development and the International Monetary Fund that have the following components:

“(1) The development of country-specific poverty reduction strategies (Poverty Reduction Strategies) under the leadership of such countries, that—

“(A) will be set out in poverty reduction strategy papers (PRSPs) to provide the basis for the lending operations of the International Development Association (IDA) and the Enhanced Structural Adjustment Facility and its successors (ESAF);

“(B) will reflect the role of the International Bank for Reconstruction and Development in social sector development, structural policies, and poverty reduction, and the role of the International Monetary Fund in macroeconomic issues; and

“(C) will make the advice and operations of the International Monetary Fund and the International Bank for Reconstruction and Development fully consistent with the objectives of poverty reduction and broad-based growth; and

“(D) should include—

“(i) a participatory poverty assessment, undertaken as a systematic part of the design of the Poverty Reduction Strategy, involving collaboration between the government, civil society, the International Bank for Reconstruction and Development, organizations with expertise in the social sector, including United Nations agencies, and donors, which analyzes, among other things, the economic and social needs of the poor and the policy reforms and public investments that will best address these needs;

“(ii) social impact assessments, undertaken as a systematic part of the design of the Poverty Reduction Strategy, involving collaboration between the government, civil society, the International Bank for Reconstruction and Development, and organizations with expertise in the social sector, including United Nations agencies, and donors, which analyze the impact of policies implemented under the Poverty Reduction Strategy and related lending operations and which are completed before International Bank for Reconstruction and Development and International Monetary Fund Executive Board consideration of such operations;

“(iii) explicit consideration of the short- and long-term tradeoffs between alternative policy decisions, such as the distributional, equity, and poverty reduction implications of monetary and fiscal policies or the pace and sequencing of structural reforms;

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

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

“(2) the adoption of procedures for periodic comprehensive reviews of ESAF and IDA programs to help ensure progress toward poverty goals outlined in the Poverty Reduction Strategies and to allow adjustments in such programs;

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

“(4) the establishment of a standing evaluation unit at the International Monetary Fund, similar to the Operations Evaluation Department of the International Bank for Reconstruction and Development, that would report directly to the Executive Board of the International Monetary Fund and that would undertake periodic reviews of International Monetary Fund operations, including the operations of the ESAF, including—

“(A) assessments of experience under the ESAF programs in the areas of poverty reduction, rapid growth, and access to basic social services;

“(B) assessments of the extent and quality of participation in program design by civil society; and

“(C) verifications that ESAF programs are designed in a manner consistent with the Poverty Reduction Strategies; and

“(D) prompt release to the public of all reviews by the standing evaluation unit;

“(5) the promotion of simpler and clearer conditionality in IDA and ESAF programs that focuses on reforms most likely to support poverty reduction and broad-based growth;

“(6) the adoption by the International Monetary Fund of policies aimed at reforming the Enhanced Structural Adjustment Facility so that ESAF programs are consistent with the Poverty Reduction Strategies;

“(7) the adoption by the International Bank for Reconstruction and Development of policies to ensure that International Bank for Reconstruction and Development lending operations in HIPC countries are consistent with the Poverty Reduction Strategies;

“(8) strengthening the linkage between borrower country performance and lending operations by IDA and the ESAF on the basis of clear and monitorable indicators;

“(9) full public disclosure of the proposed objectives, financial organization and operations of the successor to the Enhanced Structural Adjustment Facility of the International Monetary Fund at least 90 days before any decision by the Executive Board of the International Monetary Fund to consider its adoption; and

“(10) the abolishment of ESAF, and its replacement with a Poverty Reduction and Growth Facility (PRGF), which will be a subordinate part of a new approach to defining the economic framework for low-income countries, in that the new approach will give to the government of a borrowing country the ability to construct its own comprehensive development strategy, and will allow the borrowing country government, at its sole discretion, to request technical assistance, in creating the comprehensive development strategy, from international institutions, such as the World Health Organization, the Food and Agricultural Organization, the International Bank for Reconstruction and Development, and the International Monetary Fund, and from private organizations, businesses, or civil society organizations.

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

“The Secretary of the Treasury shall instruct the United States Executive Directors at the international financial institutions (as defined in section 1701(c)(2)) to use the voice and votes of the Executive Directors to encourage vigorously that their respective institutions adopt transparency and other measures that will facilitate participation of civil society in developing countries in the design of poverty reduction strategies and in decisions to borrow from such institutions in support of such strategies, including—

“(1) disclosure of Policy Framework Papers, Public Expenditure Reviews, Country Assistance Strategies, International Monetary Fund Letters of Intent, appraisal documents, and other reports relevant to proposed lending operations; and

“(2) provision of detailed information to the Board of Directors of such an institution and to the public, prior to the approval of a lending operation for a developing country, as to the nature and extent of civil society participation in the design of, and approval process for, such operation.”.

SEC. 4. ENHANCED STRUCTURAL ADJUSTMENT FACILITY/HEAVILY INDEBTED POOR COUNTRIES TRUST FUND.

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

“SEC. 62. APPROVAL OF CONTRIBUTIONS TO THE ENHANCED STRUCTURAL ADJUSTMENT FACILITY/HEAVILY INDEBTED POOR COUNTRIES TRUST FUND.

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

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

“(A) sells not more than a total of 14,000,000 ounces of its gold at prevailing market prices to a member or members in non-public transactions;

“(B) immediately after, and in conjunction with, each such sale, accepts payment by such member or members of such gold to satisfy existing repurchase obligations of such member or members so that the Fund retains ownership of the gold at the conclusion of such payment; and

“(C) transfers the earnings on the investment of the profits of such sales to the Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations (ESAF/HIPC Trust Fund), provided that such earnings shall be used, through a separate subaccount, only for the purpose of providing debt relief from the Fund under the modified HIPC Initiative; and

“(2) to support a decision that would make available to the ESAF/HIPC Trust Fund resources in Special Contingency Account 2 (SCA-2) of the Fund derived from the extended burdensharing arrangements adopted pursuant to IMF Decision No. 9471 (90/98), as amended, including any funds attributable to the United States participation in such arrangements, which funds shall be used only for debt relief under the original or modified HIPC Initiative (within the meaning of section 1623 of the International Financial Institutions Act).

“(b) CERTIFICATION.—Within 15 days after the United States Executive Director casts the votes necessary to carry out with the instruction provided pursuant to subsection (a), the Secretary of the Treasury shall certify to the Committee on Banking and Financial Services of the House of Representatives and the Committee on Foreign Relations of the Senate that the Fund has stated that—

“(1) when gold is sold pursuant to the authorization provided under subsection (a), the estimated net present value (as determined by the Fund) of the earnings on the investment of profits from the total amount of gold that has been sold shall not be greater than the estimated net present value (as determined by the Fund) of the cost of the modified HIPC Initiative (within the meaning of section 1623 of the International Financial Institutions Act);

“(2) the earnings on the invested profits of such gold sales shall be deposited in a separate sub-account and used only for the purpose of providing debt relief from the Fund under the original or modified HIPC Initiative; and

“(3) any funds attributable to United States participation in the arrangements referred to in subsection (a)(2) shall be used only for debt relief from the Fund under the original or modified HIPC Initiative.”.

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

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

“(f) The Secretary of the Treasury shall transmit to the Committee on Banking and Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate a copy of any international financial agreement to which this section applies. Any such agreement the immediate public disclosure of which would, in the opinion of the President, be prejudicial to the national security of the United States, shall be so transmitted under an injunction of secrecy to be removed only upon due notice by the President.”.

SEC. 6. CORRUPTION IN FOREIGN GOVERNMENTS.

(a) IN GENERAL.—It is the sense of the Congress that, in deliberations between the United States Government and any other country on money laundering and corruption issues, the United States Government should—

(1) emphasize an approach that addresses not only the laundering of the proceeds of traditional criminal activity but also the increasingly endemic problem of governmental corruption and the corruption of ruling elites; and

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

(b) UNITED STATES VOTES IN INTERNATIONAL FINANCIAL INSTITUTIONS.—Title XV of the of the International Financial Institutions Act (22 U.S.C. 2620-2620-2) is amended by adding at the end the following:

“SEC. 1504. UNITED STATES VOTES IN INTERNATIONAL FINANCIAL INSTITUTIONS.

“The Secretary of the Treasury shall instruct the United States Executive Director at each multilateral development bank (as defined in section 1701(c)(4)) to use aggressively the voice and vote of the United States to promote vigorously policies that would make the institution more effective mechanisms, in concert with appropriate international authorities and other international financial institutions (as defined in section 1701(c)(2)), for promoting good governance principles within recipient countries by fostering structural reforms, including procurement reform, that reduce opportunities for corruption and bribery, and drug-related money laundering. In addi-

tion, the Secretary of the Treasury shall instruct the United States Executive Director at each multilateral development bank (as defined in section 1701(c)(4)) to use aggressively the voice and vote of the United States to oppose loans or other assistance by such bank to a country located in Southeast Asia if the government of such country is failing to fully cooperate with the United States on all issues involving United States prisoners of war/missing in action (POW/MIA), as determined by the Secretary of State.”.

(c) ANNUAL REPORTS REQUIRED.—Not later than December 31 of each year, the Secretary of the Treasury, in consultation with the Secretary of State and the Attorney General, shall submit an annual report to the Congress on efforts bilaterally and within the international financial institutions (as defined in section 1701(c)(2) of the International Financial Institutions Act) consistent with the objectives in sections 1503(a)(6) and 1504 of such Act.

SEC. 7. SAFEGUARDS ON USE OF INTERNATIONAL MONETARY FUND RESOURCES.

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

“SEC. 63. SAFEGUARDS ON USE OF INTERNATIONAL MONETARY FUND RESOURCES.

“The Secretary of the Treasury shall instruct the United States Executive Director at the Fund to use the voice and vote of the Executive Director to vigorously encourage the Fund to—

“(1) require independent audits of central bank and other relevant entities on a more systematic basis by developing objective criteria to assist in determining when audits are warranted;

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

“(3) develop a systematic approach to reducing inappropriate uses of foreign exchange reserves through laws, regulations, and procedures, by means including the requirement of arms length transactions and the prohibition of preferential access to foreign exchange on a nontransparent basis; and

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

SEC. 8. UNITED STATES LENDING POLICIES TOWARD COUNTRIES RECEIVING DEBT RELIEF.

(a) STUDY.—The Comptroller General of the United States shall study and prepare a report on efforts to ensure that the lending policies of the United States and the international financial institutions (as defined in section 1701(c)(2) of the International Financial Institutions Act) toward countries eligible for debt relief under part VI of the Foreign Assistance Act of 1961 or this Act, or under the modified HIPC Initiative (as defined in section 1623(f)(1) of the International Financial Institutions Act) avoid moral hazard and promote economic growth and poverty reduction, without recourse to future debt relief, rescheduling, or the accumulation of arrears.

(b) REPORT.—Not later than September 30, 2000, the Comptroller General of the United States shall submit to the Committees on Banking and Financial Services and on International Relations of the House of Representatives and the Committees on Banking, Housing, and Urban Affairs and on Foreign Relations of the Senate the report required by subsection (a).

EXPLANATION OF THE LEGISLATION

H.R. 1095 as amended provides for the following: (1) a requirement that the President cancel all concessional and non-concessional debts owed to the United States by eligible poor countries under applicable provisions of the Foreign Assistance Act of 1961, the Export-Import Bank Act of 1945, and the Commodity Credit Corporation Charter Act; (2) an authorization of such sums as necessary for the cost of canceling debts owed to the U.S. by eligible poor countries; (3) definitions of country eligibility for receiving U.S. debt relief together with a list of exceptions, (4) a requirement that resources freed through debt relief are used for poverty reduction through a Human Development Fund or Poverty Reduction Strategy; (5) a statement that in providing bilateral debt relief, the President should seek to leverage scarce foreign assistance dol-

lars and give priority to those heavily indebted poor countries with demonstrated need and the capacity to use such relief effectively; (6) a requirement of annual reports on U.S. debt relief for eligible poor countries and on U.S. participation in Paris Club debt restructuring actions and cancellations; (7) policy language urging the President to ensure burdensharing by other creditor countries; (8) policy language urging the President to seek improvements in the Heavily Indebted Poor Countries Initiative (HIPC); (9) an authorization of such sums as necessary for U.S. contributions to the World Bank's HIPC Trust Fund, but only for the purposes of debt relief, and provided that certain conditions are met; (10) a requirement of an annual report on multilateral debt relief under the modified HIPC Initiative; (11) a requirement that the Secretary of the Treasury instruct the U.S. Executive Directors of the World Bank and International Monetary Fund (IMF) to use their voice and vote to reform the Enhanced Structural Adjustment Facility (ESAF) and soon replace it with a new Poverty Reduction and Growth Facility; (12) a requirement that the Secretary of the Treasury instruct the U.S. Executive Directors to the international financial institutions to use their voice and vote to facilitate transparency and participation of civil society in new international financial institution lending; (13) an authorization for the Secretary of the Treasury to instruct the U.S. Executive Director of the IMF to approve the sale of up to 14 million ounces of the IMF's gold in non-public transactions with a member or members of the Fund, provided that the invested profits of the sales may only be used for debt relief and deposited in a sub-account separate from the Enhanced Structural Adjustment Facility; (14) an authorization for the Secretary of the Treasury to instruct the U.S. Executive Director of the IMF to transfer any funds attributable to U.S. participation in Special Contingency Account 2 (SCA-2) to the Fund's ESAF/HIPC Trust, which funds shall be used only for debt relief; (15) a certification by the Secretary of the Treasury that the amount of gold sold by the IMF is not greater than the estimated net present value of the cost of the Fund's participation in the modified HIPC Initiative, that the earnings on the invested profits shall be deposited in a separate sub-account and used only for the purpose of providing debt relief from the Fund, and that any U.S. funds transferred from the SCA-2 to the ESAF/HIPC Trust shall be used only for IMF debt relief; (16) a requirement for the Department of the Treasury to transmit international financial agreements to the House and Senate Banking Committees; (17) a requirement that the Secretary of the Treasury instruct the U.S. Executive Directors of the multilateral development banks to use their voice and vote to promote good governance and anti-corruption principles in recipient countries, as well as to oppose loans to Southeast Asian countries failing to fully cooperate with the U.S. on issues involving POW/MIAs; (18) a requirement that the Secretary of the Treasury instruct the U.S. Executive Director at the IMF to use his or her voice and vote to establish additional safeguards on the use of IMF resources; and (19) a requirement that by September 30, 2000, the General Accounting Office (GAO) prepare and submit a report on efforts to ensure that the lending policies of the U.S. and the international financial institutions toward

countries eligible for debt relief avoid moral hazard and promote economic growth and poverty reduction, without recourse to future debt relief, rescheduling, or the accumulation of arrears.

BACKGROUND AND NEED FOR THE LEGISLATION

The bill as reported fully authorizes U.S. participation in the modified Heavily Indebted Poor Countries Initiative. It authorizes the Executive Branch to cancel 100% of the debt owed to the U.S. by up to 45 eligible heavily indebted poor countries. It urges the President to seek several reforms in the modified HIPC Initiative. It also provides authorization for U.S. contributions to the World Bank's HIPC Trust, as well as U.S. agreement to mobilizing IMF gold reserves and the transfer of resources from an IMF reserve account to finance the Fund's participation in the modified HIPC Initiative. It requires the advocacy of certain policies by the U.S. in the international financial institutions, particularly regarding reform of ESAF, and requires the production of several reports by the Secretary of the Treasury.

Relieving the debt burdens of the world's poorest countries is one of foremost economic, humanitarian, and moral challenges of the late 20th century. Seldom has there been such a compelling conjunction between abstract economics, ethics, and public policy. In addition, because the Heavily Indebted Poor Countries (HIPC) Initiative represents a uniquely comprehensive approach to debt reduction, multilateral and bilateral issues are interwoven in ways that challenge traditional approaches to foreign policy of all creditor countries. In this context, the HIPC Initiative raises authorization and policy issues that overlap the jurisdictions of this Committee and the Committee on International Relations. The Banking Committee is extremely grateful to the International Relations Committee for its gracious cooperation and understanding on this most complex and important subject.

The goal of the H.R. 1095 is simple: to provide faster and deeper debt relief to more countries provided they are committed to reform as well as translating savings from debt relief into poverty reduction and sustainable development.

The Committee on Banking and Financial Services strongly supports international efforts to relieve the debt burdens of the world's poorest countries. As the president of the World Bank recently observed, more than one billion people around the world still live in extreme poverty. Nearly 1.4 billion people lack access to clean water. Approximately three billion live without basic sanitation. In 1999, 11 million children under the age of five will die of preventable diseases. For those children who live past five, more than 250 million of them will work instead of going to school. Yet several hundred million of the world's poor live in countries where crushing foreign debt obligations, almost exclusively to official bilateral and multilateral creditors, stand in the way of economic growth and poverty reduction.

At the request of the G-7 industrial nations for a comprehensive framework to relieve the debt burdens of heavily indebted poor countries, the World Bank and the International Monetary Fund (IMF) proposed the HIPC Debt Initiative in 1996. The HIPC Initiative is the first coordinated effort to include all creditors, particu-

larly the international financial institutions, in addressing the debt problems of poor developing countries. The goal of the original HIPC Initiative was solely to bring countries' debts to "sustainable" levels, meaning that in the future they would be able to make debt payments on time and without rescheduling. As a condition of receiving the exceptional levels of debt relief provided under the initiative, countries were required to successfully complete as much as six years of economic reform under ESAF.

The World Bank and the IMF originally classified a group of 41 developing countries as heavily indebted poor countries. The 41 countries are the following: Angola, Benin, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Cote d'Ivoire, Democratic Republic of the Congo, Equatorial Guinea, Ethiopia, Ghana, Guinea, Guinea-Bissau, Guyana, Honduras, Kenya, Lao PDR, Liberia, Madagascar, Mali, Mauritania, Mozambique, Myanmar, Nicaragua, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda, Vietnam, Yemen, and Zambia. Nigeria was subsequently dropped off the original list. As introduced, H.R. 1095 would extend eligibility to 4 additional countries: Bangladesh, Cambodia, Comoros, and Haiti. During Committee markup Nigeria was subsequently added as an additional eligible country.

The original HIPC Initiative, however, failed to fulfill its early promise. The common refrain was that debt relief was "too little" and "too late." As of September 14, 1999, eligibility has been reviewed for 14 countries. Relief has been agreed to for 7 countries: Bolivia, Burkina Faso, Cote d'Ivoire, Guyana, Mali, Mozambique, and Uganda, yielding debt relief of \$3.4 billion in net present value (NPV) terms. Four countries (Bolivia, Uganda, Guyana and Mozambique) have already received debt relief amounting to an NPV of \$2.8 billion. Preliminary review has been completed for five more countries, Ethiopia, Guinea-Bissau, Nicaragua, Mauritania, and Tanzania.

In response to widespread criticism of the original program, in June 1999 at the G-7 summit in Cologne, Germany, the World Bank and IMF endorsed proposals to modify the HIPC Initiative. The goal of the so-called "modified" HIPC Initiative is to provide faster, broader, and deeper debt relief, while strengthening the links between debt relief and poverty reduction. In contrast to the original framework, the newly modified HIPC Initiative is designed to increase the safety cushion against unanticipated economic shocks and to increase the probability of a permanent exit from unsustainable debt relief. Deeper debt relief will be provided through a lowering of the NPV debt-to-export target from 200-250% to 150%; a lowering of the NPV debt-to-fiscal revenue target for countries with very open economies from 280 to 250% and a lowering of the qualifying thresholds from 40 to 30% (export-to-GDP ratio) and from 20 to 15% (revenue-to-GDP ratio).

Similarly, in response to concerns that the original Initiative was insufficiently linked to poverty reduction, the modified HIPC attempts to free up resources for high levels of social spending aimed at poverty reduction through: more generous "interim" relief between the decision and completion points; and the introduction of "floating completion points" which would shift the focus of assess-

ment more towards achievements and outcomes rather than the length of the track record of reform. Strong performers could reach the completion point earlier by accelerating key reforms while maintaining macroeconomics stability. It also envisions “front-loading” the delivery of debt relief by the international financial institutions (IFIs) on a “case-by-case” basis.

On September 29, 1999, President Clinton announced that the U.S. would increase the amount of bilateral debt relief available to eligible countries to 100% of all market-based loans “when needed to help them finance basic human needs” and when the money will be used to do so. This follows agreement at the G-7 summit in Cologne to reduce non-concession debt owed to governments by HIPC by up to 90% and concessional debt by 100%. The authorization provided by this legislation is necessary to enable the U.S. to fulfill this commitment.

Creditors may provide relief through several means, such as rescheduling debt payments through lower interest rates, buying back the debt, making debt service payments as they come due, and/or lending new funds on concessional terms to make debt service payments. Multilateral creditors have said they will not forgive debt outright; instead, they intend to provide debt relief in ways that preserve their preferred creditor status.

The World Bank’s participation in the HIPC Initiative is to be funded solely from the Bank’s own resources. Debt relief provided by the Bank takes place primarily through contributions to its HIPC Trust Fund from transfers of net income. The World Bank’s HIPC Trust Fund also receives contributions from the U.S. and other participating creditors that are to be used primarily to help other multilateral development banks, such as the African Development Bank, to finance their share of HIPC debt relief. Because providing the necessary financing is crucial to turning the promise of the modified HIPC Initiative into reality, the committee included an authorization of such sums as may be necessary for the U.S. contribution to the HIPC Trust Fund.

The IMF is participating in the Initiative through the ESAF/HIPC Trust, which is to finance both debt relief and the subsidy cost of ESAF loans from 2000 to approximately 2005 (the “interim” ESAF). At the completion point, ESAF grants are deposited into escrow accounts to meet the debt service payments owed to the IMF under a predetermined schedule.

The enhancements to the Initiative agreed to in Cologne will more than double the estimated costs from \$12.5 billion to about \$27 billion in NPV terms, divided roughly between bilateral and multilateral creditors. Of this, the costs to the Bank would amount to about \$5 billion, to the Fund about \$2.3 billion, and to other multilateral institutions just under \$6 billion. If Liberia, Somalia, and Sudan are added to the 33 countries thought likely to qualify for HIPC relief, the estimated NPV cost to all creditors would rise to \$36 billion. To fund U.S. participation, the Administration requested \$120 million for debt relief programs in FY 2000 (only \$70 million of which was HIPC-related). The amended budget request for FY 2000–2004 asked for an additional \$850 million. Of the total \$970 million requested for debt relief, \$270 is for bilateral relief;

\$650 is for the World Bank's HIPC Trust; and \$50 million is for a debt-for-tropical rainforest initiative.

The Committee applauds U.S.-led efforts to strengthen the linkage between debt relief and poverty reduction. The new framework agreed to during the World Bank—IMF annual meetings in September 1999 would foster a much closer collaboration between the IMF, the World Bank, recipient governments, and civil society. The IMF's concessional lending facility and the vehicle for its participation in the Initiative—ESAF—will be required to take into account more fully the potential impact of macroeconomic reforms on programs aimed at poverty reduction and renamed the Poverty Reduction and Growth Facility (PRGF).

Many questions have been raised about the IMF's involvement in concessional lending. The first IMF facility to make concessional loans to low-income countries was the Trust Fund established in 1976, financed primarily by profits on the sale of 25 million ounces of gold by the IMF. The Trust Fund was terminated in 1981. Repayments of loans made by the Trust Fund went to the Special Disbursement Account (SDA) and were used to finance the establishment of the Structural Adjustment Facility (SAF) in 1986. ESAF was established in 1987 and subsequently expanded in 1993. In 1996, it was decided that the ESAF would be a permanent, rather than a temporary, facility, as the centerpiece of the IMF's strategy to help low-income countries.

ESAF arrangements are made available to eligible low income countries, those with a per capita GDP of \$925 or less and eligible for borrowing under the International Development Association (IDA), that agree to three-year macroeconomic structural and reform plans. According to the IMF, key to the arrangements are Policy Framework Papers (PFPs), which are drafted by the debtor governments in collaboration with the staffs of the IMF and world Bank. Loans under the ESAF carry an annual interest rate of 0.5%, with repayments made semiannually, beginning in 5½ years and ending 10 years after disbursement.

Resources to finance lending in support of ESAF arrangements—which consist of loans and subsidy contributions—are administered by the IMF through the ESAF Trust. The trust conducts its operations through three accounts: the Loan Account, to administer the funds needed for trust loans; the Subsidy Account, to subsidize the rate of interest paid by borrowers on loans from the trust; and the Reserve Account, to secure lenders' claims on the trust. The Loan Account has received its resources from loans made to the IMF by 12 countries at market rates. The subsidy Account has received grants from 33 countries (including a U.S. contribution in FY 1995 of \$75 million), plus some funds from the SDA. Reflows (repaid loans) from SDA-financed SAF and ESAF loans go to the Reserve Account, which will become available for future concessional operations when balances exceed the amount owed to the creditors (about \$4.3 billion by early 2007), or as agreed by the creditors.

The ESAF and other so-called "Administered Accounts" are legally and financially separate from all other accounts of the IMF. They represent resources held by the Fund for purposes, such as financial and technical assistance, that are consistent with the Fund's Articles.

The Committee is cognizant of the controversy surrounding the IMF's involvement in the HIPC initiative. The IMF has been at the center of international debt workouts since the early 1980's. Its relationship to debtor and creditor countries, as well as other international financial institutions managing sovereign debt workouts, is analogous to a "hub and spoke." During the Latin American debt crisis, the IMF played a key role negotiating economic reform programs with debtor countries and in coordinating the contributions of other creditors groups. In order to ensure that the debtor is undertaking economic reforms, bilateral creditors insist that the country negotiate an adjustment program with the IMF before it comes to the Paris Club. If the debtor is a poor developing country, the IMF adjustment program will take the form of ESAF loan. In the same vein, the original HIPC Initiative required that eligible countries successfully complete two successive ESAF programs in order to receive full debt relief.

The IMF projects that by the end of this year the ESAF Trust will reach its cumulative lending target of SDR 10.1 billion, precluding new lending. The "Interim" ESAF would continue IMF concessional lending until the "self-financed" ESAF or its successor facility begins operations sometime between year 2005 and 2007. The Interim ESAF faces a funding shortfall for loan principal of between SDR 5–7 billion. The IMF has not yet identified a source for the principal of ESAF loans. It could seek new loans from bilateral creditors or subsidize the interest rate on three year loans ("extended arrangements") made from the IMF's ordinary resources (the General Resources Account).

The ESAF–HIPC Trust, which is separate from the "interim" ESAF, was established in February 1997, to finance both ESAF grants (for debt service payments) under the HIPC Initiative and interim ESAF subsidy operations. Disbursements to fund the IMF contribution to the HIPC Initiative have already begun, pre-financed by transfers from the Reserve Account (with the permission of creditors). The ESAF–HIPC Trust currently faces a funding shortfall of \$3.5 billion (in present value terms). About \$2.3 billion is needed for HIPC operations, and about \$1.2 billion for Interim ESAF subsidies. The resources of the ESAF–HIPC Trust (apart from the principal amount of Interim ESAF loans) are to be derived primarily from a combination of bilateral contributions (including foregone SCA–2 refunds) and the income on profits from the proposed sales of gold.

Two main criticisms have been leveled against ESAF. First is the charge that it has applied inappropriate and counterproductive "austerity" policies in developing countries. In this regard, the 1980's and the early 1990's were a difficult period for low-income developing countries, particularly those in Africa. Per capita incomes stagnated or declined. This led many observers to question the effectiveness of the remedies embodied in IMF-supported adjustment programs—especially those backed by ESAF. Criticisms of ESAF have continued in the context of the HIPC debt initiative, which conditions debt relief on adherence to ESAF-supported programs. Second, some critics suggest that ESAF represents IMF represents IMF "mission creep" into areas of development assistance that are properly the domain of the World Bank and other multi-

lateral development banks. On the other hand, ESAF supporters point out that the world's poorest countries cannot afford IMF balance of payments support at market rates of interest, and that any fund lending operations to such members countries should properly be concessional.

Proposals for a "reformed ESAF" and a new "poverty reduction and growth strategy" were unveiled at the IMF—World Bank annual meetings in September 1999. Under the new strategy, the design of IMF-supported macroeconomic policies would take more fully into account their potential impact on social and sectoral programs aimed at poverty reduction while ensuring macroeconomic stability. The new approach envisions much closer interaction with the World Bank in order to make the linkage to poverty reduction an operational reality. Similar to previous Bank-Fund efforts to produce a "policy framework paper," EASF lending operations would be guided by a comprehensive Poverty Reduction Strategy Paper (PRSP) prepared by the national authorities with assistance from the World Bank, the IMF and others. The PRSP would have to be endorsed by the Executive Boards of both the World Bank and the IMF. ESAF performance measures would explicitly incorporate a set of key poverty reduction targets set out in the PRSP. According to Treasury Secretary Summers, adoption of these reforms "marks a profound change which will put poverty reduction at the center of IMF and World Bank supported programs in HIPC and other low income countries."

During the World Bank—IMF annual meetings this September, agreement was reached on the main elements of a financing package that would allow the IMF to mobilize a portion of its gold reserves to contribute to the HIPC Initiative and to continue ESAF operations through at least 2005. The total to be financed is \$3.5 billion in 1998 present value terms, and is largely composed of bilateral contributions made by member countries as well as the use of the investment income on the sale of a portion of up to 14 million ounces of the IMF's gold reserves. Bilateral pledges are \$1.4 billion in present value terms while contributions from the IMF total \$2.1 billion. Because legal title to the gold resides with the Fund, IMF gold sales do not have any budgetary implications for the U.S. and no appropriations is required. Under the Bretton Woods Agreement Act, however, authorization is required for any gold sale that is to be used for the benefit of a single member or a particular segment of the IMF's membership.

Because member countries have not pledged enough to fully fund both debt relief and ESAF, use of IMF resources has become an integral part of the overall financing package. In this regard, the Treasury Department has requested congressional authorization for: (1) approval of off-market sales of up to 14 million ounces of IMF gold, with the transfer of the earnings on the invested profit from the sale to the ESAF; and (2) making available to the ESAF—HIPC Trust Fund about \$300 million attributable to U.S. participation in a now unneeded IMF reserve account called the Special Contingency Account Number 2 (SCA-2). These authorizations were included in H.R. 1095, as amended.

The IMF originally proposed to sell at public auction between 5–10% of its gold holdings to finance debt relief and ESAF. The IMF

would retain the book value of the gold. The net proceeds of sale would be transferred to the Special Disbursement Account (SDA) and be invested in low-risk securities. The interest earnings would be used to finance IMF participation in the HIPC Initiative. The grants for HIPC and interest rate subsidies for the "Interim" ESAF would be provided through the ESAF-HIPC Trust Fund. But with the price of gold hovering around historic lows of \$250 an ounce throughout much of 1999, vehement opposition by the gold industry and key Members of Congress eventually forced Treasury and the IMF to consider alternative ways of mobilizing IMF gold reserves.

The new plan is for the IMF to sell up to 14 million ounces of gold without having an impact on the gold market. In essence, it is a complicated way to revalue the IMF's gold. There are two parts to the transaction. The first part is that the IMF would sell gold at the market price to one or more member countries that have obligations due to the Fund. The Fund would then receive the full proceeds of the gold sales in foreign currency. It would keep the book value, which is SDR 35 per ounce, on the balance sheet of its main capital account (the General Resources Account or GRA) and transfers the profits—the difference between the book value and the realized price—to an account called the Special Disbursement Account (SDA). The profits would then be invested and earn interest over approximately the next 18 years. The interest earnings would be transferred to the ESAF-HIPC Trust and used for financing HIPC as well as interest rate subsidies for loans made by the Interim ESAF. In the second part, the Fund would simultaneously agree to accept the same amount of gold, valued at the same price, in repayment for obligation coming due. There would be no sale in the market; the gold would be available to the member only to settle its obligations and thus would effectively remain in the IMF. It is expected that the profits would eventually be returned to the GRA.

The IMF holds 103.4 million fine ounces of gold. It values its gold at SDR 35 per ounce (about \$48 per ounce). Under its amended charter, there are significant legal limitations on IMF transactions in gold. The Fund can only sell gold on the basis of market prices. It may accept gold to discharge a member's obligations to the IMF. But it cannot engage in gold leasing or gold lending, enter into gold swaps, utilize gold options or other transactions (including a pure revaluation) that do not involve the transfer of ownership of the gold. Any IMF transactions in gold require an 85% majority of the total voting power of the Fund. Because the United States has a 17.5% share of the IMF's voting power, it could unilaterally block a gold sale.

The IMF's gold is held in the GRA. The book value of any sales must remain in the GRA (thus increasing the capacity of the IMF to generate income through loans). The profits must be placed in the SDA. Use of SDA assets for concessional assistance to developing members is permitted, in contrast to the general prohibition of such targeted use of GRA resources, if approved by an 85% majority. The Fund currently invests the assets held in so-called "administered accounts," such as the ESAF-HIPC Trust and the SDA (which holds the profits of the gold sales), in SDR-denominated deposits at the Bank for International Settlements.

In 1995, the IMF's Executive Board adopted a policy on gold. The policy contains the following principles: (1) any mobilization of IMF gold should avoid weakening its overall financial position; (2) the IMF should continue to hold a relatively large amount of gold among its assets; (3) the IMF has a responsibility avoid causing disruptions to the functioning of the gold market; and (4) the profits from any gold sales should be retained, and only the invested income used for IMF operations.

The IMF has established Special Contingency Accounts (SCAs) in the GRA to serve as precautionary balances on certain IMF lending. Resources for these SCAs are obtained by increasing the rate of charge to borrowing countries and decreasing the rate of remuneration to lending countries. The SCA-2 has accumulated the SDR 1 billion (about \$1.4 billion) that it was designed to achieve, and no further funding is required. Contributions to the SCA-2 are to be returned to Members when no longer required for their original purpose. The U.S. share is SDR 220 million or about \$300 million.

In order to ensure that none of the earnings on the invested profits of IMF gold sales will be used to finance ESAF, the Committee conditioned the authorization for the U.S. to consent to the arrangement on the creation of a separate sub-account for the interest earnings and that the earnings may only be used to finance the IMF's contribution to debt relief under the modified HIPC Initiative. A similar requirement was established of the transfer of funds from the SCA-2 to the ESAF/HIPC Trust. Under the Bretton Woods Agreements Act, as amended (Sec. 22 U.S.C. 26(c)), congressional authorization is required for the U.S. to approve the proposed IMF gold sales.

HEARINGS

On June 15, 1999 the House Banking Committee held a hearing on debt relief. Present were Tim Geithner, Treasury Under Secretary for International Affairs; Reverend J. Bryan Hehir, The Center for International Affairs, Harvard University; Salih Booker, Senior Fellow & Director of Africa Studies, Council on Foreign Relations; Lydia Williams, Advocacy Coordinator, Oxfam America; and Jeffrey Sachs, Director, Harvard Institute for International Development, Harvard University; with the testimony of The Most Reverend Frank T. Griswold, Presiding Bishop and Primate, the Episcopal Church, submitted for the record.

On March 21, 1999, the Subcommittee on Domestic and International Monetary Policy, Committee on Banking and Financial Services, held a hearing on the Administration's FY 2000 authorization requests for the international financial institutions and related programs. Present were Lawrence Summers, Deputy Secretary of the Treasury; Nancy Birdsall, Senior Associate, Carnegie Endowment for International Peace; Njoki Njehu, Coordinator, Fifty Years is Enough Network; Lydia Williams, Advocacy Coordinator, Oxfam America; George Milling-Stanley, Manager, Gold Market Analysis, World Gold Council; Jo Marie Griesgraber, Director, Rethinking Bretton Woods, Center of Concern.

COMMITTEE CONSIDERATION AND VOTES

On November 3, 1999, the Committee met in open session to mark up legislation authorizing debt relief for heavily indebted poor countries. The Committee considered as original text for purposes of amendment a substitute amendment striking all after the enacting clause. The Committee considered a number of amendments to the substitute, accepting many of them by voice vote. The following amendments passed by voice vote: (1) an amendment offered by Rep. Frank providing that once a country becomes eligible for bilateral debt relief that country will not have to make debt service payments on any debt owed to the U.S. so long as it remains in compliance with the Act; (2) an amendment offered by Rep. Frank eliminating reference to the "modified HIPC Initiative" in Presidential determinations of country eligibility for bilateral debt relief; (3) an amendment offered by Rep. Vento inserting child labor and workers rights as a consideration in granting bilateral debt relief; (4) an amendment offered by Rep. Waters ensuring that countries that support or condone the practice of slavery will not be eligible to receive bilateral debt relief; (5) an amendment offered by Rep. Waters (as modified by Rep. Watt) requiring the Secretary of the Treasury to provide or arrange for technical assistance to countries regarding the establishment and management of Human Development Funds; (6) an amendment offered by Rep. Frank (as modified by Rep. Watt) providing that in carrying out bilateral debt relief under the Act, the President should seek to leverage scarce foreign assistance dollars and give priority to those heavily indebted poor countries with demonstrated need and the capacity to use such relief effectively; (7) an amendment offered by Rep. Campbell stating the sense of the Congress providing that future bilateral assistance to poor countries receiving debt relief should be in the form of grants only; (8) an amendment offered by Rep. Bentsen to include in an annual reporting requirement an additional requirement that Congress be advised on country compliance and accomplishment in achieving poverty reduction reform goals under the Act; (9) a technical amendment offered by Rep. LaFalce to the certification language on IMF gold sales; (10) and amendment offered by Rep. Sherman inserting a requirement that Southeast Asian countries receiving debt relief cooperate in POW/MIA recovery efforts; (11) an amendment offered by Rep. Maloney inserting the country's record on female genital mutilation as a consideration in granting bilateral debt relief; (12) an amendment offered by Rep. Waters stating that the amount of debt relief provided to a country under the modified HIPC Initiative should be sufficient to ensure that the size of the country's outstanding debt does not exceed the value of its annual exports; (13) an amendment offered by Rep. Waters stating that the amount of debt relief provided to a country under the modified HIPC Initiative be sufficient to reduce the country's annual debt service payment to no greater than ten percent of the country's annual revenues; (14) an amendment offered by Rep. Bachus requiring the U.S. Executive Directors at the IMF and World Bank to abolish ESAF and replace it with a Poverty Reduction and Growth Facility; and (15) an amendment offered by Rep. Kelly, providing for a General Accounting Office study of U.S.

and IFI lending policies to HIPC countries to evaluate if those policies avoid moral hazard and promote economic growth and poverty reduction.

Rollcall votes were taken on the following amendments:

The Committee rejected by recorded vote an amendment offered by Rep. Campbell and Rep. Sanders to forgive all U.S. bilateral assistance to Heavily Indebted Poor Countries with no conditionality. The amendment was defeated 2–21.

YEAS	NAYS
Mr. Campbell	Mr. Leach
Mr. Sanders	Mrs. Roukema
	Mr. Lazio
	Mr. Bachus
	Mr. Castle
	Mr. Royce
	Mr. Lucas
	Mrs. Kelly
	Mr. Riley
	Mr. Sweeney
	Mrs. Biggert
	Mr. Terry
	Mr. Toomey
	Mr. LaFalce
	Mr. Vento
	Mr. Frank
	Mrs. Maloney
	Mr. Bentsen
	Mr. Inslee
	Mr. Moore
	Mr. Capuano

The Committee adopted by recorded vote an amendment offered by Mr. Campbell expressing the Sense of Congress that future U.S. assistance to heavily indebted poor countries, under section 2 of the bill, be in the form of grants only. The amendment passes 22 to 11.

YEAS

Mr. Leach
 Mr. Baker
 Mr. Lazio
 Mr. Bachus
 Mr. Castle
 Mr. Campbell
 Mrs. Kelly
 Dr. Paul
 Mr. Manzullo
 Mr. Ryan of Wisconsin
 Mr. LaFalce
 Mr. Vento
 Mr. Frank
 Ms. Waters
 Mr. Sanders
 Mr. Watt
 Mr. Bentsen
 Ms. Hooley
 Mr. Weygand
 Mr. Meeks
 Mr. Moore
 Mr. Capuano

NAYS

Mrs. Roukema
 Mr. Royce
 Mr. Ryun of Kansas
 Mr. Ose
 Mrs. Biggert
 Mr. Green
 Mr. Toomey
 Mr. Maloney
 Mr. Sherman
 Mr. Goode
 Ms. Schakowsky

The Committee also adopted by recorded vote an amendment offered by Rep. Waters to make Nigeria eligible for bilateral debt relief as well as urging that Nigeria become eligible for such relief under the modified HIPC Initiative. The amendment passed 26 to 13.

YEAS

Mr. Leach
 Mr. Bachus
 Mr. Campbell
 Mr. Royce
 Mr. Sweeney
 Mr. LaFalce
 Mr. Vento
 Mr. Frank
 Ms. Waters
 Mr. Sanders
 Mr. Gutierrez
 Mr. Watt
 Mr. Bentsen
 Mr. Maloney
 Ms. Hooley
 Ms. Carson
 Mr. Weygand
 Mr. Sherman
 Mr. Sandlin
 Mr. Meeks
 Mr. Inslee
 Ms. Schakowsky
 Mr. Moore
 Mr. Gonzalez
 Mrs. Jones
 Mr. Capuano

NAYS

Mrs. Roulema
 Mr. Lucas
 Mrs. Kelly
 Dr. Paul
 Mr. Ryun of Kansas
 Mr. Riley
 Mr. Manzullo
 Mr. Jones
 Mr. Ose
 Mrs. Biggert
 Mr. Terry
 Mr. Green
 Mr. Toomey

The Committee defeated by record vote an amendment offered by Rep. Bentsen to require any country obtaining debt relief under this bill to agree to a 3-year moratorium on borrowing or assuming long-term non-concessional debt. The amendment was defeated 21 to 11.

YEAS

Mr. Campbell
 Mr. Royce
 Dr. Paul
 Mr. Cook
 Mr. Manzullo
 Mr. Ryan of Wisconsin
 Mr. Sweeney
 Mr. Terry
 Mr. Toomey
 Mr. Bentsen
 Mr. Maloney

NAYS

Mr. Leach
 Mrs. Roukema
 Mr. Lazio
 Mr. Bachus
 Mrs. Kelly
 Mr. Ryun of Kansas
 Mr. Riley
 Mrs. Biggert
 Mr. Green
 Mr. LaFalce
 Mr. Vento
 Mr. Frank
 Mrs. Waters
 Mr. Sanders
 Mr. Watt
 Mr. Sherman
 Mr. Inslee
 Ms. Schakowsky
 Mr. Moore
 Mrs. Jones
 Mr. Capuano

The Committee adopted by recorded vote an amendment offered by Reps. Sanders, Campbell, Carson, Jones of Ohio, Meeks of New York, Paul and Gutierrez, modified to include language offered by Rep. Waters, that urges the President to immediately commence efforts to achieve the modification of Heavily Indebted Poor Countries Initiative so that debt reduction for Heavily Indebted Poor Countries shall not be conditioned on any country adopting or implementing any structural adjustment program of the IMF. The amendment also strikes the waiting period for debt reduction and the requirement that countries seeking debt reduction enter into a program for poverty reduction with the IMF and the IBRD. The additional language offered by Rep. Waters urges that reform of the HIPC Initiative include a requirement that countries adopt a Natural Resources Development Plan as a condition of receiving full debt relief. The amendment passed 21 to 14.

YEAS

Mr. Campbell
 Dr. Paul
 Mr. Manzullo
 Mr. Ryan of Wisconsin
 Mr. Terry
 Mr. Toomey
 Mr. LaFalce
 Mr. Vento
 Mr. Frank
 Ms. Waters
 Mr. Sanders
 Mr. Gutierrez
 Mr. Watt
 Ms. Hooley
 Ms. Carson
 Mr. Meeks
 Mr. Inslee
 Ms. Schakowsky
 Mr. Moore
 Mrs. Jones
 Mr. Capuano

NAYS

Mr. Leach
 Mrs. Roukema
 Mr. Bachus
 Mr. Castle
 Mr. Royce
 Mr. Barr
 Mrs. Kelly
 Mr. Riley
 Mr. Ose
 Mrs. Biggert
 Mr. Green
 Mr. Ackerman
 Mr. Maloney
 Mr. Sherman

An amendment offered by Reps. Paul, Campbell, McCollum and Jones of North Carolina to sunset the Bretton Woods Act after three years with a report from Treasury on alternatives after two years was defeated by a recorded vote of 22 to 12.

YEAS

Mr. Campbell
Mr. Barr
Dr. Paul
Mr. Ryun of Kansas
Mr. Riley
Mr. Manzullo
Mr. Ryan of Wisconsin
Mr. Sweeney
Mrs. Biggert
Mr. Green
Mr. Toomey
Mr. Goode

NAYS

Mr. Leach
Mrs. Roukema
Mr. Lazio
Mr. Bachus
Mrs. Kelly
Mr. Ose
Mr. Terry
Mr. LaFalce
Mr. Vento
Mr. Frank
Ms. Waters
Mr. Sanders
Mr. Watt
Mr. Maloney
Ms. Hooley
Ms. Carson
Mr. Sherman
Mr. Meeks
Ms. Schakowsky
Mr. Moore
Mrs. Jones
Mr. Capuano

The Committee adopted the substitute amendment as amended and then brought up H.R. 1095, struck everything after the enacting clause, and inserted in lieu thereof the substitute amendment, as amended. The motion passed by voice vote.

The Committee favorably reported H.R. 1095 as amended to the full House by a vote of 23 to 16.

YEAS

Mr. Leach
Mr. Lazio
Mr. Bachus
Mr. Campbell
Mrs. Kelly
Mr. LaFalce
Mr. Vento
Mr. Frank
Ms. Waters
Mr. Sanders
Mr. Gutierrez
Mr. Watt
Mr. Ackerman
Mr. Bentsen
Mr. Maloney
Ms. Hooley
Ms. Carson
Mr. Sherman
Mr. Meeks
Ms. Schakowsky
Mr. Moore
Mrs. Jones
Mr. Capuano

NAYS

Mrs. Roukema
Mr. Royce
Mr. Ney
Mr. Barr
Dr. Paul
Mr. Ryun of Kansas
Mr. Riley
Mr. Manzullo
Mr. Ryan of Wisconsin
Mr. Ose
Mr. Sweeney
Mrs. Biggert
Mr. Terry
Mr. Green
Mr. Toomey
Mr. Goode

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee reports that 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

In compliance with clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, no oversight findings have been submitted to the Committee by the Committee on Government Reform.

CONSTITUTIONAL AUTHORITY

In compliance with clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Constitutional Authority for Congress to enact this legislation is derived from Article I, section 8, clause 1 (relating to the general welfare of the United States); Article I, section 8, clause 3 (relating to Congressional power to regulate commerce); Article 1, section 8, clause 5 (relating to the power "to coin money" and "regulate the value thereof"); 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).

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, please see the attached Congressional Budget Office cost estimate.

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 ACCOUNTABILITY ACT

The reporting requirement under section 102(b)(3) of the Congressional Accountability Act (P.L. 104–1) is inapplicable because this legislation does not relate to terms and conditions of employment or access to public services or accommodations.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE AND UNFUNDED MANDATES ANALYSIS

The cost estimate in compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and Section 402 of the Congressional Budget Act of 1974 has been requested but is not yet available.

SECTION-BY-SECTION ANALYSIS OF THE DEBT RELIEF FOR POVERTY REDUCTION ACT OF 1999

Sec. 1. Short title this section designates the bill as the “Debt Relief for Poverty Reduction Act of 1999”.

Sec. 2. Actions to provide bilateral debt relief and procedures for new loans, credits, and guarantees

Subsection (a) amends the Foreign Assistance Act of 1961 (“the Act”) by adding new sections 901–907.

Sec. 901—Cancellation of Debt. Section 901(a) amends the Act to require the President to cancel, prior to September 30, 2004, all amounts owed to the U.S. or any agency thereof by eligible countries described in section 902 as a result of concessional loans made or credits extended prior to June 20, 1999. This section includes bilateral economic assistance, including loans made under Title I of the PL 480 Food for Peace program. Section 901(b) amends the Act to require the President to cancel, prior to September 30, 2004, all amounts owed to the U.S. or any agency thereof by eligible countries under section 902 as a result of nonconcessional loans, guarantees or insurance, or credits provided prior to June 20, 1999. This section includes housing guarantees and loans made to finance defense sales under the Arms Export Control Act. Sections 901(a) and 901(b) are subject to amounts provided in advance in appropriations acts. Section 901(c) amends the Act by requiring the U.S. to provide immediate relief from debt service payments with respect to amounts owed to the U.S. for which debt cancellation is

to be provided beginning on the date on which the country is determined to be so eligible under sec. 902 so long as the country remains in compliance with the eligibility criteria and maintains the link to poverty reduction described below. None of the provisions of sec. 901 are intended to apply to the U.S. Overseas Private Investment Corporation.

Sec. 902—Eligible Countries. Section 902(a) amends the Act by establishing eligibility criteria for cancellation of debts owed to the United States. First, the President must be satisfied that the country is performing satisfactorily under an economic program. Second, as of December 31, 2000, the country must be eligible to borrow from the International Development Association (the concessional lending facility of the World Bank Group) and must be ineligible to borrow from the International Bank for Reconstruction and Development (the market rate lending facility of the World Bank Group) or is Nigeria. If the country meets the general eligibility criteria established above, it must also meet one of two indebtedness tests. Section 902(a)(3)(A) defines an indebtedness test that would make the original 41 HIPC countries including Bangladesh, Cambodia, Comoros, and Haiti eligible for U.S. debt cancellation. Section 902(a)(3)(B) states the revised debt sustainability targets agreed to by the G-7 at Cologne in June 1999. However, the determination of country eligibility under Section 902(a)(3)(B) is to be made by the President and is not linked to the modified HIPC Initiative. Current estimates are that between 33–37 countries will ultimately qualify for enhanced relief under the Cologne criteria.

Section 902(b) establishes six exceptions to country eligibility: (1) excessive military spending; (2) support for acts of international terrorism; (3) failure to cooperate on international narcotics control matters; (4) gross violations of internationally recognized human rights; (5) support for the practice of slavery or failing to make a concerted effort to eradicate the practice; or (6) if the country is located in Southeast Asia and is failing to fully cooperate with the U.S. on POW/MIA issues.

Section 902(c) establishes an additional requirement to strengthen the linkage between debt relief and poverty reduction. Eligible countries have the choice of either establishing this linkage, through transparent and participatory processes, through one of two mechanisms: a Human Development Fund or Integrated Poverty Reduction Strategy. Section 902(c)(1) elaborates the requirements for Human Development Fund (HDF), the resources of which shall be dedicated reducing poverty and expanding access to the poorest members of society to basic social services, including education, health, clean water, and sanitation. There is no requirement that the country be performing satisfactorily under IMF or World Bank economic and social reform programs. Section 902(c)(2) elaborates the requirements of an integrated strategy for poverty reduction, developed in cooperation with the World Bank and IMF. On the request of the country, the Secretary of the Treasury is required to provide or otherwise arrange for technical assistance to the country to help establish and manage a HDF. Similarly, the Secretary is urged to encourage the international financial institutions to provide funds for the country to hire technical assistance

in the establishment and management of the HDF. Section 902(d) defines the modified HIPC Initiative.

Sec. 903—Priority. This section provides that in carrying out debt relief under the Act, the President should seek to leverage scarce foreign assistance dollars and give priority to those heavily indebted poor countries with demonstrated need and the capacity to use such relief effectively.

Sec. 904—Special Provisions. Section 904(a) provides that a cancellation of debt under section 901 shall not be considered to be assistance for any provision of law that limits assistance to a country, except as the President may determine for reasons of national security. Section 904(b) states that the authority to provide for debt cancellation may be exercised notwithstanding sec. 620(r) of the Act, which provides that no recipient of a loan made under the Act shall be relieved of liability for the repayment of any part of the principal of or interest on such loan. Section 904(c) states that cancellation of debt under section 901 is an additional authority and does not limit the authority to cancel debt under any other provision of law. Section 904(d) states that in exercising the authority under sec. 901, the President shall take into account the country's record on child labor and workers rights. Section 904(e) further states that in exercising his authority under section 901, the President shall take into account the country's record with regard to female genital mutilation.

Sec. 905—Annual Reports to Congress. This provision requires the President to issue a comprehensive public report to the appropriate congressional committees regarding U.S. bilateral debt relief for eligible heavily indebted poor countries. The report shall be completed by not later than December 31 of each year. Appropriate committees are the Banking, Appropriations, and International Relations Committees of the House, and the Banking, Foreign Relations, and Appropriations Committees of the Senate.

Sec. 906—Sense of the Congress. This section states that it is the sense of the Congress that the amounts that would otherwise be provided by the U.S. for development aid or other debt relief should not be reduced on account of any appropriations made pursuant to section 907.

Sec. 907—Authorization of Appropriations. For the cost (as defined in section 502(5) of the Federal Credit Reform Act of 1990) of the cancellation or reduction of any debt under section 901 of this Act, the section authorizes to be appropriated to the President such sums as may be necessary for each of the fiscal years 2000 and 2001.

(b) Annual Report on Paris Club Debt Rescheduling Actions and Cancellations. This provision requires an annual report by the Secretary of the Treasury on Paris Club debt restructuring actions and cancellations shall be prepared no later than Jan. 1, 2000. The report submitted to Congress shall contain (1) a description of debt restructuring actions and cancellations undertaken the U.S. in the Paris Club for the prior fiscal year and (A)(i) describe the amount of debt restructured with respect to each member country; (ii) the new maturity of each such debt restructured; (iii) the new interest rates and other costs of such restructured; (iv) any other terms and conditions of each such debt restructured; and (B) an assessment

of the debt restructuring, including an assessment of the effect of the restructuring on the debt service payments of the debtor country; and (2) a description of all amounts owed to the U.S. Government by foreign countries as a result of loans, guarantees or insurance, or credits extended.

(c) Cancellation of Debt Owed to the Export-Import Bank or the Commodity Credit Corporation.—Subsection (c)(1)(A) states that subject to amounts provided in advance in appropriations Acts, the President shall cancel all amounts owed to the Ex-Im Bank of the U.S. by each country eligible for debt reduction as a result of loans, guarantees, or insurance, provided prior to June 20, 1999. This provision covers the Export-Import Bank and the Commodity Credit Corporation. Subsections (c)(2)–(c)(4) repeat provisions on country eligibility, exceptions, and in the Foreign Assistance Act. Section (c)(5) defines the “modified HIPC Initiative.” Subsections (c)(6)–(c)(8) restate the funding priority, requirement on child labor and workers rights, and female genital mutilation as in sections 903 and 904 amending the Foreign Assistance Act. Subsection (c)(9) states that the authority to reduce debt is an additional authority. Subsection (c)(10) states that for the cost of the reduction of debt, there are authorized to be appropriated to the President such sums as may be necessary for each of the fiscal years 2000 through 2004.

(d) Ensuring Burdensharing by Other Creditor Countries.—This section urges the President to establish efforts, immediately after enactment of this Act, with other countries that are members of the Paris Club and other creditors to accomplish by September 30, 2004 the following: (1) cancellation of all concessional debts owed by eligible countries as of their respective decision points; (2) cancellation of nonconcessional loans, guarantees or insurance owed by eligible countries eligible as of their respective decision points; and (3) the establishment of procedures by the Club to ensure greater transparency in the decisionmaking process, including publication of information for each restructuring action undertaken by the Club as to the amount of sovereign debt restructured, as to whom amounts are owed and by how much each is owed, disaggregated by each country, as to how much each debtor country owes each international financial institution (IFI), as to new maturity or maturities of the restructured debts, as to new interest rate and other costs associated with the restructured debts, and as to any other new terms. Such information shall be contrasted with such amounts and terms in effect before the restructuring and offer an assessment of the effects the restructuring will have on the country’s debt servicing.

(e) Definition of Decision Point.—This provision defines the term “decision point” as it is used in the modified HIPC Initiative.

(f) Sense of Congress.—This provision states the Sense of the Congress that U.S. bilateral assistance to a country that receives cancellation of debt should be in the form of grants only.

Sec. 3. Actions to improve the provision of multilateral debt relief and procedures for new lending

Section 3 adds new sections 1623–1625 to amend title XVI of the International Financial Institutions Act.

Sec. 1623—Improvement of the Heavily Indebted Poor Countries Initiative; Ensuring Equitable Burden Sharing. Section 1623(a) urges the President to commence efforts to accomplish the following modifications in the HIPC Initiative: (1) de-linking debt reduction from IMF programs; (2) promoting poverty alleviation and environmental protection; (3) revising the Cologne eligibility criteria to include Nigeria; (4) requiring as a condition of debt relief an action plan for human development that includes a HDF; (5) requiring as a condition of debt relief a requirement that Southeast Asian countries cooperate with the U.S. on POW/MIA issues; (6) requiring a natural resources development plan, which (A) covers at least a 5-year period for the development of the country's natural resources in a manner that will benefit the people of the country, (B) includes provisions for transparency of government contracts with foreign or multinational corporations, and (c) provides technical assistance from the IFIs to countries in developing such plans and negotiating or renegotiating contract with foreign or multinational corporations for the development of natural resources; (7) provides an amount of debt reduction sufficient to reduce the net present value of country's debt to less than 100% of its annual exports and annual debt service payments not greater than 10% of government revenues; (8) provides greater transparency and participation in HIPC decision making; (9) fosters additional or faster relief for countries with a sustained commitment to poverty reduction and special consideration for a country emerging from civil conflict or that has recently suffered a natural disaster; (10) requires an external assessment of the modified HIPC Initiative, including the reformed ESAF as it relates to that Initiative, by December 31, 2001; and (11) terminating of the HIPC Initiative when all contemplated debt relief is accomplished. In addition, a free-standing provision is added stating that on the request of the country, the World Bank should provide technical assistance to the country regarding the establishment and management of the HDF.

Sec. 1623(b)—Promotion of Equitable Burden Sharing.—This subsection urges the President to commence efforts to ensure that creditors draw upon their own resources to finance debt reduction under the modified HIPC Initiative without diverting funds from other high priority poverty alleviation programs.

Sec. 1623(c)—Contributions to the HIPC Trust Fund.—This subsection authorizes such sums as may be necessary for the World Bank's HIPC Trust Fund, but only for the purposes of debt relief, for FY 2000–2004, except that no sums are authorized for such purpose for the fiscal year unless the President determines that, during the preceding fiscal year (1) satisfactory progress was made in accomplishing improvements in the HIPC Initiative and (2) the United States' contributions to multilateral debt relief under the Initiative were matched, by a ratio of at least two to one by resources provided in the aggregate by all other donors.

Sec. 1623(e)—Report to Congress.—This subsection requires that not later than December 31 of each year, the President shall submit to the appropriate congressional committees a public report on the progress made in reforming the HIPC Initiative and achieving multilateral debt relief.

Sec. 1623(f)—Definitions.—This subsection repeats the definition of “modified HIPC Initiative” and “decision point.”

Sec. 1624—Reform of the Enhanced Structural Adjustment Facility. This section requires the Secretary of the Treasury to instruct the U.S. Executive Directors at the World Bank and IMF to use their voice and vote to promote the establishment of poverty reduction strategy policies and procedures at those institutions which have the following components: (1) the development of country-specific poverty reduction strategies, that (A) will be set out in poverty reduction strategy papers (PRSPs); (B) will reflect the relevant expertise of the World Bank and IMF; (C) will make Fund and Bank advice and operations fully consistent with the objectives of poverty reduction and broad-based growth; (D) should include a participatory poverty assessment, social impact assessments, a balance between poverty reduction and macroeconomic objectives, and transparent budget procedures; (2) the adoption of periodic comprehensive reviews of ESAF and IDA programs; (3) the publication of PRSPs; (4) the establishment of a standing evaluation unit at the IMF, similar to the Operations Evaluation Department at the World Bank, that would report directly to the Executive Board of the Fund and that would undertake periodic reviews of IMF operations, including ESAF, with all such reports released promptly to the public; (5) the promotion of simpler and clearer conditionality in IDA and ESAF programs; (6) the reform of ESAF programs that are consistent with the Poverty Reduction Strategies; (7) policies that ensure that IDA lending operations in HIPC countries are consistent with the Poverty Reduction Strategies; (8) strengthening the linkage between borrower country performance and lending operations by IDA and ESAF; (9) the full public disclosure of the proposed objectives, financial organization and operations of the successor to ESAF at least 90 days before any decision by the Executive Board to consider its adoption; and (10) the abolishment of ESAF, and its replacement with a Poverty Reduction and Growth Facility, which will be a subordinate part of a new approach to defining the economic framework for low-income countries.

Sec. 1625—Transparency and Participation of Civil Society in new IFI Lending. This section requires the Secretary of the Treasury to instruct the U.S. Executive Directors at the international financial institutions to use their voice and votes to vigorously encourage their respective institutions to adopt transparency and other measures to facilitate participation of civil society in developing countries in the design of poverty reduction strategies and in decisions to borrow from such institutions in support of such strategies, including: (1) the disclosure of Policy Framework Papers, Public Expenditure Reviews, Country Assistance Strategies, IMF Letters of Intent, appraisal documents and other similar reports; and (2) the provision of detailed information to the Board of Directors of such an institution and to the public, prior to the approval of a lending operation for a developing country, as to the nature and extent of civil society participation in the design of, and approval process for, such operation.

Sec. 4. Enhanced Structural Adjustment Facility/HIPC Trust Fund

Section 4 amends the Bretton Woods Agreements by adding at the end the following new Section 62.

Sec. 62—Approval of Contributions to the ESAF/HIPC Trust Fund. Subsection (a)(1) authorizes the Secretary of the Treasury to instruct the U.S. Executive Director of the IMF to vote to approve the sale of up to 14 million ounces at a market-related price to a member of members that have large repayment obligations to the IMF. Simultaneously, the IMF agrees to accept the same amount of gold, valued at the same market-related price, in settlement of some or all of the member's repayment obligations. It is the Committee's understanding that under the mechanics of the contemplated transaction, the IMF's gold would be available to the member only to settle its obligations and thus would effectively remain in the IMF's possession. This provision further requires that the earnings on the invested profits of such sales be placed within a separate subaccount within the ESAF/HIPC Trust, and used only for providing debt relief from the Fund under the modified HIPC Initiative. Subsection (a)(2) authorizes the U.S. to support the transfer of resources from the SCA-2 to the ESAF/HIPC Trust, including some \$330 million attributable to the United States, which funds shall be used only for debt relief. Section 62(b) adds a requirement that within 15 days after the U.S. Executive Director consents to mobilizing IMF gold holds and the SCA-2 transfer, the Secretary of the Treasury shall certify to the appropriate congressional committees that: (1) the IMF's estimate of the net present value of the interest earnings on the total amount of gold sold shall not be greater than the net present value of the costs of the Fund's participation in the modified HIPC Initiative; (2) the interest earnings on the invested profits shall be deposited in a separate subaccount and used only for debt relief from the Fund under the Initiatives; and (3) any funds attributable to the U.S. participation in the transfer of resources from SCA-2 shall be used only for debt relief from the Fund under the Initiative.

Sec. 5. U.S. international financial agreements; transmission to Congress

Section 5 amends Sec. 112b of Title 1, U.S.C., the so-called "Case Act," to require the Treasury Department to transmit to the House and Senate Banking Committees a copy of any international financial agreements entered into by the government of the United States. The Committee is seriously disturbed that the Department of the Treasury has failed to notify it of international financial agreements, most recently the renewal of the North American Framework Agreement. This provision is intended to remedy that egregious lack of consultation and notice with this Committee and, more generally, the Congress as a coequal branch of government on fundamental issues of U.S. international economic and financial policy.

Sec. 6. Corruption in foreign governments

Subsection (a) states the Sense of the Congress with respect to U.S. government policies to prevent money laundering and systemic corruption in other countries, and (b) amends Title XV of the

International Financial Institutions Act to add a new section 1504. Section 1504 requires the Secretary of the Treasury to instruct the U.S. Executive Directors of the multilateral development banks to use aggressively their voice and vote to promote policies that would make their institutions more effective mechanisms for promoting good governance and anti-corruption principles within recipient countries. An identical statutory provision already applies to the IMF. Subsection (c) adds an annual reporting requirement on U.S. efforts consistent with the above objectives.

Sec. 7. Safeguards on the use of IMF resources

The Bretton Woods Agreements Act, (22 U.S.C. 286–286mm) is amended by adding a new Section 63.

Section 63 requires the Secretary of the Treasury to instruct the U.S. Executive Director at the IMF to use their voice and vote to: (1) require independent audits of central banks on a more systematic basis; (2) ensure such audits occur before IMF financing is disbursed; (3) develop a systematic approach to reducing inappropriate uses of foreign exchange reserves; and (4) strongly encourage countries receiving exceptional levels of financial support to adopt and comply with Fund standards on foreign reserve management. In the wake of the FIMACO scandal involving efforts by the Central Bank of Russia to mislead the IMF, these provisions reflect the Committee's deep concern that safeguards should be significantly strengthened on the use of IMF resources by borrowing countries.

Sec. 8. U.S. lending policies toward countries receiving debt relief

This section of the bill requires the GAO to prepare a report on efforts to ensure that the lending policies of the U.S. and the IFIs toward countries eligible for debt relief avoid moral hazard and promote economic growth and poverty reduction. The report shall be submitted to the appropriate congressional committees not later than September 30, 2000.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) 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 (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

PART VI OF THE FOREIGN ASSISTANCE ACT OF 1961

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

SEC. 901. CANCELLATION OF DEBT.

(a) CANCELLATION OF CONCESSIONAL DEBT.—

(1) IN GENERAL.—Subject to amounts provided in advance in appropriations Acts, the President shall, prior to September 30, 2004, cancel all amounts owed to the United States (or any agency of the United States) by countries eligible under section 902 as a result of concessional loans made or credits extended

prior to June 20, 1999, under any of the provisions of law described in paragraph (2).

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

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

(B) Title I of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701 et seq.).

(b) *CANCELLATION OF NONCONCESSIONAL DEBT.*—

(1) *IN GENERAL.*—Subject to amounts provided in advance in appropriations Acts, the President shall, prior to September 30, 2004, cancel all amounts owed to the United States (or any agency of the United States) by countries eligible under section 902 as a result of nonconcessional loans made, guarantees or insurance issued, or credits extended prior to June 20, 1999, under any of the provisions of law described in paragraph (2).

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

(A) Sections 221 and 222 of this Act.

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

(c) *IMMEDIATE RELIEF FROM DEBT SERVICE PAYMENTS.*—A country eligible under section 902 for debt cancellation under this section shall not be obligated to make debt service payments with respect to amounts owed to the United States for which debt cancellation is to be provided beginning on the date on which the country is determined to be so eligible under section 902 so long as the country remains in compliance with the other provisions of this part.

SEC. 902. ELIGIBLE COUNTRIES.

(a) *IN GENERAL.*—Except as provided in subsection (b) and subject to the fulfillment of the additional requirement in subsection (c), a country that is performing satisfactorily under an economic reform program shall be eligible for cancellation of debt under section 901 if the country—

(1) as of December 31, 2000, is eligible to borrow from the International Development Association;

(2) as of December 31, 2000, is not eligible to borrow from the International Bank for Reconstruction and Development, or is Nigeria; and

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

(B) has outstanding public and publicly guaranteed debt, the net present value of which, as of the date the President determines that the country is eligible for debt relief under all the criteria set forth in this section, is—

(i) at least 150 percent of the annual value of the exports of the country, for the most recent year for which such information is available; or

(ii) at least 250 percent of the annual fiscal revenues of the country, and the country has a minimum ratio of exports to gross domestic product of 30 percent and a minimum ratio of fiscal revenues of the country to gross domes-

tic product of 15 percent, for the most recent year for which such information is available.

(b) EXCEPTIONS.—A country shall not be eligible for cancellation of debt under section 901 if—

(1) the government of the country has an excessive level of military expenditures;

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

(3) the government of the country is failing to cooperate on international narcotics control matters;

(4) the government of the country (including its military or other security forces) engages in a consistent pattern of gross violations of internationally recognized human rights;

(5) the government of the country supports or condones the practice of slavery or there is documented evidence of the existence of slavery in the country and the government is not making a concerted effort to eradicate the practice; or

(6) the country is located in Southeast Asia, and the government of the country is failing to fully cooperate with the United States on all issues involving United States prisoners of war/missing in action (POW/MIA), as determined by the Secretary of State.

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

(1) the government of the country has established, through transparent and participatory processes, including participation of civil society—

(A) a human development fund (hereinafter referred to as the “Human Development Fund”)—

(i) the resources of which shall be dedicated to reducing the number of persons living in poverty, expanding access of the poorest members of society to basic social services, including education, health, clean water and sanitation, and preventing the degradation of the environment; and

(ii) into which shall be deposited all savings generated by debt reduction pursuant to section 901 and section 2(c) of the Debt Relief for Poverty Reduction Act of 1999;

(B) arrangements to ensure that all expenditures from the Human Development Fund during a year will be used to the extent possible to increase annual expenditures for human development by the government above the greater of—

(i) the total amount of annual expenditures for human development by the government for the preceding year; or

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

(C) arrangements for monitoring the operations and financial transactions and accounts of the Human Development Fund by an oversight body which includes representatives of civil society; or

(2) the country has developed and committed to an integrated strategy, of the type described in section 1624(a)(1) of the International Financial Institutions Act, for poverty reduction developed in cooperation with the International Bank for Reconstruction and Development and the International Monetary Fund, and in consultation with civil society, which—

(A) uses economic reform and technical assistance programs developed and jointly administered by the International Bank for Reconstruction and Development and the International Monetary Fund;

(B) includes monitorable poverty reduction goals (such as increasing literacy, reducing infant and child mortality, lowering the incidence of AIDS, and improving environmental conditions) developed in cooperation with the International Bank for Reconstruction and Development, relevant agencies of the United Nations, civil society groups, and other appropriate organizations;

(C) takes steps so that the financial benefits from debt relief pursuant to the modified Heavily Indebted Poor Countries (HIPC) Initiative, including savings realized as a result of debt relief pursuant to section 901 and section 2(c) of the Debt Relief for Poverty Reduction Act of 1999, are applied to poverty reduction programs dedicated to achieving the goals described in subparagraph (B);

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

(E) broadens public participation and popular understanding of the principles and goals of poverty reduction, sustainable development, and good governance.

On request of the country, the Secretary of the Treasury shall provide or otherwise arrange for technical assistance to the country regarding the establishment and management of the Human Development Fund in accordance with paragraph (1) of this subsection. The Secretary of the Treasury should also encourage international financial institutions to provide funds for the country to hire technical assistance consultants regarding the establishment and management of the Human Development Fund in accordance with paragraph (1) of this subsection.

(d) **DEFINITION.**—In this section, the term “modified Heavily Indebted Poor Countries Initiative” means the multilateral debt initiative presented in the Report of G-7 Finance Ministers on the Koln Debt Initiative to the Koln Economic Summit, Cologne, Germany, held from June 18–20, 1999.

SEC. 903. PRIORITY.

In carrying out section 901, the President should seek to leverage scarce foreign assistance dollars and give priority to those heavily

indebted poor countries with demonstrated need and the capacity to use such relief effectively.

SEC. 904. SPECIAL PROVISIONS.

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

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

(c) **OTHER DEBT CANCELLATION AUTHORITIES.**—*The authority to cancel debt under section 901 is in addition to the authority to cancel debt under any other provision of law and does not in any way limit or otherwise affect such other authority.*

(d) **CHILD LABOR AND WORKERS RIGHTS.**—*In exercising the authority under section 901, the President shall take into account the country's record on international child labor and international workers rights.*

(e) **FEMALE GENITAL MUTILATION.**—*In exercising the authority under section 901, the President shall take into account the country's record with regard to female genital mutilation.*

SEC. 905. ANNUAL REPORTS TO THE CONGRESS.

(a) **IN GENERAL.**—*Not later than December 31 of each year, the President shall prepare and transmit to the appropriate congressional committees a report, which shall be made available to the public, concerning the cancellation of debt under section 901 and section 2(c) of the Debt Relief for Poverty Reduction Act of 1999, determinations made under section 904(a), activities undertaken under section 2(d) of the Debt Relief for Poverty Reduction Act of 1999, the progress made in accomplishing the purposes of such section 2(d), and other debt restructuring activities for the prior fiscal year. The report shall also include a list of the countries that have received debt cancellation under section 901 and a list of the countries that, although eligible under section 902(a)(3)(A), have been denied debt cancellation under section 902 and the reasons therefor. The report shall also include a description of the extent to which countries that receive debt cancellation under section 901 or under section 2(c)(1) of the Debt Relief for Poverty Reduction Act of 1999 have complied with the requirements described in section 902(c) or section 2(c)(4) of such Act, respectively.*

(b) **DEFINITION.**—*In this section, the term "appropriate congressional committees" means—*

(1) *the Committee on Banking and Financial Services, the Committee on Appropriations, and the Committee on International Relations of the House of Representatives; and*

(2) *the Committee on Banking, Housing, and Urban Affairs, the Committee on Foreign Relations, and the Committee on Appropriations of the Senate.*

SEC. 906. SENSE OF THE CONGRESS.

It is the sense of the Congress that the amounts that would otherwise be provided by the United States for development aid or other

debt relief should not be reduced on account of any appropriations made pursuant to section 907.

SEC. 907. AUTHORIZATION OF APPROPRIATIONS.

For the cost (as defined in section 502(5) of the Federal Credit Reform Act of 1990) of the cancellation of any debt under section 901 of this Act, there are authorized to be appropriated to the President such sums as may be necessary for each of the fiscal years 2000 through 2004.

INTERNATIONAL FINANCIAL INSTITUTIONS ACT

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TITLE XV—OTHER POLICIES

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SEC. 1504. UNITED STATES VOTES IN INTERNATIONAL FINANCIAL INSTITUTIONS.

The Secretary of the Treasury shall instruct the United States Executive Director at each multilateral development bank (as defined in section 1701(c)(4)) to use aggressively the voice and vote of the United States to promote vigorously policies that would make the institution more effective mechanisms, in concert with appropriate international authorities and other international financial institutions (as defined in section 1701(c)(2)), for promoting good governance principles within recipient countries by fostering structural reforms, including procurement reform, that reduce opportunities for corruption and bribery, and drug-related money laundering. In addition, the Secretary of the Treasury shall instruct the United States Executive Director at each multilateral development bank (as defined in section 1701(c)(4)) to use aggressively the voice and vote of the United States to oppose loans or other assistance by such bank to a country located in Southeast Asia if the government of such country is failing to fully cooperate with the United States on all issues involving United States prisoners of war/missing in action (POW/MIA), as determined by the Secretary of State.

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TITLE XVI—HUMAN WELFARE

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SEC. 1623. IMPROVEMENT OF THE HEAVILY INDEBTED POOR COUNTRIES INITIATIVE; ENSURING EQUITABLE BURDEN SHARING.

(a) IMPROVEMENT OF THE HIPC INITIATIVE.—In order to accelerate multilateral debt relief and promote human and economic development and poverty alleviation in heavily indebted poor countries the Congress urges the President to commence immediately efforts, within the Paris Club of Official Creditors, as well as the International Bank for Reconstruction and Development (World Bank), the International Monetary Fund (IMF), and other appropriate mul-

tilateral development institutions to accomplish the following modifications in the Heavily Indebted Poor Countries (HIPC) Initiative:

(1) *PROHIBITION ON STRUCTURAL ADJUSTMENT PROGRAMS.*—The provision of debt reduction under the modified HIPC Initiative shall not be conditioned on any country adopting or implementing any structural adjustment or stabilization program of the Enhanced Structural Adjustment Facility of the IMF or any other structural adjustment or stabilization program operated solely or jointly by the IMF, or any other program of the IMF.

(2) *PROMOTION OF POVERTY ALLEVIATION AND ENVIRONMENTAL PROTECTION.*—The social and economic reforms on which debt reduction under the modified HIPC Initiative is conditioned shall incorporate effective measures for poverty reduction and environmental protection.

(3) *REVISION OF COUNTRY ELIGIBILITY REQUIREMENT.*—A country shall be regarded as having an unsustainable debt burden for purposes of qualifying for debt reduction (or for further debt reduction) under the modified HIPC Initiative if the country is Nigeria or has outstanding public and publicly guaranteed debt, the net present value of which at the decision point, is—

(A) at least 150 percent of the annual value of the exports of the country for the most recent year for which such information is available; or

(B) at least 250 percent of the annual fiscal revenues of the country, and the country has a minimum ratio of exports to gross domestic product of 30 percent, and a minimum ratio of fiscal revenues to gross domestic product of 15 percent, for the most recent year for which such information is available.

(4) *REQUIREMENT FOR AN ACTION PLAN FOR HUMAN DEVELOPMENT.*—Debt reduction under the modified HIPC Initiative shall not be provided for the benefit of a country unless the government of the country has established, through transparent and participatory processes, including the participation of civil society—

(A) a plan of action for human development (in this section referred to as the “Action Plan”) which includes policies, programs, and projects designed to reduce the number of persons living in poverty, expand access of the poorest members of society to basic social services, including health, education, clean water, and sanitation, and prevent the degradation of the environment;

(B) a human development fund (in this section referred to as the “Human Development Fund”)—

(i) the resources of which are dedicated to achieving the purposes of the Action Plan; and

(ii) into which are required to be deposited all savings generated by debt reduction provided for the benefit of the country under the modified HIPC Initiative and under other debt reduction programs;

(C) arrangements to ensure that all expenditures from the Human Development Fund during a year will be used, to

the extent possible, to increase annual expenditures for human development by the government above the greater of—

(i) the total amount of annual expenditures for human development by the government for the preceding year; or

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

(D) arrangements for monitoring the operations, financial transactions, and accounts of the Human Development Fund by an oversight body which includes representatives of civil society, and a majority of the members of which are citizens of the country.

On request of the country, the World Bank should provide technical assistance to the country regarding the establishment and management of the Human Development Fund in accordance with the preceding sentence.

(5) REQUIREMENT OF SOUTHEAST ASIAN COUNTRIES TO CO-OPERATE WITH UNITED STATES ON POW/MIA ISSUES.—Debt reduction under the modified HIPC Initiative shall not be provided for the benefit of a country located in Southeast Asia if the government of the country is failing to fully cooperate with the United States on all issues involving United States prisoners of war/missing in action (POW/MIA), as determined by the Secretary of State.

(6) REQUIREMENT FOR A NATURAL RESOURCES DEVELOPMENT PLAN.—

(A) IN GENERAL.—Debt reduction under the modified HIPC Initiative shall not be provided for the benefit of a country unless the government of the country has established through transparent and participatory processes (including the participation of civil society) a plan (in this section referred to as the “Natural Resources Development Plan”), covering at least a 5-year period, for the development of the country’s natural resources in a manner that will benefit the population of the country. The plan shall specify at least the following:

(i) The natural resources that are being developed or will be developed in the country.

(ii) The profits and other benefits that the government estimates will accrue to the companies involved in the development of such natural resources.

(iii) The corporate tax revenues, land use fees, resource extraction fees, export tariffs, and other revenues that the government estimates will be raised as a result of the development and extraction of such natural resources.

(iv) The plans of the government for the use of the revenues so raised.

(v) The plans of the government to conserve such natural resources and protect the environment of the country.

(vi) *The plans of the government to protect public health and safety and the rights of workers.*

(vii) *The plans of the government to provide for the training and education of the local population and to ensure that the companies involved in the development of such natural resources provide members of the local population opportunities for employment and advancement.*

(viii) *Any other plans of the government to ensure a fair return to the country and its people for the development of such natural resources.*

(B) *TRANSPARENCY.—All contracts between the government (including any enterprise owned or controlled by the government) and a foreign or multinational corporation for the development of natural resources of the country shall be made available to the public.*

(C) *ASSISTANCE.—The World Bank, the African Development Bank, the IMF, or other appropriate multilateral development institutions shall, under the modified HIPC Initiative, provide assistance to countries in developing their Natural Resources Development Plans and in negotiating or renegotiating equitable contracts with foreign or multinational corporations for the development of natural resources.*

(7) *AMOUNT OF DEBT REDUCTION.—The amount of debt reduction provided under the modified HIPC Initiative for the benefit of a country with an unsustainable debt burden shall be sufficient to help catalyze sustainable growth and poverty reduction, by reducing—*

(A) *the net present value of the outstanding public and publicly guaranteed debt of the country to less than 100 percent of the value of the annual exports of the country; and*

(B) *the amount of annual payments due on such public and publicly guaranteed debt to a percentage of government revenues, not greater than 10 percent, that will facilitate higher levels of expenditure in areas that have been identified as key to accelerated poverty reduction as well as ensure that the country is able to meet its current and future external debt-service obligations in full, without recourse to debt relief, rescheduling, or the accumulation of arrears.*

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

(A) *are transparent, including publication of the content of the decisions and of all relevant analytical, legal, and policy documents, including Debt Sustainability Analyses, Policy Framework Papers, debt relief agreements, and national development programs and budgets;*

(B) *are participatory, including the participation of civil society and organizations with social sector expertise, including United Nations agencies; and*

(C) require that the published content of the decisions and documents described in subparagraph (A) of this paragraph that affect or pertain to debt relief for the country to be provided to the relevant oversight body referred to in paragraph (4), and require that such oversight body be consulted in the making of key decisions regarding such debt relief.

(9) SPECIAL PROVISIONS.—

(A) Debt reduction under the modified HIPC Initiative for the benefit of a country that has demonstrated a sustained commitment to poverty alleviation shall be provided in a greater amount or more quickly than would otherwise be the case under that Initiative.

(B) A country that is emerging from civil conflict or that has recently suffered a major natural disaster should receive special consideration for debt relief under the modified HIPC Initiative, notwithstanding the country's record of performance under the country's program of social and economic reform.

(10) HIPC REVIEW.—The Secretary of the Treasury, after consulting with the Committees on Banking and Financial Services and on International Relations of the House of Representatives and the Committees on Foreign Relations and on Banking, Housing, and Urban Affairs of the Senate, shall make every effort (including instructing the United States Executive Directors at the IMF and the World Bank) to ensure that an external assessment of the modified HIPC Initiative, including the reformed ESAF program as it relates to that Initiative, take place by December 31, 2001, incorporating the views of debtor governments and civil society, and that such assessment be made public and include—

(A) an analysis of the contribution of the modified HIPC Initiative to the poverty reduction and social development goals for the 21st century established by the Development Assistance Committee of the Organization for Economic Cooperation and Development; and

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

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

(b) PROMOTION OF EQUITABLE BURDEN SHARING.—In order to promote equitable burden-sharing by bilateral, multilateral, and private creditors under the modified HIPC Initiative, the Congress urges the President to commence immediately efforts to ensure that such creditors draw upon their own resources to finance debt reduction under the modified HIPC Initiative to the extent possible without diverting funds from other high priority poverty alleviation programs.

(c) CONTRIBUTIONS TO THE HIPC TRUST FUND.—For payment to the Heavily Indebted Poor Countries Trust Fund of the Inter-

national Bank for Reconstruction and Development, but only for purposes of debt relief, there are authorized to be appropriated to the President such sums as may be necessary for fiscal years 2000 through 2004, except that if, with respect to fiscal year 2001, 2002, 2003, or 2004, the President has not determined that, during the then preceding fiscal year—

(1) satisfactory progress was made in accomplishing the improvements in the HIPC initiative described in subsections (a) and (b); and

(2) the United States' contributions to the reduction of multilateral debt pursuant to the modified HIPC Initiative were matched, by a ratio of at least two to one, by resources provided in the aggregate by all other donors,

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

(d) SENSE OF CONGRESS.—It is the sense of Congress that the amounts that would otherwise be provided by the United States for development aid or other debt relief should not be reduced on account of any appropriations pursuant to subsection (c).

(e) REPORT TO THE CONGRESS.—Not later than December 31 of each year, the President shall submit to the Committees on Banking and Financial Services, on Appropriations, and on International Relations of the House of Representatives and the Committees on Foreign Relations, on Banking, Housing, and Urban Affairs, and on Appropriations of the Senate a report, which shall be made available to the public, on the activities undertaken under this section, and on the progress made in accomplishing the purposes of this section, for the prior fiscal year. The report shall include a list of the countries that have received debt relief under the original or modified HIPC Initiative, a list of the countries whose request for such debt relief has been denied and the reasons therefor, and a list of the countries whose requests for such debt relief are under consideration. The report shall also include a description of the extent to which countries that receive debt relief under the modified HIPC Initiative have complied with the requirements described in subsection (a)(4).

(f) DEFINITIONS.—In this section:

(1) MODIFIED HIPC INITIATIVE.—The term “modified HIPC Initiative” means the multilateral debt initiative presented in the Report of the G-7 Finance Ministers on the Koln Debt Initiative to the Koln Economic Summit, Cologne, 18-20 June, 1999.

(2) DECISION POINT.—The term “decision point” means the point in time at which the Executive Boards of the International Bank for Reconstruction and Development and the International Monetary Fund review the debt sustainability analysis for a country and decide that the country is eligible for debt relief under the modified Heavily Indebted Poor Countries Initiative.

SEC. 1624. REFORM OF THE ENHANCED STRUCTURAL ADJUSTMENT FACILITY.

The Secretary of the Treasury shall instruct the United States Executive Directors at the International Bank for Reconstruction and Development and the International Monetary Fund to use the voice

and vote of the United States to promote the establishment of poverty reduction strategy policies and procedures at the International Bank for Reconstruction and Development and the International Monetary Fund which support countries' efforts to honor the commitments as set forth in lending operations under programs developed and jointly administered by the International Bank for Reconstruction and Development and the International Monetary Fund that have the following components:

(1) The development of country-specific poverty reduction strategies (Poverty Reduction Strategies) under the leadership of such countries, that—

(A) will be set out in poverty reduction strategy papers (PRSPs) to provide the basis for the lending operations of the International Development Association (IDA) and the Enhanced Structural Adjustment Facility and its successors (ESAF);

(B) will reflect the role of the International Bank for Reconstruction and Development in social sector development, structural policies, and poverty reduction, and the role of the International Monetary Fund in macroeconomic issues; and

(C) will make the advice and operations of the International Monetary Fund and the International Bank for Reconstruction and Development fully consistent with the objectives of poverty reduction and broad-based growth; and

(D) should include—

(i) a participatory poverty assessment, undertaken as a systematic part of the design of the Poverty Reduction Strategy, involving collaboration between the government, civil society, the International Bank for Reconstruction and Development, organizations with expertise in the social sector, including United Nations agencies, and donors, which analyzes, among other things, the economic and social needs of the poor and the policy reforms and public investments that will best address these needs;

(ii) social impact assessments, undertaken as a systematic part of the design of the Poverty Reduction Strategy, involving collaboration between the government, civil society, the International Bank for Reconstruction and Development, and organizations with expertise in the social sector, including United Nations agencies, and donors, which analyze the impact of policies implemented under the Poverty Reduction Strategy and related lending operations and which are completed before International Bank for Reconstruction and Development and International Monetary Fund Executive Board consideration of such operations;

(iii) explicit consideration of the short- and long-term tradeoffs between alternative policy decisions, such as the distributional, equity, and poverty reduction implications of monetary and fiscal policies or the pace and sequencing of structural reforms;

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

(v) monitorable indicators of progress in poverty reduction;

(2) the adoption of procedures for periodic comprehensive reviews of ESAF and IDA programs to help ensure progress toward poverty goals outlined in the Poverty Reduction Strategies and to allow adjustments in such programs;

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

(4) the establishment of a standing evaluation unit at the International Monetary Fund, similar to the Operations Evaluation Department of the International Bank for Reconstruction and Development, that would report directly to the Executive Board of the International Monetary Fund and that would undertake periodic reviews of International Monetary Fund operations, including the operations of the ESAF, including—

(A) assessments of experience under the ESAF programs in the areas of poverty reduction, rapid growth, and access to basic social services;

(B) assessments of the extent and quality of participation in program design by civil society; and

(C) verifications that ESAF programs are designed in a manner consistent with the Poverty Reduction Strategies; and

(D) prompt release to the public of all reviews by the standing evaluation unit;

(5) the promotion of simpler and clearer conditionality in IDA and ESAF programs that focuses on reforms most likely to support poverty reduction and broad-based growth;

(6) the adoption by the International Monetary Fund of policies aimed at reforming the Enhanced Structural Adjustment Facility so that ESAF programs are consistent with the Poverty Reduction Strategies;

(7) the adoption by the International Bank for Reconstruction and Development of policies to ensure that International Bank for Reconstruction and Development lending operations in HIPC countries are consistent with the Poverty Reduction Strategies;

(8) strengthening the linkage between borrower country performance and lending operations by IDA and the ESAF on the basis of clear and monitorable indicators;

(9) full public disclosure of the proposed objectives, financial organization and operations of the successor to the Enhanced Structural Adjustment Facility of the International Monetary Fund at least 90 days before any decision by the Executive Board of the International Monetary Fund to consider its adoption; and

(10) the abolishment of ESAF, and its replacement with a Poverty Reduction and Growth Facility (PRGF), which will be

a subordinate part of a new approach to defining the economic framework for low-income countries, in that the new approach will give to the government of a borrowing country the ability to construct its own comprehensive development strategy, and will allow the borrowing country government, at its sole discretion, to request technical assistance, in creating the comprehensive development strategy, from international institutions, such as the World Health Organization, the Food and Agricultural Organization, the International Bank for Reconstruction and Development, and the International Monetary Fund, and from private organizations, businesses, or civil society organizations.

SEC. 1625. TRANSPARENCY AND PARTICIPATION OF CIVIL SOCIETY IN NEW INTERNATIONAL FINANCIAL INSTITUTION LENDING.

The Secretary of the Treasury shall instruct the United States Executive Directors at the international financial institutions (as defined in section 1701(c)(2)) to use the voice and votes of the Executive Directors to encourage vigorously that their respective institutions adopt transparency and other measures that will facilitate participation of civil society in developing countries in the design of poverty reduction strategies and in decisions to borrow from such institutions in support of such strategies, including—

(1) disclosure of Policy Framework Papers, Public Expenditure Reviews, Country Assistance Strategies, International Monetary Fund Letters of Intent, appraisal documents, and other reports relevant to proposed lending operations; and

(2) provision of detailed information to the Board of Directors of such an institution and to the public, prior to the approval of a lending operation for a developing country, as to the nature and extent of civil society participation in the design of, and approval process for, such operation.

BRETTON WOODS AGREEMENTS ACT

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SECTION 1. This Act may be cited as the “Bretton Woods Agreements Act”.

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SEC. 62. APPROVAL OF CONTRIBUTIONS TO THE ENHANCED STRUCTURAL ADJUSTMENT FACILITY/HEAVILY INDEBTED POOR COUNTRIES TRUST FUND.

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

(1) to approve an arrangement whereby the Fund—

(A) sells not more than a total of 14,000,000 ounces of its gold at prevailing market prices to a member or members in non-public transactions;

(B) immediately after, and in conjunction with, each such sale, accepts payment by such member or members of such gold to satisfy existing repurchase obligations of such member or members so that the Fund retains ownership of the gold at the conclusion of such payment; and

(C) transfers the earnings on the investment of the profits of such sales to the Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations (ESAF/HIPC Trust Fund), provided that such earnings shall be used, through a separate sub-account, only for the purpose of providing debt relief from the Fund under the modified HIPC Initiative; and

(2) to support a decision that would make available to the ESAF/HIPC Trust Fund resources in Special Contingency Account 2 (SCA-2) of the Fund derived from the extended burdensharing arrangements adopted pursuant to IMF Decision No. 9471-(90/98), as amended, including any funds attributable to the United States participation in such arrangements, which funds shall be used only for debt relief under the original or modified HIPC Initiative (within the meaning of section 1623 of the International Financial Institutions Act).

(b) CERTIFICATION.—Within 15 days after the United States Executive Director casts the votes necessary to carry out with the instruction provided pursuant to subsection (a), the Secretary of the Treasury shall certify to the Committee on Banking and Financial Services of the House of Representatives and the Committee on Foreign Relations of the Senate that the Fund has stated that—

(1) when gold is sold pursuant to the authorization provided under subsection (a), the estimated net present value (as determined by the Fund) of the earnings on the investment of profits from the total amount of gold that has been sold shall not be greater than the estimated net present value (as determined by the Fund) of the cost of the modified HIPC Initiative (within the meaning of section 1623 of the International Financial Institutions Act);

(2) the earnings on the invested profits of such gold sales shall be deposited in a separate sub-account and used only for the purpose of providing debt relief from the Fund under the original or modified HIPC Initiative; and

(3) any funds attributable to United States participation in the arrangements referred to in subsection (a)(2) shall be used only for debt relief from the Fund under the original or modified HIPC Initiative.

SEC. 63. SAFEGUARDS ON USE OF INTERNATIONAL MONETARY FUND RESOURCES.

The Secretary of the Treasury shall instruct the United States Executive Director at the Fund to use the voice and vote of the Executive Director to vigorously encourage the Fund to—

(1) require independent audits of central bank and other relevant entities on a more systematic basis by developing objective criteria to assist in determining when audits are warranted;

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

(3) *develop a systematic approach to reducing inappropriate uses of foreign exchange reserves through laws, regulations, and procedures, by means including the requirement of arms length transactions and the prohibition of preferential access to foreign exchange on a nontransparent basis; and*

(4) *strongly encourage all countries receiving exceptional levels of financial support to adopt and comply with Fund standards applicable to management of foreign exchange reserves, particularly with respect to the nature and location of the institutions where such reserves are placed.*

SECTION 112b OF TITLE 1, UNITED STATES CODE

§112b. United States international agreements; transmission to Congress

(a) * * *

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(f) *The Secretary of the Treasury shall transmit to the Committee on Banking and Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate a copy of any international financial agreement to which this section applies. Any such agreement the immediate public disclosure of which would, in the opinion of the President, be prejudicial to the national security of the United States, shall be so transmitted under an injunction of secrecy to be removed only upon due notice by the President.*

ADDITIONAL VIEWS

Debt relief for heavily indebted poor countries is one of the most important matters before Congress this year. The governments of these countries have been forced to make drastic cuts in essential social services such as health and education in order to make payments on their debts. In Mozambique, debt service payments in 1997 absorbed about half of all government revenue or \$7 per person, while only \$3 per person was spent on health services. In Tanzania, 1997 debt service payments equaled nine times the spending on basic health services and four times the spending on basic education. In Nicaragua, over half of the government's revenue was allocated to debt service payments in 1997. This was equivalent to two and a half times the spending on health and education combined.

H.R. 1095, the Debt Relief for Poverty Reduction Act of 1999, as passed by the Committee on Banking and Financial Services of the House of Representatives, requires the complete cancellation of debts owed by heavily indebted poor countries to the United States and makes substantial improvements in the Heavily Indebted Poor Countries (HIPC) Initiative of the International Monetary Fund (IMF). The bill requires that poor countries establish Human Development Funds or develop Integrated Poverty Reduction Strategies to target the savings from debt relief to HIV/AIDS treatment and prevention, health care, education and poverty reduction programs. The bill also includes several amendments that were offered during committee consideration to expand and improve bilateral and multilateral debt relief programs.

THE INCLUSION OF NIGERIA

H.R. 1095 includes an important amendment that I offered to include Nigeria in bilateral and multilateral debt relief programs. Nigeria is currently in the process of making a transition to democracy and would receive tremendous benefits from debt relief. Under the authoritarian rule of General Sani Abacha, Nigeria's resources were depleted and the human rights of the Nigerian people were routinely violated. Now Nigeria is at a turning point and support from the international community could make a crucial difference in Nigeria's future.

Although Nigeria is currently eligible to borrow from the International Bank for Reconstruction and Development, it is a deeply impoverished country. Nigeria's per capita income is only \$300 per year and the country spends no more than \$5 per person per year on health services. Nevertheless, Nigeria owes \$871 million in debts to the United States and the country's total debt stock is over \$28 billion. Debt relief will give Nigeria a fresh start and a sound basis for a democratic future.

The United States has a history of providing assistance to countries overcoming crises and building democracies. Earlier this year, the United States led the world in providing assistance to the people of Kosovo as they struggled against genocide. The United States also provided considerable economic assistance and debt relief to Poland, other countries in Eastern Europe and the newly independent states of the former Soviet Union following the fall of communism. Now the United States has an historic opportunity to set an example to the rest of the world and support Nigeria's transition to democracy.

CONDITIONS FOR BILATERAL DEBT RELIEF

I am also pleased that H.R. 1095 includes two amendments offered by Congressman Barney Frank to improve the conditions for bilateral debt relief. One amendment assures that a country's eligibility for bilateral relief is determined by the government of the United States and does not depend on terms set by the IMF. The other provides that eligible countries will not have to make payments on their debts while they are implementing policies on which bilateral debt relief is conditioned.

TECHNICAL ASSISTANCE

H.R. 1095 includes important provisions to ensure that technical assistance is available to countries that request it. Specifically, the bill requires the Secretary of the Treasury to provide or arrange for technical assistance to countries regarding the establishment and management of their Human Development Funds. The bill also states that Treasury should encourage international financial institutions to provide funds for countries to hire technical consultants. Finally, the bill states that the World Bank should provide technical assistance to countries that request it. Many poor countries may not have the technical knowledge necessary to comply with the conditions in this bill. If poor countries are going to be required to establish Human Development Funds or develop Integrated Poverty Reduction Strategies in order to receive debt relief, it is only reasonable that they be provided technical assistance to enable them to do so.

AMOUNT OF MULTILATERAL DEBT RELIEF

H.R. 1095 includes several provisions to urge the President to commence efforts within the Paris Club of Official Creditors, the IMF and the World Bank to make several important changes in the Heavily Indebted Poor Countries (HIPC) Initiative.

One of these changes would require deeper multilateral debt relief for poor countries. Specifically, the bill states that the amount of debt relief provided to a country should be sufficient to ensure that the value of the country's outstanding debts does not exceed the value of the country's annual exports. The bill also states that poor countries should not have to spend more than ten percent of their annual revenues on debt service payments.

ELIMINATION OF STRUCTURAL ADJUSTMENT PROGRAMS

H.R. 1095 also urges the President to support the elimination of the requirement that countries complete a structural adjustment program approved by the IMF as a condition for receiving debt relief under the HIPC Initiative. Under the current HIPC Initiative, poor countries are required to adopt structural adjustment programs as a condition for debt relief and implement them over a six-year period. These programs usually require cuts in health care, education and other social services. Most poor countries have been unable to implement the economic reforms required by these programs.

Many poor countries have become even more impoverished as a result of structural adjustment programs. Zimbabwe, for example, began implementation of a structural adjustment program in 1991. Between 1991 and 1996, manufacturing output in Zimbabwe declined by 14% and real gross domestic product (GDP) per capita declined by 5.8%. Furthermore, spending on health care declined as a share of the budget from 6.4% to 4.3% and as a share of GDP from 3.1% to 2.1%. The real wages of health care workers in the public sector were reduced, causing many doctors to move to the private sector. As a result, the quality of public health care dropped and health services became less accessible to the poor. Government spending on education was also drastically reduced. Between 1991 and 1994, real per capita expenditures on primary education were cut by 36%.

The inability of poor countries to implement painful structural adjustment programs should not be an impediment to their ability to receive debt relief. Once poor countries have made a commitment to use the savings from debt relief to provide health care, education and other vital social services to their impoverished populations, they should be able to receive immediate debt relief.

OVERSIGHT PANELS

H.R. 1095 includes a requirement that poor countries establish oversight panels to monitor the use of their Human Development Funds. The bill also includes a provision to ensure that these oversight panels will be consulted by the IMF and the World Bank in the making of key decisions regarding debt relief in their respective countries and will be given the opportunity to review the published content of these decisions as well as all relevant analytical, legal, and policy documents. The bill also states that each oversight panel shall include representatives of civil society and a majority of its members shall be citizens of that country.

The oversight panels should include representatives of civil society such as individuals representing labor unions, environmental organizations, human rights organizations, religious organizations, farmers' organizations, women's organizations, indigenous people's organizations and other community organizations. The oversight panels may also include representatives of UNICEF or other United Nations agencies.

Each oversight panel should review all conditions for debt relief imposed by the United States, other creditor governments, the IMF or the World Bank; all actions of its own government to comply

with those conditions, including the establishment and use of the country's Human Development Fund; and all actions by its own government, other creditor governments and all international financial institutions affecting the progress of the country's debt relief program. The oversight panel should meet regularly to evaluate and report on the progress of the country's debt relief program, and its reports should be made available to the public. The IMF or the World Bank should provide travel and administrative expenses to each oversight panel to allow the panel to fulfill its functions.

These oversight panels will ensure that debt relief programs will be participatory and transparent and the people that are the most directly affected by these programs will be consulted regarding the conditions for debt relief.

CONCLUSION

H.R. 1095, the Debt Relief for Poverty Reduction Act, as passed by the Committee on Banking and Financial Services of the House of Representatives, will break the cycle of debt and enable the world's poorest countries to invest in health care, education and other essential services for their impoverished populations. I am proud to support this landmark legislation to wipe away the debts of heavily indebted poor countries throughout the world.

MAXINE WATERS.

DISSENTING VIEWS

I am a cosponsor of H.R. 1095, the Debt Relief for Poverty Reduction Act, and have been a consistent advocate for international debt relief in the past. However, I have two particular concerns about the current version of H.R. 1095 as passed by the House Banking Committee. Due to my attendance at University of Nebraska Master's Week activities in Lincoln, Nebraska, on November 3, 1999, I was unable to voice these two particular concerns at the Banking Committee markup of H.R. 1095. My two concerns with the Committee markup of H.R. 1095. My two concerns with the Committee-passed version of H.R. 1095 are as follows:

1. I am opposed to the amendment, adopted at the House Banking Committee markup, which provides that Nigeria is eligible to receive Highly Indebted Poor Countries (HIPC) debt relief. My opposition to this inclusion is based upon Nigeria's wealth of oil reserves. Nigeria is the world's 6th largest exporter of oil, producing over 2.012 million bbl/day (barrels of oil a day). In addition, given the rise in price in oil over the past year, Nigeria's oil earnings are estimated to be up 29% in 1999 over 1998.

Nigeria's overall bilateral debt to the United States is \$871 million. This equals a mere 22 days of gross oil exports at the current rate of production with the current price of \$23/bbl. Moreover, Nigeria has already received substantial US debt relief. In 1990-91, Nigeria received \$64.8 million in bilateral debt cancellation through Section 572 Debt Relief. Furthermore, Western officials believe that the corrupt government of General Sani Abacha of Nigeria may have stolen over \$3.5 billion. Since Abacha's death, \$750 million of this has been successfully recovered from the Abacha family and more than \$250 million has been recovered from Abacha's former national security adviser. This recovery alone (\$1 billion) represents \$129 million more than Nigeria's outstanding \$871 million in bilateral debt to the United States.

On January 25, 1999, Nigeria and the IMF reached an agreement that paved the way for debt rescheduling and the resumption of World Bank funding. I do believe that the answer for Nigeria is debt rescheduling, which is outside the scope of H.R. 1095, not HIPC debt relief. Including Nigeria in HIPC will result in the failure of other poor countries in Africa and elsewhere to receive sufficient debt relief. The choice here, for example, is between Nigeria and Tanzania, Madagascar, Niger or the Central African Republic. There will not be enough appropriated funds to cover Nigeria and the other HIPC countries.

2. My second concern regarding H.R. 1095, as amended by the House Banking Committee, relates to Section 903 which sets priorities for providing bilateral debt relief by the United States. Using the current definition in H.R. 1095, I am concerned that a very deserving Bangladesh, which is one of 45 countries eligible for debt

relief under H.R. 1095, will be put at the end of the line for HIPC debt relief. My concern is based on the limited resources for overall debt relief and suggestions from the Administration that Bangladesh, given its responsible handling of its debt, would not be considered as a priority for debt relief.

I was ready to offer a prepared amendment at the markup, which I was unable to offer for the reason stated above, that would have amended the priority section of H.R. 1095. This amendment would have required the President to give debt relief priority to the HIPC countries. Then, after a reasonable two year period, it allows Bangladesh to be equally considered for debt relief with the HIPC countries. Designating Bangladesh in this manner is justified both because it is one of the few countries that has already undertaken the kind of forward-looking, poverty alleviation and human development reforms called for in H.R. 1095 and it has acted responsibly in paying its debt. Its failure to receive debt relief previously really is the result of errors and failures: it is deserving but its case has previously "fallen through the cracks." Without my amendment, H.R. 1095 seems to penalize—or at least disregard—one of only a few countries whose actions should serve as a model development partner for other very poor, indebted countries.

Since the House International Relations Committee has subject matter jurisdiction over bilateral debt relief, I plan to offer amendments to remedy my two concerns at a future H.R. 1095 markup by the House International Relations Committee.

DOUG BEREUTER.

DISSENTING VIEWS

This bill confirms what opponents of the International Monetary Fund and World Bank have been saying for some time: more money for these institutions is the wrong medicine for a serious problem. Every dollar the IMF lends to a poor country adds to that country's debt burden. The IMF policy of lending new money to pay the debt due by a developing country (plus additional interest) is the root of the problem.

Decades of misguided "development" policies have resulted in poverty for masses of people and increasing debt burdens for developing countries. These policies have finally become unsustainable. The jig is up. These policies do not work—not for the poor, at least.

For a select few (politically well connected) officials, these policies are working just fine. According to *Macroscope*, "Au Revoir," *Investor's Business Daily*, November 11, 1999, IMF bureaucrats average about \$114,000 a year (with staffing growing five percent annually over the past decade). The agency has more than 80 division directors, each making more than \$180,000 a year—plus benefits. Since 1990, IMF lending has soared by about 100 percent. Its assets now total more than \$80 billion. These policies work well for them.

IMF largesse feeds corruption in developing countries as well. The Bank Bali scandal in Indonesia and the ever-unfolding embarrassment in Russia are but the latest examples. IMF money feeds this endemic corruption that sustains inept governments. Propping up unpopular governments postpones economic policies that promote growth and prosperity. These policies then trap the poor in a vicious cycle.

The best way to help the poor and encourage economic growth and prosperity is to end this damaging cycle. This bill throws more money at the cause of the problem. Such an approach will only begin a new cycle of indebtedness and renew the poverty trap.

The amendment I offered with Representatives Tom Campbell, Bill McCollum and Walter Jones to sunset the Bretton Woods Act (after three years with a report from Treasury on alternatives after two years) was the best way to stop the cycle of ever-greater debt burdens of poor countries. Through the IMF and World Bank, we take money from the working poor of rich countries to give to the rich people in poor countries. The poor everywhere deserve better.

RON PAUL.

