

108TH CONGRESS  
1ST SESSION

# H. R. 1376

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

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 20, 2003

Mr. SMITH of New Jersey (for himself, Mr. FRANK of Massachusetts, Mr. LEACH, Mr. LANTOS, Mr. SHAYS, Mr. BACHUS, and Mrs. MALONEY) introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committee on International Relations, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

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

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

3 **SECTION 1. AUTHORIZATIONS OF APPROPRIATIONS FOR**  
4 **THE HIPC TRUST FUND.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8           “(c) DEFINITIONS.—In this section:

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

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

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

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

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

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

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

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

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

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

19 (a) FOREIGN ASSISTANCE ACT OF 1961.—

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

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

7           (b) ARMS EXPORT CONTROL ACT.—

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

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

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

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

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

10 (c) EXPORT ADMINISTRATION ACT OF 1979.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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