CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 29, 2000

S. 3129

International Debt Forgiveness and International Financial Institutions Reform Act of 2000

As ordered reported by the Senate Committee on Foreign Relations on June 28, 2000

SUMMARY

The International Debt Forgiveness and International Financial Institutions Reform Act of 2000 would authorize $600 million over the 2000-2003 period to pay a portion of the cost of reducing the debt that highly indebted poor countries (HIPC) owe to multilateral development banks. In addition, the bill would require new reports on the operations of international financial institutions. Assuming the appropriation of the authorized amount, CBO estimates that implementing the bill would cost $590 million over the 2001-2005 period.

The bill would permit the International Monetary Fund (IMF) to use all of its earnings from the investment of the net proceeds from revaluing part of its gold holdings for debt relief to HIPC countries. That would lower the IMF's net income and could lower its interest payments to the U.S. Treasury. Based on information from the Treasury Department, CBO does not expect that to occur. Because it could affect direct spending, the bill would be subject to pay-as-you-go procedures.

The International Debt Forgiveness and International Financial Institutions Reform Act of 2000 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs).

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	0	200	200	200	0	0
Estimated Outlays	0	50	120	190	150	80

BASIS OF ESTIMATE

The bill would affect spending subject to appropriation and direct spending. For this estimate, CBO assumes that the bill will be enacted by the start of fiscal year 2001 and that the full amount of the authorized funds will be appropriated over a three-year period.

Spending Subject to Appropriation

The bill would authorize the appropriation of $600 million over the 2000-2003 period for a contribution to a HIPC trust fund. That trust fund would be managed by the World Bank to compensate the various multilateral development banks for a portion of the cost of reducing their loans to certain countries under a proposal announced in June 1999, at a summit in Cologne, Germany.

While the authorization would be available in fiscal year 2000, none of the supplemental appropriations bills as passed by the two houses of Congress as of this date have included funding for this year. CBO assumes that the contribution under the bill would be funded over a three-year period with the first installment in fiscal year 2001. We also assume that the contribution would be provided as a letter of credit issued to the HIPC trust fund at the time a country and its creditors agree upon a plan for debt relief and poverty reduction and that the outlay would occur when the country satisfies all conditions in the plan.

CBO estimates that the additional reporting requirements would cost less than $500,000 each year, assuming the appropriation of the necessary funds.

Direct Spending

Public Law 106-113 authorized the U.S. Executive Director of the IMF to vote for the Fund's plan to revalue a portion of its gold holdings and to transfer resources held in a special reserve account to a trust fund to be used for debt relief. That law permits the IMF to use only 9/14 of such earnings for debt relief. The bill would strike that restriction, but CBO does not expect that change to have a budgetary impact.

The revaluation and transactions with member countries will lower the IMF's net income by an estimated $120 million a year. Lower income for the IMF could affect the U.S. budget if the IMF should lower the rate of interest that it pays on the U.S. reserve position in the Fund. Based on information from the Treasury Department, CBO assumes the United States would oppose reducing the rate of remuneration.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. Although enacting this bill could affect direct spending by a significant amount, CBO does not expect that to occur.

PREVIOUS CBO ESTIMATE

On April 6, 2000, CBO transmitted a cost estimate for S. 2382, the Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000. That bill contained the provisions of this bill, but the cost estimates are somewhat different. In estimating spending under the earlier bill, CBO assumed that $200 million of the proposed funding would be provided in a supplemental appropriation bill for 2000. This estimate assumes that funding would begin in 2001 because House- and Senate-passed supplemental bills do not currently contain such funding.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The International Debt Forgiveness and International Financial Institutions Reform Act of 2000 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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