

Union Calendar No. 354

110TH CONGRESS
2D SESSION

H. R. 2634

[Report No. 110-575]

To provide for greater responsibility in lending and expanded cancellation of debts owed to the United States and the international financial institutions by low-income countries, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 7, 2007

Ms. WATERS (for herself, Mr. BACHUS, Mrs. MALONEY of New York, Mr. GUTIERREZ, Mr. PAYNE, Ms. LEE, and Mr. CLEAVER) introduced the following bill; which was referred to the Committee on Financial Services

APRIL 10, 2008

Additional sponsors: Mr. BLUMENAUER, Mr. CLAY, Mr. HASTINGS of Florida, Ms. JACKSON-LEE of Texas, Mr. JEFFERSON, Mr. GRIJALVA, Mr. HINCHEY, Ms. NORTON, Mr. WU, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. RUSH, Ms. SCHAKOWSKY, Mr. McNULTY, Mr. RANGEL, Ms. CARSON, Mr. MORAN of Virginia, Mr. MCGOVERN, Ms. CORRINE BROWN of Florida, Mr. CONYERS, Mr. DAVIS of Alabama, Mr. STARK, Mrs. CAPPS, Mrs. CHRISTENSEN, Ms. DELAURO, Mr. FILNER, Ms. ZOE LOFGREN of California, Mr. SERRANO, Mr. LEWIS of Georgia, Ms. MOORE of Wisconsin, Mr. WEXLER, Mr. AL GREEN of Texas, Mr. JACKSON of Illinois, Mr. GEORGE MILLER of California, Mr. BISHOP of Georgia, Mr. OBERSTAR, Mr. BRADY of Pennsylvania, Ms. WOOLSEY, Mr. WATT, Mr. FATTAH, Mr. KUCINICH, Mr. DOYLE, Mr. McDERMOTT, Mr. COHEN, Mr. OLVER, Mr. EDWARDS, Mr. HONDA, Ms. WATSON, Mr. WELCH of Vermont, Mr. MURPHY of Connecticut, Mrs. DAVIS of California, Mr. PASTOR, Mr. BERMAN, Mrs. JONES of Ohio, Ms. BALDWIN, Mr. DOGGETT, Mr. CROWLEY, Ms. WASSERMAN SCHULTZ, Mr. VAN HOLLEN, Mr. DAVIS of Illinois, Ms. RICHARDSON, Mr. ELLISON, Mr. CARNAHAN, Mr. LOEBSACK, Mr. SNYDER, Mr. DEFazio, Mr. FARR, Mr. WALDEN of Oregon, Ms. HOOLEY, Ms. ESHOO, Mr. ENGEL, Mr. MEEK of Florida, Mr. DELAHUNT, Mr. BISHOP of New York, Mr. BRALEY of Iowa, Mr. FRANK of Massachusetts, Mr. GERLACH, Mr. LYNCH, Mr. THOMPSON of Mississippi, Mrs. LOWEY, Mr. WYNN, Mr. ANDREWS, Mr. BOUCHER, Mr.

MEEKS of New York, Mr. TOWNS, Ms. KILPATRICK, Mr. PRICE of North Carolina, Mr. CAPUANO, Ms. KAPTUR, Ms. VELÁZQUEZ, Ms. CLARKE, Mr. SARBANES, Mr. WALZ of Minnesota, Mr. HODES, Mrs. BIGGERT, Mr. BACA, Mr. SHERMAN, Mr. ROTHMAN, and Ms. ROS-LEHTINEN

APRIL 10, 2008

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on June 7, 2007]

A BILL

To provide for greater responsibility in lending and expanded cancellation of debts owed to the United States and the international financial institutions by low-income 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 the “Jubilee Act for Respon-*
 5 *sible Lending and Expanded Debt Cancellation of 2008”.*

6 **SEC. 2. FINDINGS.**

7 *The Congress finds the following:*

8 (1) *Many low-income countries have been strug-*
 9 *gling under the burden of international debts for*
 10 *many years.*

11 (2) *Since 1996, when the Heavily Indebted Poor*
 12 *Countries Initiative (HIPC) was created, more than*

1 30 nations have seen some form of debt relief totaling
2 approximately \$80,000,000,000.

3 (3) Congress has demonstrated its support for bi-
4 lateral and multilateral debt relief through the enact-
5 ment of comprehensive debt relief initiatives for heav-
6 ily indebted low-income countries in—

7 (A) title V of H.R. 3425 of the 106th Con-
8 gress, as enacted into law by section 1000(a)(5)
9 of the Act entitled “An Act making consolidated
10 appropriations for the fiscal year ending Sep-
11 tember 30, 2000, and for other purposes”, ap-
12 proved November 29, 1999 (Public Law 106–113;
13 113 Stat. 1501–311) and the amendments made
14 by such title;

15 (B) title II of H.R. 5526 of the 106th Con-
16 gress, as enacted into law by section 101(a) of
17 the Act entitled “An Act making appropriations
18 for foreign operations, export financing, and re-
19 lated programs for the fiscal year ending Sep-
20 tember 30, 2001, and for other purposes”, ap-
21 proved November 6, 2000 (Public Law 106–429;
22 114 Stat. 1900A–5); and

23 (C) title V of the United States Leadership
24 Against HIV/AIDS, Tuberculosis, and Malaria

1 *Act of 2003 (Public Law 108–25; 117 Stat. 747)*
2 *and the amendment made by such title.*

3 (4) *In 2005, the United States and other G–8*
4 *nations reached an agreement to provide cancellation*
5 *of 100 percent of the debts owed by eligible poor na-*
6 *tions to Paris Club members, the IMF, the World*
7 *Bank, and the African Development Bank. The Inter-*
8 *American Development Bank reached an agreement*
9 *in early 2007 to provide similar treatment.*

10 (5) *The 2005 agreement led to the creation of the*
11 *Multilateral Debt Relief Initiative (MDRI). As of*
12 *April 2007, 22 nations have seen the majority of their*
13 *debts to the IMF, World Bank, and African Develop-*
14 *ment Bank cancelled under the terms of the MDRI.*
15 *In March 2007, the Inter-American Development*
16 *Bank announced it would provide full debt cancella-*
17 *tion to 5 Latin American countries on MDRI terms.*

18 (6) *Resources released by debt relief efforts to*
19 *date are reaching the poor. Cameroon is using the*
20 *\$29,800,000 of savings it will gain from the MDRI in*
21 *2006 for national poverty reduction priorities, includ-*
22 *ing infrastructure, social sector and governance re-*
23 *forms. Uganda is using its \$57,900,000 savings in*
24 *2006 on improving energy infrastructure to try to*
25 *ease acute electricity shortages, as well as primary*

1 *education, malaria control, healthcare and water in-*
2 *frastructure (specifically targeting the poor and*
3 *under-served villages). Zambia is using its savings of*
4 *\$23,800,000 under the MDRI in 2006 to increase*
5 *spending on agricultural projects, such as smallholder*
6 *irrigation and livestock disease control, as well as to*
7 *eliminate fees for healthcare in rural areas.*

8 *(7) While debt cancellation has a record of suc-*
9 *cess, there remains an unfinished agenda on inter-*
10 *national debt. There are a number of challenges to*
11 *both the effective reduction of poverty and inequality*
12 *and the achievement of broader debt cancellation.*

13 *(8) 2007 is an important year to address the un-*
14 *finished agenda on international debt as the global*
15 *Jubilee debt campaign has declared 2007 a “Sabbath*
16 *year”, 7 years after the historic Jubilee 2000 cam-*
17 *paign.*

18 *(9) A critical issue which needs to be addressed*
19 *on debt is the way that non-concessional lenders stand*
20 *to gain financially from lending to poor countries*
21 *that have benefited from debt relief without having*
22 *paid for past debt relief or facing the prospect of pay-*
23 *ing for the future relief of unsustainable and irre-*
24 *sponsible new lending. In these cases, the gains of debt*
25 *relief for poor debtor countries are at risk of being*

1 eroded. This takes the form of new lending to coun-
2 tries that have received debt cancellation from coun-
3 tries including China.

4 (10) It is also essential that all lenders and bor-
5 rowers accept co-responsibility and learn from past
6 mistakes—as evidenced by the debt crisis itself—by
7 making more productive investment choices and en-
8 gaging in more responsible lending and borrowing in
9 the future. In October 2006, Norway became the first
10 creditor to accept co-responsibility for past lending
11 mistakes and cancelled the debt of 5 nations on the
12 grounds that the loans reflected poor development pol-
13 icy.

14 (11) A growing number of governments and
15 intergovernmental bodies, including the United King-
16 dom, the European Commission, and Norway, are
17 raising concerns about the harmful impacts of eco-
18 nomic policy conditionality. Many impoverished
19 countries that have received debt cancellation under
20 the HIPC and MDRI initiatives have done so at a
21 high social cost, because they have had to implement
22 economic policy conditions such as privatization of
23 public utilities and other basic services, adhere to
24 budget ceilings imposed by the IMF, and comply with
25 other harmful requirements. Some of these policies

1 *have had the effect of limiting fiscal space for produc-*
2 *tive investment and threatening growth and human*
3 *development. Several countries currently eligible for*
4 *debt cancellation under the HIPC or MDRI programs*
5 *are facing extended delays in receiving cancellation*
6 *because they are struggling to comply with such re-*
7 *quirements from the IMF and World Bank.*

8 *(12) There is also an urgent need to look beyond*
9 *the constraints of current debt relief initiatives to ad-*
10 *dress the need for expanded debt cancellation. The*
11 *current initiatives allow countries to qualify for relief*
12 *based on economic criteria rather than human needs.*
13 *A January 2007 report by the United Nations*
14 *Human Rights Council found that eligibility for debt*
15 *cancellation should be expanded to cover all low-in-*
16 *come countries.*

17 *(13) The Government of the United Kingdom has*
18 *proposed that qualification for the MDRI be extended*
19 *to the 67 nations which qualify for assistance exclu-*
20 *sively from the International Development Associa-*
21 *tion. To be eligible for cancellation, countries must*
22 *meet requirements pertaining to public financial*
23 *management, anti-corruption measures, and budget*
24 *transparency.*

1 (14) *Since debt cancellation is an essential com-*
2 *ponent of the United States development assistance*
3 *strategy and the United States has been able to lead*
4 *the debt cancellation efforts of the international com-*
5 *munity by example, the United States should con-*
6 *tinue to work to improve and expand initiatives in*
7 *this area.*

8 (15) *The United States has been a leader in sup-*
9 *porting debt relief efforts to date and should continue*
10 *to work to improve and expand initiatives in this*
11 *area.*

12 **SEC. 3. CANCELLATION OF DEBT OWED BY ELIGIBLE LOW-**
13 **INCOME COUNTRIES.**

14 *Title XVI of the International Financial Institutions*
15 *Act (22 U.S.C. 262p—262p-8) is amended by adding at*
16 *the end the following:*

17 **“SEC. 1626. CANCELLATION OF DEBT OWED BY ELIGIBLE**
18 **LOW-INCOME COUNTRIES.**

19 “(a) *IN GENERAL.—The Secretary of the Treasury*
20 *shall commence immediate efforts, within the Paris Club*
21 *of Official Creditors, the International Monetary Fund*
22 *(IMF), the International Bank for Reconstruction and De-*
23 *velopment (World Bank), and the other international finan-*
24 *cial institutions (as defined in section 1701(c)(2)), to nego-*
25 *tiate an agreement to accomplish the following:*

1 “(1) Cancellation by each international financial
2 institution of all debts owed to the institution by eli-
3 gible low-income countries, and, to the extent possible,
4 financing the debt cancellation from the ongoing oper-
5 ations, procedures, and accounts of the institution.

6 “(2) Cancellation by the United States of all
7 debts owed to it by eligible low-income countries.

8 “(3) Ensuring that any waiting period for the
9 enhanced debt cancellation is not excessive.

10 “(4) Ensuring that the provision of debt can-
11 cellation to eligible low-income countries is not fol-
12 lowed by a reduction in the provision of any other de-
13 velopment assistance to the countries by international
14 financial institutions and bilateral creditors.

15 “(5) Encouraging the government of each eligible
16 low-income country to allocate at least 20 percent of
17 its national budget towards poverty-alleviation pro-
18 grams such as the provision of basic health care serv-
19 ices, education services, and clean water services to all
20 individuals in the country.

21 This subsection shall not be interpreted to authorize the Sec-
22 retary of the Treasury to enter into an agreement to accom-
23 plish any of the foregoing without express congressional au-
24 thorization to do so.

1 “(b) *ESTABLISHMENT OF FRAMEWORK FOR CREDITOR*
2 *TRANSPARENCY.*—*The Secretary of the Treasury shall com-*
3 *mence immediate efforts, within the Paris Club of Official*
4 *Creditors, the International Monetary Fund, the World*
5 *Bank, and the other international financial institutions (as*
6 *so defined), to ensure that each of the institutions—*

7 “(1) *continues to make efforts to promote greater*
8 *transparency regarding the activities of the institu-*
9 *tion, including credit, grant, guarantee, and technical*
10 *assistance operations, following a policy of maximum*
11 *disclosure; and*

12 “(2) *supports continued efforts to allow informed*
13 *participation and input by affected communities, in-*
14 *cluding translation of information on proposed*
15 *projects, provision of information (including draft*
16 *documents) through information technology applica-*
17 *tion, oral briefings, and outreach to and dialogue*
18 *with community organizations and institutions in af-*
19 *ected areas.*

20 “(c) *ESTABLISHMENT OF FRAMEWORK FOR RESPON-*
21 *SIBLE LENDING.*—*The Secretary of the Treasury shall com-*
22 *mence immediate efforts to—*

23 “(1) *develop and promote policies to ensure all*
24 *creditors, with no distinction, will contribute to pre-*

1 *-serving the gains of debt relief for low-income debtor*
2 *countries;*

3 *“(2) provide that the external financing needs of*
4 *low-income countries are met primarily through*
5 *grant financing rather than new lending;*

6 *“(3) seek the international adoption of a binding*
7 *legal framework on new lending that—*

8 *“(A) guarantees that no creditor can take or*
9 *expect to take financial advantage of acquired or*
10 *newly awarded debt relief through the terms and*
11 *rates of such lending to beneficiary countries;*

12 *“(B) is binding on all creditors, whether*
13 *multilateral, bilateral or private;*

14 *“(C) foresees, as a sanction for creditors*
15 *who violate it, an equitable share in the burden*
16 *of the losses from any future debt relief needed by*
17 *the sovereign debtor to whom lending was irre-*
18 *sponsibly provided;*

19 *“(D) provides for decisions on irresponsible*
20 *lending to be made by an entity independent*
21 *from the creditors; and*

22 *“(E) enables fair opportunities for the peo-*
23 *ple of the affected country to be heard; and*

24 *“(4) support the development of responsible fi-*
25 *nancing standards where creditors and aid/loan re-*

1 *recipients alike adhere to standards to assure trans-*
2 *parency and accountability to citizens, human rights,*
3 *and the avoidance of new odious debt, while encour-*
4 *aging the development of renewable energy and help-*
5 *ing countries to transition away from dependence on*
6 *oil.*

7 *“(d) GAO AUDIT OF DEBT PORTFOLIOS OF COUN-*
8 *TRIES WITH QUESTIONABLE LOANS.—*

9 *“(1) IN GENERAL.—The Comptroller General of*
10 *the United States shall undertake an audit of the debt*
11 *portfolios of previous governments in countries such*
12 *as the Democratic Republic of Congo and South Afri-*
13 *ca, where there is significant evidence that odious, on-*
14 *erous, or illegal loans were made to the government.*
15 *Each such audit shall—*

16 *“(A) consider debt owed to the World Bank,*
17 *the IMF, and the other international financial*
18 *institutions (as so defined), export credit debts*
19 *owed to governments, and debts owed to commer-*
20 *cial creditors, and assess whether or not past in-*
21 *vestments produced the intended results;*

22 *“(B) investigate the process by which the*
23 *loans were contracted, how the funds were used,*
24 *and determine whether United States or inter-*
25 *national laws were violated in the contraction of*

1 *these loans, and whether any of the loans were*
2 *odious or onerous; and*

3 “(C) *be planned and executed in a trans-*
4 *parent and consultative manner, engaging con-*
5 *gressional bodies and civil society groups in the*
6 *countries.*

7 “(2) *REPORT.—Within 2 years after the date of*
8 *the enactment of this section, the Comptroller General*
9 *of the United States shall prepare and submit to the*
10 *Committees on Financial Services and on Foreign Af-*
11 *airs of the House of Representatives and the Commit-*
12 *tees on Banking, Housing, and Urban Affairs and on*
13 *Foreign Relations of the Senate a report that contains*
14 *the results of the audits undertaken under paragraph*
15 *(1).*

16 “(e) *AVAILABILITY ON TREASURY DEPARTMENT*
17 *WEBSITE OF REMARKS OF UNITED STATES EXECUTIVE DI-*
18 *RECTORS AT MEETINGS OF INTERNATIONAL FINANCIAL IN-*
19 *STITUTIONS’ BOARDS OF DIRECTORS.—The Secretary of the*
20 *Treasury shall make available on the website of the Depart-*
21 *ment of the Treasury the full record of the remarks of the*
22 *United States Executive Director at meetings of the boards*
23 *of directors of the International Monetary Fund, the World*
24 *Bank, and the other international financial institutions (as*
25 *so defined), about cancellation or reduction of debts owed*

1 *to the institution involved, with redaction by the Secretary*
2 *of the Treasury of material deemed too sensitive for public*
3 *distribution, but showing the topic, amount of material re-*
4 *dacted, and reason for the redaction.*

5 “(f) *REPORT FROM THE COMPTROLLER GENERAL.—*
6 *Within 1 year after the date of the enactment of this section,*
7 *the Comptroller General of the United States shall prepare*
8 *and submit to the Committees on Financial Services and*
9 *on Foreign Affairs of the House of Representatives and the*
10 *Committees on Banking, Housing, and Urban Affairs and*
11 *on Foreign Relations of the Senate a report on the avail-*
12 *ability of the ongoing operations, procedures, and accounts*
13 *of the IMF, the World Bank, and the other international*
14 *financial institutions (as so defined) for canceling the debt*
15 *of eligible low-income countries.*

16 “(g) *ANNUAL REPORTS FROM THE PRESIDENT.—Not*
17 *later than December 31 of each year, the President shall*
18 *submit to the Committees on Financial Services and on*
19 *Foreign Affairs of the House of Representatives and the*
20 *Committees on Foreign Relations and on Banking, Hous-*
21 *ing, and Urban Affairs of the Senate a report, which shall*
22 *be made available to the public, on the activities undertaken*
23 *under this section, and other progress made in accom-*
24 *plishing the purposes of this section, for the prior fiscal*
25 *year. The report shall include a list of the countries that*

1 *have received debt cancellation, a list of the countries whose*
2 *request for debt cancellation has been denied and the reasons*
3 *therefor, and a list of the countries whose requests for debt*
4 *cancellation are under consideration.*

5 “(h) *ELIGIBLE LOW-INCOME COUNTRY DEFINED.*—*In*
6 *this section, the term ‘eligible low-income country’ means*
7 *a country—*

8 “(1) *that is eligible for financing from the Inter-*
9 *national Development Association but not the World*
10 *Bank, and does not qualify for debt relief under the*
11 *Enhanced HIPC Initiative (as defined in section*
12 *1625(e)(3)) and under the Multilateral Debt Relief*
13 *Initiative;*

14 “(2) *that has transparent and effective budget*
15 *execution and public financial management systems*
16 *which ensure that the savings from debt relief are*
17 *spent on reducing poverty;*

18 “(3) *the government of which does not have an*
19 *excessive level of military expenditures;*

20 “(4) *the government of which has not repeatedly*
21 *provided support for acts of international terrorism,*
22 *as determined by the Secretary of State under section*
23 *6(j)(1) of the Export Administration Act of 1979 (50*
24 *U.S.C. App. 2405(j)(1)), or section 620A(a) of the*
25 *Foreign Assistance Act of 1961 (22 U.S.C. 2371(a));*

1 “(5) the government of which is cooperating on
2 international narcotics control matters; and

3 “(6) the government of which (including its mili-
4 tary or other security forces) does not engage in a
5 consistent pattern of gross violations of internation-
6 ally recognized human rights.”.

7 **SEC. 4. LIMITATION ON CONDITIONALITY OF DEBT RELIEF**
8 **FOR ELIGIBLE LOW-INCOME COUNTRIES.**

9 Title XVI of the International Financial Institutions
10 Act (22 U.S.C. 262p—262p–8) is further amended by add-
11 ing at the end the following:

12 **“SEC. 1627. LIMITATION ON CONDITIONALITY OF DEBT RE-**
13 **LIEF FOR ELIGIBLE LOW-INCOME COUNTRIES.**

14 “(a) *IN GENERAL.*—The Secretary of the Treasury
15 shall commence immediate efforts within the Paris Club of
16 Official Creditors, the International Monetary Fund (IMF),
17 the International Bank for Reconstruction and Develop-
18 ment (World Bank), and the other international financial
19 institutions (as defined in section 1701(c)(2)), to ensure
20 that debt cancellation is provided to eligible low-income
21 countries (as defined in section 1626(h)) without any condi-
22 tions except requiring the government of such a country
23 to—

24 “(1) take steps so that the financial benefits of
25 debt relief are applied to programs to combat poverty

1 *(in particular through concrete measures to improve*
2 *economic infrastructure, basic services in education,*
3 *nutrition, and health, particularly treatment and*
4 *prevention of the leading causes of mortality) and to*
5 *redress environmental degradation;*

6 *“(2) make policy decisions through transparent*
7 *and participatory processes;*

8 *“(3) adopt an integrated development strategy to*
9 *support poverty reduction through economic growth,*
10 *that includes monitorable poverty reduction goals;*

11 *“(4) implement transparent policy making and*
12 *budget procedures, good governance, and effective*
13 *anticorruption measures;*

14 *“(5) broaden public participation and popular*
15 *understanding of the principles and goals of poverty*
16 *reduction, particularly through economic growth, and*
17 *good governance;*

18 *“(6) promote the participation of citizens and*
19 *nongovernmental organizations in the economic pol-*
20 *icy choices of the government; and*

21 *“(7) produce an annual report disclosing how*
22 *the savings from debt cancellation were used, and*
23 *make the report publicly available and easily acces-*
24 *sible to all interested parties, including civil society*
25 *groups and the media.*

1 “(b) *ANNUAL REPORTS TO THE CONGRESS.*—Not later
2 *than December 31 of each year, the President shall submit*
3 *to the Committees on Financial Services and on Inter-*
4 *national Relations of the House of Representatives and the*
5 *Committees on Foreign Relations and on Banking, Hous-*
6 *ing, and Urban Affairs of the Senate a report, which shall*
7 *be made available to the public, on the activities undertaken*
8 *under this section, and other progress made in accom-*
9 *plishing the purposes of this section, for the prior fiscal*
10 *year.”.*

11 **SEC. 5. SENSE OF THE CONGRESS.**

12 *It is the sense of the Congress that to further the goals*
13 *of debt reduction for low-income countries, in addition to*
14 *the efforts described in this Act, the United States should*
15 *pay off outstanding arrearages of \$595,800,000 to the Inter-*
16 *national Development Association and regional develop-*
17 *ment banks, and become current on all debt reduction ef-*
18 *forts, including those carried out by the International De-*
19 *velopment Association and under the Enhanced Heavily In-*
20 *debted Poor Countries Initiative and the Multilateral Debt*
21 *Relief Initiative.*

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