

110TH CONGRESS
2^D SESSION

H. R. 2634

AN ACT

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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Jubilee Act for Re-
3 sponsible Lending and Expanded Debt Cancellation of
4 2008”.

5 **SEC. 2. FINDINGS.**

6 The Congress finds the following:

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

10 (2) Since 1996, when the Heavily Indebted
11 Poor Countries Initiative (HIPC) was created, more
12 than 30 nations have seen some form of debt relief
13 totaling approximately \$80,000,000,000.

14 (3) Congress has demonstrated its support for
15 bilateral and multilateral debt relief through the en-
16 actment of comprehensive debt relief initiatives for
17 heavily indebted low-income countries in—

18 (A) title V of H.R. 3425 of the 106th Con-
19 gress, as enacted into law by section 1000(a)(5)
20 of the Act entitled “An Act making consoli-
21 dated appropriations for the fiscal year ending
22 September 30, 2000, and for other purposes”,
23 approved November 29, 1999 (Public Law 106–
24 113; 113 Stat. 1501–311) and the amendments
25 made by such title;

1 (B) title II of H.R. 5526 of the 106th
2 Congress, as enacted into law by section 101(a)
3 of the Act entitled “An Act making appropria-
4 tions for foreign operations, export financing,
5 and related programs for the fiscal year ending
6 September 30, 2001, and for other purposes”,
7 approved November 6, 2000 (Public Law 106–
8 429; 114 Stat. 1900A–5); and

9 (C) title V of the United States Leadership
10 Against HIV/AIDS, Tuberculosis, and Malaria
11 Act of 2003 (Public Law 108–25; 117 Stat.
12 747) and the amendment made by such title.

13 (4) In 2005, the United States and other G–8
14 nations reached an agreement to provide cancellation
15 of 100 percent of the debts owed by eligible poor na-
16 tions to Paris Club members, the IMF, the World
17 Bank, and the African Development Bank. The
18 Inter-American Development Bank reached an
19 agreement in early 2007 to provide similar treat-
20 ment.

21 (5) The 2005 agreement led to the creation of
22 the Multilateral Debt Relief Initiative (MDRI). As of
23 April 2007, 22 nations have seen the majority of
24 their debts to the IMF, World Bank, and African
25 Development Bank cancelled under the terms of the

1 MDRI. In March 2007, the Inter-American Develop-
2 ment Bank announced it would provide full debt
3 cancellation to 5 Latin American countries on MDRI
4 terms.

5 (6) Resources released by debt relief efforts to
6 date are reaching the poor. Cameroon is using the
7 \$29,800,000 of savings it will gain from the MDRI
8 in 2006 for national poverty reduction priorities, in-
9 cluding infrastructure, social sector and governance
10 reforms. Uganda is using its \$57,900,000 savings in
11 2006 on improving energy infrastructure to try to
12 ease acute electricity shortages, as well as primary
13 education, malaria control, healthcare and water in-
14 frastructure (specifically targeting the poor and
15 under-served villages). Zambia is using its savings of
16 \$23,800,000 under the MDRI in 2006 to increase
17 spending on agricultural projects, such as
18 smallholder irrigation and livestock disease control,
19 as well as to eliminate fees for healthcare in rural
20 areas.

21 (7) While debt cancellation has a record of suc-
22 cess, there remains an unfinished agenda on inter-
23 national debt. There are a number of challenges to
24 both the effective reduction of poverty and inequality
25 and the achievement of broader debt cancellation.

1 (8) 2007 is an important year to address the
2 unfinished agenda on international debt as the glob-
3 al Jubilee debt campaign has declared 2007 a “Sab-
4 bath year”, 7 years after the historic Jubilee 2000
5 campaign.

6 (9) A critical issue which needs to be addressed
7 on debt is the way that non-concessional lenders
8 stand to gain financially from lending to poor coun-
9 tries that have benefited from debt relief without
10 having paid for past debt relief or facing the pros-
11 pect of paying for the future relief of unsustainable
12 and irresponsible new lending. In these cases, the
13 gains of debt relief for poor debtor countries are at
14 risk of being eroded. This takes the form of new
15 lending to countries that have received debt cancella-
16 tion from countries including China.

17 (10) It is also essential that all lenders and bor-
18 rowers accept co-responsibility and learn from past
19 mistakes—as evidenced by the debt crisis itself—by
20 making more productive investment choices and en-
21 gaging in more responsible lending and borrowing in
22 the future. In October 2006, Norway became the
23 first creditor to accept co-responsibility for past
24 lending mistakes and cancelled the debt of 5 nations

1 on the grounds that the loans reflected poor develop-
2 ment policy.

3 (11) A growing number of governments and
4 intergovernmental bodies, including the United
5 Kingdom, the European Commission, and Norway,
6 are raising concerns about the harmful impacts of
7 certain economic policy conditionalities. Many improv-
8 erished countries that have received debt cancella-
9 tion under the HIPC and MDRI initiatives have
10 done so at a high social cost, because they have had
11 to implement certain economic policy conditions, in-
12 cluding the privatization of essential basic services
13 such as water, and comply with other harmful re-
14 quirements. Some of these policies have had the ef-
15 fect of limiting fiscal space for productive investment
16 and threatening growth and human development.
17 Several countries currently eligible for debt cancella-
18 tion under the HIPC or MDRI programs are facing
19 extended delays in receiving cancellation because
20 they are struggling to comply with such require-
21 ments from the IMF and World Bank.

22 (12) There is also an urgent need to look be-
23 yond the constraints of current debt relief initiatives
24 to address the need for expanded debt cancellation.
25 The current initiatives allow countries to qualify for

1 relief based on economic criteria rather than human
2 needs. A January 2007 report by the United Na-
3 tions Human Rights Council found that eligibility
4 for debt cancellation should be expanded to cover all
5 low-income countries.

6 (13) The Government of the United Kingdom
7 has proposed that qualification for the MDRI be ex-
8 tended to the 67 nations which qualify for assistance
9 exclusively from the International Development As-
10 sociation. To be eligible for cancellation, countries
11 must meet economic criteria pertaining to public fi-
12 nancial management, anti-corruption measures, and
13 budget transparency.

14 (14) Since debt cancellation is an essential com-
15 ponent of the United States development assistance
16 strategy and the United States has been able to lead
17 the debt cancellation efforts of the international
18 community by example, the United States should
19 continue to work to improve and expand initiatives
20 in this area.

21 (15) The United States has been a leader in
22 supporting debt relief efforts to date and should con-
23 tinue to work to improve and expand initiatives in
24 this area.

1 **SEC. 3. CANCELLATION OF DEBT OWED BY ELIGIBLE LOW-**
2 **INCOME COUNTRIES.**

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

6 **“SEC. 1626. CANCELLATION OF DEBT OWED BY ELIGIBLE**
7 **LOW-INCOME COUNTRIES.**

8 “(a) IN GENERAL.—The Secretary of the Treasury
9 shall commence immediate efforts, within the Paris Club
10 of Official Creditors, the International Monetary Fund
11 (IMF), the International Bank for Reconstruction and De-
12 velopment (World Bank), and the other international fi-
13 nancial institutions (as defined in section 1701(c)(2)), to
14 negotiate an agreement to accomplish the following:

15 “(1) Cancellation by each international finan-
16 cial institution of all debts owed to the institution by
17 eligible low-income countries, and, to the extent pos-
18 sible, financing the debt cancellation from the ongo-
19 ing operations, procedures, and accounts of the insti-
20 tution, without undermining the financial integrity
21 of the institution.

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

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

1 “(4) Ensuring that the provision of debt can-
2 cellation to eligible low-income countries is not fol-
3 lowed by a reduction in the provision of any other
4 development assistance to the countries by inter-
5 national financial institutions and bilateral creditors,
6 or to other countries eligible for assistance from the
7 International Development Association.

8 “(5) Encouraging the government of each eligi-
9 ble low-income country to allocate at least 20 per-
10 cent of its national budget towards poverty-allevi-
11 ation programs such as the provision of basic health
12 care services, education services, and clean water
13 services to all individuals in the country.

14 This subsection shall not be interpreted to authorize the
15 Secretary of the Treasury to enter into an agreement to
16 accomplish any of the foregoing without express congres-
17 sional authorization to do so.

18 “(b) ESTABLISHMENT OF FRAMEWORK FOR CRED-
19 ITOR TRANSPARENCY.—The Secretary of the Treasury
20 shall commence immediate efforts, within the Paris Club
21 of Official Creditors, the International Monetary Fund,
22 the World Bank, and the other international financial in-
23 stitutions (as so defined), to ensure that each of the insti-
24 tutions—

1 “(1) continues to make efforts to promote
2 greater transparency regarding the activities of the
3 institution, including credit, grant, guarantee, and
4 technical assistance operations, following a policy of
5 maximum disclosure; and

6 “(2) supports continued efforts to allow in-
7 formed participation and input by affected commu-
8 nities, including translation of information on pro-
9 posed projects, provision of information (including
10 draft documents) through information technology
11 application, oral briefings, and outreach to and dia-
12 logue with community organizations and institutions
13 in affected areas.

14 “(c) ESTABLISHMENT OF FRAMEWORK FOR RESPON-
15 SIBLE LENDING.—The Secretary of the Treasury shall
16 commence immediate efforts to—

17 “(1) develop and promote policies to ensure all
18 creditors, with no distinction, will contribute to pre-
19 serving the gains of debt relief for low-income debtor
20 countries;

21 “(2) provide that the external financing needs
22 of low-income countries are met primarily through
23 grant financing rather than new lending;

24 “(3) seek the international adoption of a bind-
25 ing legal framework on new lending that—

1 “(A) guarantees that no creditor can take
2 or expect to take financial advantage of ac-
3 quired or newly awarded debt relief through the
4 terms and rates of such lending to beneficiary
5 countries;

6 “(B) is binding on all creditors, whether
7 multilateral, bilateral or private;

8 “(C) foresees, as a sanction for creditors
9 who violate it, an equitable share in the burden
10 of the losses from any future debt relief needed
11 by the sovereign debtor to whom lending was ir-
12 responsibly provided;

13 “(D) provides for decisions on irresponsible
14 lending to be made by an entity independent
15 from the creditors; and

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

18 “(4) support the development of responsible fi-
19 nancing standards where creditors and aid/loan re-
20 cipients alike adhere to standards to assure trans-
21 parency and accountability to citizens, human rights,
22 and the avoidance of new odious debt, while encour-
23 aging the development of renewable energy and help-
24 ing countries to transition away from dependence on
25 oil.

1 “(d) GAO AUDIT OF DEBT PORTFOLIOS OF COUN-
2 TRIES WITH QUESTIONABLE LOANS.—

3 “(1) IN GENERAL.—The Comptroller General of
4 the United States shall undertake an audit of the
5 debt portfolios of previous governments in countries
6 such as the Democratic Republic of Congo and
7 South Africa, where there is significant evidence
8 that odious, onerous, or illegal loans were made to
9 the government. Each such audit shall—

10 “(A) consider debt owed to the World
11 Bank, the IMF, and the other international fi-
12 nancial institutions (as so defined), export cred-
13 it debts owed to governments, and debts owed
14 to commercial creditors, and assess whether or
15 not past investments produced the intended re-
16 sults;

17 “(B) investigate the process by which the
18 loans were contracted, how the funds were used,
19 and determine whether United States or inter-
20 national laws were violated in the contraction of
21 these loans, and whether any of the loans were
22 odious or onerous; and

23 “(C) be planned and executed in a trans-
24 parent and consultative manner, engaging con-

1 gressional bodies and civil society groups in the
2 countries.

3 “(2) REPORT.—Within 2 years after the date of
4 the enactment of this section, the Comptroller Gen-
5 eral of the United States shall prepare and submit
6 to the Committees on Financial Services and on
7 Foreign Affairs of the House of Representatives and
8 the Committees on Banking, Housing, and Urban
9 Affairs and on Foreign Relations of the Senate a re-
10 port that contains the results of the audits under-
11 taken under paragraph (1).

12 “(e) AVAILABILITY ON TREASURY DEPARTMENT
13 WEBSITE OF REMARKS OF UNITED STATES EXECUTIVE
14 DIRECTORS AT MEETINGS OF INTERNATIONAL FINAN-
15 CIAL INSTITUTIONS’ BOARDS OF DIRECTORS.—The Sec-
16 retary of the Treasury shall make available on the website
17 of the Department of the Treasury the full record of the
18 remarks of the United States Executive Director at meet-
19 ings of the boards of directors of the International Mone-
20 tary Fund, the World Bank, and the other international
21 financial institutions (as so defined), about cancellation or
22 reduction of debts owed to the institution involved, with
23 redaction by the Secretary of the Treasury of material
24 deemed too sensitive for public distribution, but showing

1 the topic, amount of material redacted, and reason for the
2 redaction.

3 “(f) REPORT FROM THE COMPTROLLER GENERAL.—

4 Within 1 year after the date of the enactment of this sec-
5 tion, the Comptroller General of the United States shall
6 prepare and submit to the Committees on Financial Serv-
7 ices and on Foreign Affairs of the House of Representa-
8 tives and the Committees on Banking, Housing, and
9 Urban Affairs and on Foreign Relations of the Senate a
10 report on the availability of the ongoing operations, proce-
11 dures, and accounts of the IMF, the World Bank, and the
12 other international financial institutions (as so defined)
13 for canceling the debt of eligible low-income countries.

14 “(g) ANNUAL REPORTS FROM THE PRESIDENT.—

15 Not later than December 31 of each year, the President
16 shall submit to the Committees on Financial Services and
17 on Foreign Affairs of the House of Representatives and
18 the Committees on Foreign Relations and on Banking,
19 Housing, and Urban Affairs of the Senate a report, which
20 shall be made available to the public, on the activities un-
21 dertaken under this section, and other progress made in
22 accomplishing the purposes of this section, for the prior
23 fiscal year. The report shall include a list of the countries
24 that have received debt cancellation, a list of the countries
25 whose request for debt cancellation has been denied and

1 the reasons therefor, and a list of the countries whose re-
2 quests for debt cancellation are under consideration.

3 “(h) ELIGIBLE LOW-INCOME COUNTRY DEFINED.—

4 In this section, the term ‘eligible low-income country’
5 means a country—

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

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

16 “(3) the government of which does not have an
17 excessive level of military expenditures;

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

1 “(5) the government of which is cooperating
2 with the United States on international narcotics
3 control matters;

4 “(6) the government of which (including its
5 military or other security forces) does not engage in
6 a pattern of gross violations of internationally recog-
7 nized human rights (as defined in section 116 of the
8 Foreign Assistance Act of 1961 (Public Law 87–
9 195));

10 “(7) the government of which has not been
11 identified in the most recent Trafficking in Persons
12 Report issued by the Department of State as not
13 fully complying with minimum standards for elimi-
14 nating human trafficking and not making significant
15 efforts to do so;

16 “(8) the government of which has been deter-
17 mined by the President to be cooperating with
18 United States efforts to stop illegal immigration to
19 the United States;

20 “(9) the government of which has been deter-
21 mined by the President to be committed to free and
22 fair elections;

23 “(10) the government of which was chosen by
24 and permits free and fair elections; and

1 and prevention of the leading causes of mortality)
2 and to redress environmental degradation;

3 “(2) make policy decisions through transparent
4 and participatory processes;

5 “(3) adopt an integrated development strategy
6 to support poverty reduction through economic
7 growth, that includes monitorable poverty reduction
8 goals;

9 “(4) implement transparent policy making and
10 budget procedures, good governance, and effective
11 anticorruption measures;

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

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

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

24 “(b) ANNUAL REPORTS TO THE CONGRESS.—Not
25 later than December 31 of each year, the President shall

1 submit to the Committees on Financial Services and on
2 International Relations of the House of Representatives
3 and the Committees on Foreign Relations and on Bank-
4 ing, Housing, and Urban Affairs of the Senate a report,
5 which shall be made available to the public, on the activi-
6 ties undertaken under this section, and other progress
7 made in accomplishing the purposes of this section, for
8 the prior fiscal year.”.

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

10 It is the sense of the Congress that to further the
11 goals of debt reduction for low-income countries, in addi-
12 tion to the efforts described in this Act, the United States
13 should pay off outstanding arrearages of \$595,800,000 to
14 the International Development Association and regional
15 development banks, and become current on all debt reduc-
16 tion efforts, including those carried out by the Inter-
17 national Development Association and under the En-
18 hanced Heavily Indebted Poor Countries Initiative and the
19 Multilateral Debt Relief Initiative.

20 **SEC. 6. SENSE OF THE CONGRESS.**

21 (a) FINDING.—The Congress finds that Haiti is
22 scheduled to send \$48,700,000 in debt payments to multi-
23 lateral financial institutions in 2008.

24 (b) SENSE OF THE CONGRESS.—It is the sense of
25 the Congress that, due to the current humanitarian and

1 political instability in Haiti, including food shortages and
2 political turmoil, the Secretary of the Treasury should use
3 his influence to expedite the complete and immediate can-
4 cellation of Haiti's debts to all international financial in-
5 stitutions, or if such debt cancellation cannot be provided,
6 to urge the institutions to immediately suspend the re-
7 quirement that Haiti make further debt service payments
8 on debts owed to the institutions.

Passed the House of Representatives April 16, 2008.

Attest:

Clerk.

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