



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 30.11.1999
COM(1999) 647 final

Proposal for a

COUNCIL DECISION

**on the position to be adopted by the Community within the ACP-EC Council of
Ministers on a decision to increase the Structural Adjustment Facility**

(presented by the Commission)

EXPLANATORY MEMORANDUM

At the G7 Summit in Cologne in June 1999, 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 1999, 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 1999 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 Cooperation 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 a decision to increase the Structural Adjustment Facility

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from the Commission,

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 increasing the Structural Adjustment Facility,

HAS ADOPTED THIS DECISION:

Article 1

The position adopted by the Community in the ACP-EC Council of Ministers on increasing the Structural Adjustment Facility 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.

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 increasing the Structural Adjustment Facility

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, in particular Article 282(5) thereof,

Whereas:

- (1) On 6 July 1998 the Council of the European Union adopted a decision on the European Community's participation in the debt initiative for the highly indebted poor countries (HIPC) which involved a Community action as a donor in the form of a 15% bonus on top of the basic Structural Adjustment Facility allocation;
- (2) At its summit in Cologne in June 1999 the G7 stressed that the social dimension of the HIPC initiative should be brought more to the fore;
- (3) On 26 October 1999 the Commission adopted Communication COM(1999) 518 on the question of the Community's contribution to the HIPC initiative (hereinafter referred to as "the Communication") in which it proposed a substantial increase in the SAF allocation as part of the Community's contribution to the HIPC initiative;
- (4) In view of the large number of countries who will become eligible for the initiative over the next two years, there will not be a sufficient margin to cover these bonuses by reallocating funds within the SAF allocation unless the overall amount in the SAF is increased;
- (5) Apart from this, SAF resources will be insufficient before the entry into force of the next EDF to cover the needs of ACP countries implementing economic reforms;
- (6) The unallocated programmable resources from the eighth and previous EDFs are available for this purpose;
- (7) At the meeting in Accra on 13 November 1999 between the ACP Ministerial Development Finance Co-operation Committee and the Commission, the ACP countries stressed the need for an increase in the SAF (as the Commission had done in its Communication), and whereas they asked for an immediate increase in the SAF of at least EUR 250 million;
- (8) A decision of the ACP-EC Council of Ministers is needed to mobilise these EDF resources,

HAS ADOPTED THIS DECISION:

Article 1

EUR 250 million of unallocated programmable resources from the Eighth and previous EDFs shall be used to increase the Structural Adjustment Facility allocation under the eighth EDF.

Article 2

These resources shall be mobilised in accordance with the rules and procedures for the implementation of financial co-operation under the Lomé Convention.

Article 3

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

Done at

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