

106TH CONGRESS  
1ST SESSION

# S. 1690

To require the United States to take action to provide bilateral debt relief, and improve the provision of multilateral debt relief, in order to give a fresh start to poor countries.

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## IN THE SENATE OF THE UNITED STATES

OCTOBER 5, 1999

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

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## A BILL

To require the United States to take action to provide bilateral debt relief, and improve the provision of multilateral debt relief, in order to give a fresh start to poor countries.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

### 3   **SECTION 1. SHORT TITLE; FINDINGS; PURPOSE.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 “(a) CANCELLATION OF DEBT.—

8 “(1) IN GENERAL.—Subject to amounts pro-  
 9 vided in advance in an appropriations Act, the Presi-  
 10 dent shall, prior to September 30, 2001, cancel all  
 11 amounts owed to the United States (or any agency  
 12 of the United States) by heavily indebted poor coun-  
 13 tries described in section 902 as a result of  
 14 concessional loans made or credits extended prior to  
 15 January 1, 1996, under any of the provisions of law  
 16 described in paragraph (2).

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

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

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

25 “(b) REDUCTION OF DEBT.—

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

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

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

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

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

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

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

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

1 **“SEC. 902. ELIGIBLE COUNTRIES.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

8   **“SEC. 903. PRIORITY.**

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

14   **“SEC. 904. SPECIAL PROVISIONS.**

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

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

1 **“SEC. 905. ANNUAL REPORTS TO CONGRESS.**

2 “(a) IN GENERAL.—Not later than December 31 of  
3 each year, the President shall prepare and transmit to the  
4 appropriate congressional committees a report, which shall  
5 be made available to the public, concerning the cancella-  
6 tion and reduction of debt under section 901, determina-  
7 tions made under section 904(a), activities undertaken  
8 under section 2(b) of the Debt Relief for Poor Countries  
9 Act of 1999, and the progress made in accomplishing the  
10 purposes of such section 2(b), for the prior fiscal year.

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

13 “(1) the Committee on Banking and Financial  
14 Services and the Committee on International Rela-  
15 tions of the House of Representatives; and

16 “(2) the Committee on Foreign Relations and  
17 the Committee on Banking, Housing, and Urban Af-  
18 fairs of the Senate.

19 **“SEC. 906. SENSE OF CONGRESS.**

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

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

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

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

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

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

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

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

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

17           (3) The establishment of procedures by the  
18 Club to ensure greater transparency in the decision-  
19 making process, including publication of each deci-  
20 sion and its rationale, on all applications to the Club  
21 for debt reduction by heavily indebted poor countries  
22 described in section 902 of the Foreign Assistance  
23 Act of 1961 (as added by subsection (a)).

1 **SEC. 3. ACTIONS TO IMPROVE THE PROVISION OF MULTI-**  
 2 **LATERAL DEBT RELIEF AND PROCEDURES**  
 3 **FOR NEW LENDING.**

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

7 **“SEC. 1623. IMPROVEMENT OF THE HEAVILY INDEBTED**  
 8 **POOR COUNTRIES INITIATIVE; ENSURING EQ-**  
 9 **UITABLE BURDEN SHARING.**

10 “(a) IMPROVEMENT OF THE HIPC INITIATIVE.—In  
 11 order to accelerate multilateral debt relief and promote  
 12 economic and human development and poverty alleviation  
 13 in heavily indebted poor countries Congress urges the  
 14 President to commence immediately diplomatic efforts,  
 15 within the Paris Club of Official Creditors, as well as the  
 16 International Bank for Reconstruction and Development  
 17 (World Bank), the International Monetary Fund (IMF),  
 18 and other appropriate multilateral development institu-  
 19 tions to accomplish the following modifications in the  
 20 Heavily Indebted Poor Countries Initiative:

21 “(1) LIMIT ON MAXIMUM WAITING PERIOD BE-  
 22 FORE RECEIVING DEBT RELIEF.—The period of sat-  
 23 isfactory implementation of economic and social re-  
 24 forms which a country may need to establish in  
 25 order to receive bilateral and multilateral debt re-

1       duction under the HIPC Initiative shall not exceed  
2       3 years.

3               “(2) REVISION OF COUNTRY ELIGIBILITY RE-  
4       QUIREMENT.—A country shall be regarded as having  
5       an unsustainable debt burden for purposes of quali-  
6       fying for debt reduction (or for further debt reduc-  
7       tion) under the HIPC Initiative if the net present  
8       value of the outstanding public and publicly guaran-  
9       teed debt of the country at the end of 1996 was at  
10      least 150 percent of the average annual value of the  
11      exports of the country for the period 1994 through  
12      1996.

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

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

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

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

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

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

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

the country to less than 150 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 not more than 10 percent of the amount of annual current revenue received by the government of the country from internal sources.

“(5) TRANSPARENCY AND PARTICIPATION IN HIPC DECISION MAKING.—All decisions under the 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 are—

“(A) 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; and

“(B) participatory, including the participation of civil society.

“(6) SPECIAL PROVISIONS.—

“(A) Debt reduction under the HIPC Initiative for the benefit of a country that has demonstrated a sustained commitment to pov-



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

“(B) Notwithstanding any longer period of satisfactory performance required pursuant to paragraph (1), in the case of a country emerging from civil conflict which has an economic performance agreement with the IMF and is otherwise entitled to begin receiving enhanced bilateral and multilateral debt reduction under the HIPC Initiative, the lack of a 3-year period of satisfactory performance under such IMF agreement shall not cause a delay in the provision of debt reduction for the benefit of the country under the HIPC Initiative.

“(7) HIPC REVIEW.—The Secretary of the Treasury shall make every effort (including instructing the United States Executive Directors at the IMF and the World Bank) to ensure that a comprehensive external assessment of the HIPC Initiative shall take place by December 31, 2001, shall incorporate the views of debtor governments and civil society, shall be made public, and shall include—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

