

FY 2000 BUDGET FOR US DEBT REDUCTION - FACT SHEET

Congress and the Administration have reached an important agreement taking a significant step forward towards making substantial debt relief for the Heavily Indebted Poor Countries (HIPC) a reality.

The Agreement:

It is expected that Congress will implement this agreement by taking the following actions in the final stage of the FY 2000 budget process:

- authorize U.S. support for IMF participation in the initiative by permitting the U.S. to vote for the immediate non-market sale of the amount of gold necessary to generate profits of \$3.1 billion,
- permit use of 9/14, (64%) of the interest earnings on the profits from these gold sales only for debt relief,
- authorize the use of the U.S. share (approximately \$300 million) of a special reserve account (SCA-2) in the IMF only for debt relief.,
- appropriate \$123 million for FY 2000 to reduce debt owed the U.S. government of which \$110 million is for the reformed HIPC Initiative and \$13 million is for the debt for the tropical forest conservation program.

Continuing Efforts:

The agreed package represents substantial progress in the achieving the commitments made at the Cologne Summit. However, the important work for debt reduction is not complete. We welcome Congress' commitment to work with the Administration early in 2000 to reach an agreement that will bring this global effort to fruition. The Administration looks forward to working with others to initiate the reformed HIPC program and to continuing its work with Congress to achieve full U.S. authorization and funding for the program. Additional steps include the need to achieve:

- Initiation of implementation of the early cases under the reformed HIPC program,
- Authorization to use the remaining 5/14 of interest earnings on profits from IMF gold sales only for IMF debt relief,
- Authorization and appropriation of the U.S. contribution to the HIPC Trust Fund, and
- Appropriation of additional funds over four years to continue bilateral debt relief.

At the Cologne Summit, President Clinton and other G-7 leaders committed to achieving a reformed HIPC program which promised to provide faster, deeper and broader debt relief to countries committed to economic growth and poverty reduction. The commitments included in part: each creditor country's cancellation of up to 90 percent of its non-concessional debt and 100 percent of its concessional debt to HIPC countries, using IMF and World Bank resources to fund their share of HIPC debt cancellation, and providing contributions to the HIPC Trust Fund in order to help cover debt cancellation costs at the Inter-American Development Bank, the African Development Bank and at other institutions which are unable to pay.

