



House Panel Approves Expanded Debt Relief for Developing Countries

By Adam Graham-Silverman, CQ Staff

The House Financial Services Committee approved a bill Thursday to speed debt relief to developing countries.

The bill (HR 2634), approved by voice vote, would allow up to 23 low-income countries to qualify for new debt relief.

Since 1996, more than 30 developing countries have had \$80 billion in debt to the World Bank, International Monetary Fund, and similar lending banks forgiven. The countries, some of which are so poor they had no reasonable expectation of ever repaying their loans, can use the money they save in interest payments for poverty reduction and growth.

Uganda, for example, has used \$57.9 million in savings on improving energy infrastructure, primary education, malaria control and water projects, said bill sponsor Maxine Waters, D-Calif.

Ranking panel Republican Spencer Bachus of Alabama said existing debt relief programs that had freed up billions for poverty reduction had cost the average American only \$3.

"I can't think of a really more humane way, more economical way, a better way to stabilize these countries than through debt relief," he said.

Under a manager's amendment, adopted by voice vote, the bill would authorize the Treasury Department to negotiate for debt relief but would require congressional approval of any agreement reached. The underlying bill, which had authorized agreements to go forward, would have required offsets for those deals under House pay-as-you-go rules.

"This is a mandate to the administration to start terms, but any agreement will have to come back to us," said panel Chairman Barney Frank, D-Mass.

It also would eliminate many conditions on debt reduction that critics call counterproductive. Some global lending institutions require countries to control inflation, for example, which critics say prevents them from pursuing needed government programs such as treatment for HIV or AIDS.

The manager's amendment would bar all conditions on debt relief except those encouraging transparency and anti-corruption. It would require benefits from relief to go to poverty reduction.

The bill would require eligible countries to have a good human rights record, no support of terrorism, and a record of fighting drug trafficking. It would exclude countries with "excessive" military spending.

The manager's amendment also removed a reference to so-called vulture funds, which buy up cheap, poor-country debts and — when debt relief is granted — sue the countries to recover the debt's original value. Frank said the committee would address vulture funds in separate legislation, perhaps involving the Judiciary Committee.

A few dissenters on the Republican side questioned the cost of debt relief as many American homeowners struggle with their own debt obligations.

"While we certainly can feel for these poor developing countries and their people, we have some real crises here in the United States," said Ginny Brown-Waite, R-Fla.

Offering relief without enforcing economic reform would waste the money, she said.

"With this type of logic it's no wonder Americans question the mental stability of Congress in general," she said.

Bachus responded that the cost of this round of debt relief would be about 50 cents for every U.S. citizen.