



H.R. 2634 – JUBILEE ACT FOR RESPONSIBLE LENDING AND EXPANDED DEBT CANCELLATION OF 2008

EXECUTIVE SUMMARY

H.R. 2634 was introduced by Representative Maxine Waters (D-CA) and approved by the Committee on Financial Services by voice vote on April 3, 2008. The bill is expected to be considered on the floor on April 16, 2008.

The International Monetary Fund (IMF), the World Bank, and other lenders implemented the Highly Indebted Poor Country (HIPC) debt relief initiative to lower the debt of poor countries to sustainable levels, while encouraging these countries to focus on poverty reduction efforts. In 2005, the G8 countries agreed to implement the Multilateral Debt Relief Initiative, which forgives 100 percent of debt owed by HIPC countries. According to the International Monetary Fund, 23 HIPCs have completed the requirements to receive debt 100 percent debt relief.

H.R. 2634 allows the U.S. Secretary of Treasury to negotiate an agreement with the World Bank, IMF, and the Paris Club to cancel the debt of 24 additional, eligible low-income countries. The bill requires Congress to authorize any agreements for debt cancellation before they are entered into by the Secretary.

According to the Congressional Budget Office (CBO), "Because the Congress must approve any agreements to cancel bilateral or multilateral debts, CBO estimates that enacting H.R. 2634, by itself, would have no budgetary impact."

FLOOR SITUATION

H.R. 2634 is being considered on the floor under a structured rule. The Rule:

- Provides one hour of general debate equally divided and controlled by the Chairman and Ranking Minority Member of the Committee on Financial Services.
- Waives all points of order against consideration of the bill except those arising under clause 9 (earmarks) or 10 (PAYGO) of rule XXI.
- Provides that the amendment in the nature of a substitute recommended by the Committee on Financial Services, now printed in the bill, shall be considered as an original bill for the purpose of amendment and shall be considered as read.
- Waives all points of order against the amendment in the nature of a substitute except for clause 10 of rule XXI. This waiver does not affect the point of order available under clause 9 of rule XXI (regarding earmark disclosure).
- No amendments shall be in order except those amendments printed in the Rules Committee report accompanying the resolution.
- Provides that the amendments made in order may be offered only in the order printed in the report, may be offered only by a Member designated in the report, shall be considered as read, shall be debatable for the time specified in the report equally divided and controlled by the



proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for division of the question in the House or in the Committee of the Whole.

- Waives all points of order against the amendments printed in the report except for clauses 9 and 10 of rule XXI.
- Provides one motion to recommit with or without instructions.
- Provides that, notwithstanding the operation of the previous question, the Chair may postpone further consideration of the bill to a time designated by the Speaker.

This legislation was introduced by Representative Maxine Waters (D-CA) on June 7, 2007. The Committee on Financial Services approved the bill, as amended, by voice vote on April 3, 2008. H.R. 2634 is expected to be considered on the House floor on April 16, 2008.

BACKGROUND

In 1996, the International Monetary Fund (IMF) and the World Bank introduced the Highly Indebted Poor Country (HIPC) debt relief initiative. This initiative is designed to lower the debt of poor countries to sustainable levels. During the 1999 G-8 Summit in Cologne, Germany, the HIPC debt relief program was modified to provide an increased focus on poverty reduction efforts.

**Note: The sustainable level is currently defined as multilateral debts not exceeding a maximum debt-to-exports ratio of 150 percent.*

In order to be eligible for HIPC debt relief, a country must be eligible for International Development Agency (IDA) financing, face an unsustainable debt burden, establish a track record of reform through IMF and IDA programs, and have developed a Poverty Reduction Strategy Paper to promote economic growth and reduce poverty.

In order to provide further debt relief to poor nations, the G-8 countries agreed to use the Multilateral Debt Relief Initiative during their 2005 meeting to provide 100 percent debt relief owed by HIPC countries to the IMF, the World Bank, and the African Development Bank. The Multinational Debt Relief Initiative agreement does not provide new assistance to poor countries, rather countries that receive debt reduction from a certain agency will have future assistance flows reduced by the amount of debt forgiven.

According to the IMF, 23 HIPC countries have reached their completion points and have received or are receiving debt relief from the IMF and other creditors. In addition, ten countries have reached their decision points and are receiving interim HIPC Initiative debt relief.

SUMMARY

Debt Cancellation: H.R. 2634 requires the Secretary of the Treasury to begin efforts within the Paris Club of Official Creditors, the International Monetary Fund (IMF), and the International Bank for Reconstruction and Development (World Bank) to negotiate an agreement to cancel debts owed to each institution and the United States by 24 additional, eligible low-income countries.

Eligible Low-Income Countries: Low-income countries seeking debt cancellation must meet the following criteria to be eligible: must be eligible for International Development Association financing, but not financing from the World Bank; has transparent and effective budget execution and uses savings from debt relief to reduce poverty; does not have an excessive level of military expenditures; cooperates with



international narcotics control; does not violate internationally recognized human rights; and has not provided support for acts of international terrorism.

Congressional Approval: The bill expressly requires that Congress authorize debt relief agreements before they are entered into by the Secretary of the Treasury.

Framework for Responsible Lending: This legislation instructs the Secretary to commence efforts for the international adoption of a binding legal framework on new lending that guarantees that no creditor can take or expect to take financial advantage of newly awarded debt relief. Under such a framework, creditors found by an objective third-party institution to have been irresponsible lenders would have an equitable share in the burden of the losses from any future debt relief.

Government Accountability Office (GAO) Audit: The bill requires the GAO to audit the debt portfolios of previous governments where there is significant evidence that odious, onerous, or illegal loans were made to the government. H.R. 2634 specifically mentions the previous governments of the Democratic Republic of the Congo and South Africa. A report to Congress on the GAO audit would be required within two years of enactment.

Reports: H.R. 2634 requires the Comptroller General of the United States to prepare a report to Congress within one year of enactment on the availability of the ongoing operations, procedures, and accounts of the relevant international financial institutions for canceling the debt of eligible low-income countries. In addition, it requires the President of the United States to provide annual reports to Congress on the activities undertaken and progress made in providing debt relief to low-income nations.

AMENDMENTS

(Below is the summary of the amendment that was made in order by the Rules Committee and may be offered on the floor of the House of Representatives)

1. **Reps. Frank (D-MA)/Bachus (R-AL)/Biggert (R-IL): Manager's Amendment.** The amendment makes various technical corrections within the bill's "Findings" section, and adds under the eligibility criteria the requirement that a country must also be complying with minimum standards for eliminating human trafficking; cooperating with American efforts to stop illegal immigration to the ; and be committed to free and fair elections.
2. **Representative Dana Rohrabacher (R-CA):** The amendment adds a provision to Section 1626, defining an "eligible low-income country" to include that the government shall have been chosen by, and permits, free elections.
3. **Representative Alcee Hastings (D-FL):** The amendment adds a Sense of the Congress that, due to the current humanitarian and political instability in Haiti, including food shortages and political turmoil, the Secretary of the Treasury should use his influence to expedite the complete and immediate cancellation of Haiti's debts to all international financial institutions, or if such debt cancellation cannot be provided, to urge the institutions to immediately suspend the requirement that Haiti make further debt service payments on debts owed to the institutions.
4. **Representative Anthony Weiner (D-NY):** The amendment modifies the qualification for "eligible low-income country" to include those countries that are eligible for both International Development Association loans and World Bank loans.

COST



LEGISLATIVE DIGEST

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According to the Congressional Budget Office (CBO), "Because the Congress must approve any agreements to cancel bilateral or multilateral debts, CBO estimates that enacting H.R. 2634, by itself, would have no budgetary impact." ([CBO Cost Estimate](#))

ADDITIONAL VIEWS

Administration: "While the Administration believes the goals of this bill are laudable, the Administration does not support H.R. 2634 for the reasons stated below. The countries to be covered by the bill are managing their debt, and some of the countries that would be covered by this bill are now actively working towards expanded access to international capital markets. Providing debt relief to countries that can service their debt sends the wrong message, and undermines efforts to assist countries in developing sound debt management practices that will allow them to transition gradually toward access to private capital markets." ([Statement of Administration Policy, 4/14/2008](#))

MOTION TO RECOMMIT

Please find the Republican Motion to Recommit [here](#).

STAFF CONTACT

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