



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 30.11.1999
COM(1999) 646 final

Proposal for a

COUNCIL DECISION

on the position to be adopted by the Community within the ACP-EC Council of Ministers on granting exceptional aid to the highly indebted ACP countries

(presented by the Commission)

EXPLANATORY MEMORANDUM

At the G7 Summit in Cologne in June, it was proposed that the initiative for heavily indebted poor countries agreed in 1996 be expanded to provide faster, deeper and broader external debt relief. The proposals were ratified at the World Bank and IMF annual meetings in Washington in September, and an ambitious set of political decisions was taken that closely linked poverty alleviation strategies, structural adjustment programmes and the debt reduction initiative.

On 26 October, the Commission adopted a communication addressing the issues raised by the enhancement of the HIPC initiative (COM(1999)518).

The ECOFIN Council of 8 November proposed that the Commission start negotiating with the ACP countries on the basis of a Community contribution of the order of magnitude of EUR 1 billion. The money was to cover, on the one hand, the Community's contribution as creditor of the first ACP countries to qualify for the initiative (estimated at EUR 320-380 million), and on the other hand a contribution to the HIPC Trust Fund managed by the World Bank, which would be both sufficient and commensurate with a fair burden sharing between donors.

The ACP countries gave their views in a meeting in Accra on 13 November between the ministerial Development Finance Co-operation Committee and the Commission. In particular, their agreement to the proposed approach was conditional on an immediate increase in the Structural Adjustment Facility of at least EUR 250 million.

The Community contributions for the non-ACP countries would be financed, up to a maximum of EUR 54 million over 3 years, on the relevant budget lines. These contributions would be subject to separate decisions according to the regular procedures within the framework governing Community development assistance to the Asian and Latin American countries.

Against this background the Commission proposes to the Council to define the Community position within the Joint ACP-EU Council in view of the adoption by the latter of the following draft decisions:

- a) extraordinary assistance in favour of heavily indebted ACP countries;
- b) an increase of the structural adjustment facility.

These proposals would need to be adopted, concomitantly, at the Joint ACP-EU Council at its meeting on December 8th.

Proposal for a

COUNCIL DECISION

on the position to be adopted by the Community within the ACP-EC Council of Ministers on granting exceptional aid to the highly indebted ACP countries

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 310 and 300 thereof,

Having regard to the proposal from the Commission¹,

Whereas:

- (1) Article 30 of the Fourth ACP-EC Convention, as amended by the agreement signed in Mauritius on 4 November 1995, establishes a Council of Ministers with powers to make decisions in accordance with the Convention;
- (2) The Community's position within the ACP-EC Council of Ministers should be established with a view to the adoption by the latter of a decision on the Community's participation in the debt relief initiative for the highly indebted poor countries,

HAS ADOPTED THIS DECISION:

Article 1

The position adopted by the Community within the ACP-EC Council of Ministers on the Community's participation in the debt relief initiative for the highly indebted poor countries (HIPC) shall be based on the attached draft Council of Ministers Decision.

Article 2

Minor amendments to the draft Decision may be agreed without the need for a further Council decision.

Article 3

The Commission shall report regularly to the Council and Parliament on the implementation of the attached ACP-EC Council of Ministers Decision.

¹ OJ C ...

The Economic and Financial Committee shall be informed of the implementation of this Decision.

This Decision is addressed to the Member States.

Done at Brussels,

*For the Council
The President*

ANNEX

Proposal for a

DECISION OF THE ACP-EC COUNCIL OF MINISTERS

on exceptional aid for highly-indebted ACP countries

THE ACP-EC COUNCIL OF MINISTERS,

Having regard to the fourth ACP-EC Convention, as amended by the Agreement signed in Mauritius on 4 November 1995, and in particular Article 282(5) thereof,

Whereas:

- (1) The ACP countries have consistently and repeatedly pressed for more ambitious initiatives to reduce their external debt;
- (2) At the G7 summit in Cologne in June 1999 ministers approved an enhanced initiative to provide *faster, deeper and broader* debt relief; whereas as a result of the proposed improvements the total cost of the initiative is set to double, bringing it to a total of over USD 27.4 billion;
- (3) On 26 October 1999 the Commission adopted communication COM(1999)518 on Community participation in the debt relief initiative for highly indebted poor countries (HIPCs), hereinafter referred to as the "Communication";
- (4) Although significant sums have been pledged to finance the HIPC initiative, further resources still need to be mobilised to cover the full amount of the multilateral share of the enhanced initiative;
- (5) Unallocated programmable resources from the eighth EDF and its predecessors are available for this purpose;
- (6) At the annual World Bank/IMF meetings in Washington in September 1999 the donor community took an ambitious set of political decisions closely linking poverty alleviation strategies, structural adjustment programmes and the debt reduction initiative;
- (7) A significant Community contribution to the HIPC Trust Fund managed by the World Bank would play a crucial part in ensuring the overall success of this initiative;
- (8) In this context separate decisions will be adopted in accordance with the appropriate procedures to deal with the external indebtedness of HIPCs other than members of the ACP group, and budget resources should be used for this purpose as part of the Community's development aid policy for the countries of Asia and Latin America;

- (9) The conclusions of the meeting held in Accra on 13 November 1999 between the Commission and the ACP Development Finance Cooperation Ministerial Committee have been taken into account;
- (10) A decision of the ACP-EC Council of Ministers is required in order to mobilise the above-mentioned programmable resources,

HAS DECIDED AS FOLLOWS:

Article 1

Unallocated programmable resources from the eighth EDF and earlier Funds may be used in the form of grants for the following purposes:

- i) meeting the outstanding debt and debt servicing obligations to the Community of the first ACP countries which qualify under the HIPC initiative (EUR 320 million);
- ii) contributing to the overall financing of the HIPC initiative by providing up to EUR 626 million for the HIPC Trust Fund managed by the World Bank.

Article 2

The aid referred to in Article 1(i) will be used for ACP countries currently expected to qualify (i.e. reach their decision point) before 2001. For countries which qualify at a later date it will if necessary be supplemented from further available EDF resources on the basis of a further ACP-EC Council decision.

In line with other major multilateral creditors the Community will also use these resources to alleviate the debt servicing burden in the interim period of the HIPC initiative, on the understanding that this contribution will be deducted from the relief it is to provide subsequently at completion point.

Article 3

The aid referred to in Article 1(ii) will be mobilised in accordance with a schedule and arrangements to be laid down by the Commission taking into account both the needs of the countries concerned and actual disbursements made by other donors.

Without prejudice to the use of resources from the Community budget for the benefit of non-ACP countries, the contribution referred to in Article 1(ii) will be assigned solely to ACP countries, with particular reference to the needs of the African Development Bank.

Article 4

The resources referred to in Article 1(i) and (ii) will be mobilised in accordance with the rules and procedures for the implementation of financial cooperation under the Lomé Convention.

Special arrangements will be made to use the new budgetary margin of manoeuvre generated by the Community's contribution for the development of social sectors in the ACP countries and for poverty alleviation.

Article 5

The Commission is requested to take the measures necessary to give effect to this Decision, which shall enter into force on the day it is adopted.

Done at

*For the ACP-EC Council of Ministers
The President*