

U.S. Participation in a Capital Stock Increase for the International Bank for Reconstruction and Development and Replenishment of the African Development Fund

[Partial text of H.R. 4645 as ordered reported by the House Committee on Banking, Finance, and Urban Affairs (presently named the Committee on Financial Services) on September 28, 1988, and enacted into law by sec. 555 of Public Law 100-461; Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1989; H.R. 4637, 102 Stat. 2268, approved October 1, 1988]

A BILL To provide for participation by the United States in a capital stock increase of the International Bank for Reconstruction and Development and a replenishment of the African Development Fund, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1.¹ * * * .

SEC. 2.² * * * .

SEC. 3. [22 U.S.C. 286hh] POLICY BASED LENDING FOR DEBT REDUCTION.

(a) **CRITERIA.**—The Secretary of the Treasury shall instruct the United States Executive Director of the International Bank for Reconstruction and Development to initiate discussions with other directors of such bank and to advocate and support the facilitation of voluntary market-based programs for the reduction of sovereign debt and the promotion of sustainable economic development, which, if implemented, would—

- (1) not require any organization or government to participate in such a program;
- (2) result in debt reduction for each participating country tailored to the particular situation of each country;
- (3) provide assistance to participating countries conditioned on the implementation of economic reforms, and the preservation of economic reforms previously implemented, by the country that are consistent with the principles of sustainable development;
- (4) encourage participating countries to make economic adjustments steadily and over a period of time in order to achieve policy reform;
- (5) use debt reduction techniques that would not compensate commercial banks for the reduction in the value of such debt, but would serve as a catalyst for new lending;

¹Sec. 1 amended the Bretton Woods Agreements Act (22 U.S.C. 286 et seq.).

²Sec. 2 amended the African Development Fund Act (22 U.S.C. 290g et seq.).

(6) involve such bank in lending for purposes of debt reduction and conversion only where such involvement would not lower the credit rating of such bank;

(7) not require public sector funding beyond that provided through any capital increase for such bank, and any replenishment for the International Development Association, which is agreed to by the member countries of such institutions; and

(8) accomplish debt reduction, not as an end, but as a means to greater growth and investment in, and the restoration of voluntary private lending to, participating countries for environmentally and economically sustainable development.

(b) **POLICY BASED LENDING FOR DEBT REDUCTION AND SUSTAINABLE GROWTH.**—The Secretary of the Treasury shall instruct the United States Executive Director of the International Bank for Reconstruction and Development to initiate discussions with other directors of such bank and to propose that policy based loans be made by such bank for, among other reasons, facilitating a reduction in the debt service burden of any country which is participating in a voluntary market-based program for debt reduction described in subsection (c).

(c) **VOLUNTARY MARKET-BASED PROGRAM FOR DEBT REDUCTION AND SUSTAINABLE GROWTH.**—In connection with the discussions initiated pursuant to subsection (b), The Secretary shall instruct the United States Executive Director of the International Bank for Reconstruction and Development to propose that a country be considered to be participating in a voluntary market-based program of debt reduction for purposes of subsection (b) if the creditors of such country agree to significantly reduce the debt service of such country through forgiveness of a percentage of the interest owed by such country on any sovereign debt or through any other means.

(d) **REPORTS.**—Not later than March 1, 1989, March 1, 1991, and March 1, 1993, respectively, the Secretary of the Treasury shall submit to the Committee on Banking, Finance and Urban Affairs³ of the House of Representatives and the Committee on Foreign Relations of the Senate 3 reports each of which—

(1) describes the long term strategy and lending programs of the International Bank for Reconstruction and Development for reducing and managing the debt burden of the countries designated as “Highly Indebted Countries” in the 1987-1988 World Debt Tables published by such bank, and summarize the long term strategy and lending programs of such bank for other seriously indebted countries;

(2) contains an explanation of the measures taken by such bank to facilitate the reduction of the debt burden of the countries designated as “Highly Indebted Countries” in the 1987-1988 World Debt Tables published by such bank;

(3) describes the extent (if any) to which such bank has implemented the measures described in subsections (b) and (c); and

(4) describes the success each of such countries has had in managing and reducing their debt burdens and achieving sus-

³Sec. 1(a)(2) of Public Law 104-14 (109 Stat. 186) provided that references to the Committee on Banking, Finance and Urban Affairs of the House of Representatives shall be treated as referring to the Committee on Banking and Financial Services of the House of Representatives.

tainable and equitable economic growth as measured by criteria including the ratio of debt service to exports, the ratio of debt to gross national product, net resource flows, and per capita income.

(e) REVIEW BY HOUSE BANKING COMMITTEE.—On receipt of each report required to be submitted pursuant to subsection (d), and after consultation with the Secretary of the Treasury, the Committee on Banking, Finance and Urban Affairs³ of the House of Representatives shall forward such report to the Committee on Appropriations of the House of Representatives with an assessment by the Committee on Banking, Finance and Urban Affairs³ describing the effect on the international debt situation of funding the subscription of the United States to the shares of capital stock of the International Bank for Reconstruction and Development due for payment by the United States in the then next fiscal year.

SEC. 4. [22 U.S.C. 286ii] LIMITATIONS ON WORLD BANK POLICY BASED LENDING; ACTIONS REQUIRED TO BE TAKEN TO OPPOSE EXCESSIVE POLICY BASED LENDING BY WORLD BANK.

The Secretary of the Treasury shall—

(1) take all necessary steps to encourage the International Bank for Reconstruction and Development to limit—

(A) the aggregate value of the policy based loans made by such bank (other than for the purpose described in section 3(b)) in any fiscal year of such bank beginning after June 30, 1989, to 25 percent of the aggregate value of all loans made by such bank in such fiscal year; and

(B) the aggregate value of the policy based loans made by such bank to the government of a particular country (other than for the purpose described in section 3(b)) in any fiscal year of such bank beginning after June 30, 1989, and occurring during any period of 3 consecutive fiscal years of such bank (determined after disregarding any such fiscal year in which such bank did not make a policy based loan to such government), to 50 percent of the aggregate value of all loans made by such bank to such government during such 3-year period;

(2) instruct the United States Executive Director of such bank to propose and actively seek the adoption by the board of Executive Directors of such bank of a resolution establishing as official bank operating policy for fiscal years 1990 through 1995 of such bank the limits specified in paragraph (1); and

(3) until the resolution described in paragraph (2) is adopted, undertake, in consultation with the Secretary of State, discussions with other member country governments to secure the consent and cooperation of such governments with respect to the adoption of the limits specified in paragraph (1).

SEC. 5. [22 U.S.C. 286jj] PARTIAL GUARANTEES IN CONNECTION WITH DEBT REDUCTION FOR BORROWER COUNTRIES.

The Secretary of the Treasury shall instruct the United States Executive Director of the International Bank for Reconstruction and Development to initiate discussion with other directors of such bank and to propose that such bank establish criteria under which such bank would provide partial guarantees on debt service payments by borrower countries to private creditors when such guar-

antees would serve a catalytic role in facilitating final agreement on financing packages which involve significant debt reduction.

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SEC. 12. SENSE OF CONGRESS REGARDING IMPROVING ACCESS OF SMALL BUSINESSES TO WORLD BANK PROCUREMENT.

It is the sense of the Congress that the Secretary of the Treasury should—

(1) attach a high priority to facilitating the efforts of small businesses to gain access to the process for bidding on contracts offered by the International Bank for Reconstruction and Development for—

(A) the procurement of goods and services associated with projects financed by such bank; and

(B) consulting services required in the operation of such bank;

(2) coordinate the efforts of the Department of the Treasury with the efforts of other appropriate agencies of the United States Government, particularly with regard to the dissemination of information on specific opportunities offered by such bank to assist small businesses located in the United States; and

(3) encourage the United States Executive Director of such bank to work with the management of such bank in developing programs within such bank designed to improve opportunities for small businesses located in member countries of such bank to bid successfully for contracts described in paragraph (1).

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