

108TH CONGRESS
2D SESSION

H. R. 4560

To provide multilateral and bilateral debt relief for developing countries,
and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 14, 2004

Mr. HYDE introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committees on International Relations and Agriculture, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To provide multilateral and bilateral debt relief for
developing countries, and for other purposes.

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.**

4 This Act may be cited as “Foreign Credit Reform Act
5 of 2004”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

8 (1) Unsustainable debt in the world’s poorest
9 countries constitutes a serious impediment to the de-

1 velopment of stable democratic political structures,
2 broad-based economic growth, poverty eradication,
3 and food security.

4 (2) Financing should be appropriate for the
5 purposes for which it is used and should, to the
6 maximum extent possible, generate a return suffi-
7 cient to pay the principal and interest due. As such,
8 long-term lending for perishable goods, such as food
9 commodities, may be construed as inappropriate to
10 the extent that it places a long-term debt burden on
11 the recipient country without generating sufficient
12 revenues with which to service the debt.

13 (3) Since 1955, the United States has extended
14 more than \$27,800,000,000 in loans for food under
15 title I of the Agricultural Trade Development and
16 Assistance Act of 1954 (commonly referred to as
17 “PL 480”), \$10,632,858,000 of which remained
18 outstanding at the end of 2002.

19 (4) As of December 31, 2002, arrears on prin-
20 cipal and interest payments under title I of PL 480
21 totaled \$1,241,472,000.

22 (5) Since 1992 the United States provided the
23 independent states of the former Soviet Union with
24 \$1,601,500,000 in loans for food under title I of PL
25 480, for which these countries are estimated to have

1 paid \$112,748,000 in principal and interest in 2003.
2 Russia alone has received \$1,035,000,000 in credits,
3 paying an estimated \$79,695,000 in principal and
4 interest in 2003.

5 (6) Rising debt stocks and debt-to-export ratios
6 may undermine a country's credit worthiness and
7 jeopardize its ability to borrow from commercial
8 lenders.

9 (7) Debt reduction contributes marginally to a
10 country's development prospects if new debt is al-
11 lowed to create the next generation of heavy indebt-
12 edness. Therefore, President Bush's initiative,
13 adopted by Group of Seven (G-7) leaders at the
14 June 2002 summit, to increase World Bank grant
15 assistance to the most heavily indebted poor coun-
16 tries is a crucial step toward alleviating poverty,
17 curbing future unsustainable debt, and providing for
18 urgent human needs in countries in which people live
19 on less than one dollar a day. Replacing loans with
20 targeted grants will eliminate the need for govern-
21 ments to repay long-term investments in people, es-
22 pecially for education, health, nutrition, water sup-
23 ply, and sanitation purposes.

24 (8) The G-7 agreement at the June 2002 sum-
25 mit to fully fund the remaining costs of the en-

1 hanced Heavily Indebted Poor Country (HIPC) ini-
2 tiative is essential to ensuring that eligible debt-dis-
3 tressed nations receive full benefits under the HIPC
4 debt relief measure.

5 (9) The United States has been a leading voice
6 for more than a decade in international debt reduc-
7 tion initiatives for poor countries, including a 1991
8 initiative to cancel \$689,000,000 in food loans under
9 title I of PL 480 owed by 15 sub-Saharan African
10 countries.

11 (10) The United States must continue its lead-
12 ership role to encourage full participation by all
13 Paris Club creditors in multilateral debt negotia-
14 tions.

15 (11) Several poor countries that are not eligible
16 for enhanced HIPC debt reduction terms face a se-
17 vere debt overhang that undermines increased re-
18 source allocation for development and discourages
19 productive investment.

20 (12) The World Bank, which has provided over
21 \$1,700,000,000 since 1986 to fight the spread of
22 HIV/AIDS, should continue to place the highest pri-
23 ority on programs to combat infectious diseases, in-
24 cluding HIV/AIDS, malaria, and tuberculosis.

1 (13) Debt reduction is an important, but only
 2 partial solution to long-term development. Promoting
 3 an environment that will stimulate internal economic
 4 growth, promote trade and external investment, and
 5 encourage responsible governance are the most im-
 6 portant ingredients for sustainable growth.

7 **TITLE I—MULTILATERAL DEBT** 8 **RELIEF**

9 **SEC. 101. SUPPORT FOR THE HIPC TRUST FUND.**

10 Section 801(b)(1) of H.R. 5526 of the 106th Con-
 11 gress, as introduced on October 24, 2000, and enacted
 12 into law by section 101(a) of Public Law 106–429 (and
 13 contained in the appendix thereto) is amended by striking
 14 “2003, \$435,000,000” and inserting “2006, such sums as
 15 may be necessary”.

16 **SEC. 102. DEBT SERVICE REINVESTED INTO THE GLOBAL** 17 **FUND.**

18 The Bretton Woods Agreements Act (22 U.S.C. 286–
 19 286oo) is further amended by adding at the end the fol-
 20 lowing:

21 **“SEC. 64. DEBT SERVICE REINVESTED INTO THE GLOBAL** 22 **FUND.**

23 “(a) NEGOTIATION OF AGREEMENT.—The Secretary
 24 of the Treasury shall seek to negotiate an agreement
 25 among the member countries of the Bank and the Fund,

1 under which, on approval by the Global Fund of a grant
 2 proposal originating from an eligible country, the Bank
 3 and the Fund shall make a contribution to the Global
 4 Fund in an amount equal to the amount of the grant
 5 award for the year, except that the total amount of the
 6 contributions so made with respect to the country during
 7 a year shall not exceed the total amount of debt service
 8 payments made by the country to the Bank and the Fund
 9 during the year.

10 “(b) DEFINITIONS.—In this section:

11 “(1) GLOBAL FUND.—The term ‘Global Fund’
 12 means the public-private partnership known as the
 13 Global Fund to Fight AIDS, Tuberculosis and Ma-
 14 laria that was established upon the call of the
 15 United Nations Secretary General in April 2001.

16 “(2) ELIGIBLE COUNTRY.—The term ‘eligible
 17 country’ means a country—

18 “(A) which has received debt relief under
 19 the Enhanced HIPC Initiative; and

20 “(B) in which the prevalence of HIV/AIDS
 21 among individuals who have attained 15 years
 22 of age but have not attained 49 years of age is
 23 not less than 5 percent.

24 “(3) ENHANCED HIPC INITIATIVE.—The term
 25 ‘Enhanced HIPC Initiative’ means the multilateral

1 debt initiative for heavily indebted poor countries
 2 presented in the Report of G-7 Finance Ministers
 3 on the Cologne Debt Initiative to the Cologne Eco-
 4 nomic Summit, Cologne, June 18-20, 1999.

5 “(4) HIV/AIDS.—The term ‘HIV/AIDS’
 6 means, with respect to an individual, an individual
 7 who is infected with HIV or living with AIDS.

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

11 “(6) AIDS.—The term ‘AIDS’ means the ac-
 12 quired immune deficiency syndrome.”.

13 **TITLE II—BILATERAL DEBT** 14 **RELIEF**

15 **SEC. 201. ACTIONS TO PROVIDE BILATERAL DEBT RELIEF.**

16 Section 501(i) of H.R. 3425 of the 106th Congress,
 17 as introduced on November 17, 1999, and enacted into
 18 law by section 1000(a)(5) of Public Law 106-113 (and
 19 contained in Appendix E thereto), is amended by striking
 20 “2004” and inserting “2005”.

21 **SEC. 202. DEBT FORGIVENESS UNDER TITLE I OF PUBLIC** 22 **LAW 480.**

23 (a) DEBT FORGIVENESS.—For each of the fiscal
 24 years 2005 and 2006, the President is authorized and en-
 25 couraged to use the authority of section 411 of the Agri-

1 cultural Trade Development and Assistance Act of 1954
2 (7 U.S.C. 1736e) to waive payments of principal and in-
3 terest that a country described in subsection (b) would
4 otherwise be required to make to the Commodity Credit
5 Corporation under dollar sales agreements under title I
6 of such Act (7 U.S.C. 1701 et seq.).

7 (b) COUNTRY DESCRIBED.—A country referred to in
8 subsection (a) is a country—

9 (1) which has outstanding public and publicly
10 guaranteed debt, the net present value of which on
11 December 31, 2003, was at least 150 percent of the
12 value of exports of the country in 2003; or

13 (2) whose debt service payments on public and
14 publicly guaranteed debt exceeded 8 percent of the
15 value of its exports in 2003.

16 (c) APPLICABLE PROVISIONS.—Except to the extent
17 inconsistent with the provisions of this section, section 411
18 of the Agricultural Trade Development and Assistance Act
19 of 1954 (7 U.S.C. 1736e) (except subsection (e) of such
20 section) shall apply with respect to the authority to waive
21 payments of principal and interest under this section to
22 the same extent and in the same manner as such section
23 applies to the authority to waive payments of principal and
24 interest under section 411 of such Act.

1 (d) AUTHORIZATION OF APPROPRIATIONS.—For the
2 cost (as defined in section 502 of the Federal Credit Re-
3 form Act of 1990) for the reduction or cancellation of any
4 debt pursuant to this section, there are authorized to be
5 appropriated to the President for each of the fiscal years
6 2005 and 2006 such sums as may be necessary.

7 **SEC. 203. MISCELLANEOUS AMENDMENTS.**

8 (a) FINANCING ASSISTANCE UNDER TITLE I OF
9 PUBLIC LAW 480.—Section 101(b) of the Agricultural
10 Trade Development and Assistance Act of 1954 (7 U.S.C.
11 1701(b)) is amended—

12 (1) by striking “To carry out the policies” and
13 inserting the following:

14 “(1) IN GENERAL.—To carry out the policies”;

15 (2) by striking “developing countries” and in-
16 serting “developing countries described in paragraph
17 (2)”; and

18 (3) by adding at the end the following:

19 “(2) DEVELOPING COUNTRY DESCRIBED.—A
20 developing country referred to in paragraph (1) is a
21 developing country that meets the following require-
22 ments:

23 “(A) The country is not prohibited from
24 receiving assistance under the Foreign Assist-
25 ance Act of 1961 by reason of the application

1 of section 620(q) of such Act and irrespective
2 of whether or not the President has determined
3 that assistance to the country is in the national
4 interest of the United States.

5 “(B) The country is not in default, during
6 a period in excess of six calendar months, in
7 payment to the United States of principal or in-
8 terest on any loan made to such country under
9 this title or under any other provision of law.

10 “(C) The country is not a low-income
11 country or lower-middle income country, as de-
12 fined by the International Bank for Reconstruct-
13 tion and Development in its World Development
14 Indicators Report (issued in April 2004 and up-
15 dated annually).

16 “(D) The country is not a severely-in-
17 debted country or moderately-indebted country
18 as defined by the International Bank for Recon-
19 struction and Development in its World Devel-
20 opment Indicators Report (issued in April 2004
21 and updated annually).”.

22 (b) ECONOMIC ASSISTANCE UNDER THE FOREIGN
23 ASSISTANCE ACT OF 1961.—Section 620(q) of the For-
24 eign Assistance Act of 1961 (22 U.S.C. 2370(q)) is
25 amended—

1 (1) by inserting after “under this Act” the sec-
2 ond place it appears the following: “or under title I
3 of the Agricultural Trade Development and Assist-
4 ance Act of 1954 (7 U.S.C. 1701 et seq.)”; and

5 (2) by adding at the end the following: “A de-
6 termination by the President under the preceding
7 sentence that assistance to a country is in the na-
8 tional interest of the United States shall be effective
9 for a period not to exceed one calendar year.”.

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