

Procedure file

Basic information	
COS - Procedure on a strategy paper (historic) 1997/2053(COS)	Procedure completed
Development cooperation: exceptional aid for heavily indebted ACP countries, HIPC Initiative	
Subject 6.30 Development cooperation 6.40.06 Relations with ACP countries, conventions and generalities	
Geographical area ACP countries	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	DEVE Development and Cooperation		22/04/1997
		PSE TORRES COUTO José Manuel	
	Committee for opinion	Rapporteur for opinion	Appointed
	BUDG Budgets		01/07/1997
		UPE GIANILY Jean-Antoine	
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	2112	06/07/1998
	Research	2067	12/02/1998

Key events			
25/03/1997	Non-legislative basic document published	COM(1997)0129	Summary
09/06/1997	Committee referral announced in Parliament		
26/11/1997	Vote in committee		Summary
26/11/1997	Committee report tabled for plenary	A4-0382/1997	
16/01/1998	Debate in Parliament		
16/01/1998	Decision by Parliament	T4-0047/1998	Summary
16/01/1998	End of procedure in Parliament		
02/02/1998	Final act published in Official Journal		

Technical information

Procedure reference	1997/2053(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 142
Stage reached in procedure	Procedure completed
Committee dossier	DEVE/4/08767

Documentation gateway

Non-legislative basic document	COM(1997)0129 OJ C 141 06.05.1998, p. 0021	25/03/1997	EC	Summary
Committee report tabled for plenary, single reading	A4-0382/1997 OJ C 014 19.01.1998, p. 0004	26/11/1997	EP	
Text adopted by Parliament, single reading	T4-0047/1998 OJ C 034 02.02.1998, p. 0189-0196	16/01/1998	EP	Summary
Supplementary non-legislative basic document	COM(1998)0210 OJ C 141 06.05.1998, p. 0022	07/04/1998	EC	

Development cooperation: exceptional aid for heavily indebted ACP countries, HIPC Initiative

OBJECTIVE: to propose a mechanism allowing 11 heavily-indebted ACP states to lighten their debt to the Community. The proposal constitutes the Community's response to the 'debt initiative' proposed by the World Bank and the IMF with a view to reducing the debt burdens of certain heavily-indebted poor countries (HIPC). **SUBSTANCE:** in autumn 1996 the World Bank and the International Monetary Fund decided to implement an international action programme to help heavily-indebted poor countries (the HIPC Debt Initiative), so as to help them pursue sound policies aimed at growth and focus on sustainable development and the fight against poverty. At the moment, 13 countries are listed as eligible for this type of assistance, including 11 ACP states on which the Community has claims. These are Burundi, Ethiopia, Guinea-Bissau, Madagascar, Mozambique, Niger, Rwanda, Sao Tome e Principe, Uganda, Zaire and Zambia (the other two, on which the Community does not have any claims, are Myanmar and Nicaragua). The Community contribution to this initiative would aim at: 1) providing additional support for the process of structural adjustment, decided on a case-by-case basis for each country; 2) envisaging support for operations to re-purchase the commercial debt; 3) reinforcing debt management support measures; 4) reducing the present net value of the debt of the ACP states to the Community by refinancing existing claims through non-repayable grants. To benefit from the initiative, the countries concerned should provide evidence of a good economic performance over a certain period. The Community claim on these countries amounts to ECU 595 million in nominal terms, of which special EDF loans account for 69%, risk capital for 30%, and EIB loans on own resources for 1%. The present value of these claims amounts to about ECU 300 million. The cost of the support initiative to the Community would be around ECU 150 million. In concrete terms, this means that the cost of this debt relief mechanism, on average, would not exceed a few tens of millions of ECU per year. As far as the Commission is concerned, an allocation of ECU 25 million per year for the four years from 1997 to 2000 (total of ECU 100 million) would appear to be sufficient to cover needs. The Commission proposes that the cost of debt relief incurred by the Community be covered by the allocation of reflows from EDF-financed loans. A Council decision authorizing this would be consistent with the internal agreement on the financing and administration of Community aid within the framework of Lomé IV. ?

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A high level of indebtedness and debt-servicing seriously impedes the economic and social development of the developing countries and debt repayment can lead to an export-led economy which endangers the domestic economy because it is geared to earning foreign exchange. The report by José TORRES COUTO (PES, P), adopted by the Committee, expresses the view that relief should be provided not only for bilateral but for multilateral debts. It agrees with the definition of "debt sustainability" ie. capacity to fulfil obligations punctually without jeopardizing economic growth but calls for human development and social indicators to be included in the definition alongside macroeconomic indicators. It supports the establishment of a connection between successful and sustainable economic reform and debt relief. Developing countries should give undertakings regarding the environment, combating poverty, supplying basic needs and other development projects in return for relief measures. The committee supports the Commission's proposal for the establishment of a single fund for all instruments, which would be managed by the EIB in parallel with the HIPC Trust Fund managed by the IDA. It has also asked the Council to refinance the debt of eligible countries from repayments or earlier loans. ?

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In adopting the report by Mr José Manuel TORRES COUTO (PSE, P) on debt relief in heavily indebted ACP States, the European Parliament asked to be formally consulted about the Commission's proposal concerning Exceptional Assistance for the Heavily Indebted ACP countries,

which was annexed to the communication. It welcomed the proposal, approved its contents and called on the Council to adopt it as soon as possible. It endorsed the efforts which had been made to reduce both the bilateral and multilateral debt of the ACP countries (whereas multilateral debt had hitherto been regarded as inviolable), and called for a more flexible and development-oriented use of the various criteria for debt reduction, especially for countries in extreme positions. It called, in particular, for human development and social indicators to be included in the definition of debt sustainability alongside macroeconomic indicators and a country's capacity to fulfil obligations punctually. It called for the establishment of a connection between successful and sustainable economic reform and debt relief but advocated that relief measures be implemented at the earliest possible opportunity. In appropriate cases, it believed that the developing countries should give undertakings regarding the environment, combating poverty, supplying basic needs and other development projects in return for relief measures. It took the view that the proposed measures would be inadequate to provide all developing countries with the relief they required for the implementation of solid economic and social reforms and called for other countries, especially those in a difficult debt situation, to be included in a debt-relief programme. The Member States should adopt a common strategy in this field. Parliament endorsed the Commission's proposal for the establishment of a single fund for all instruments, and for this fund to be managed by the EIB in parallel with the HIPC Trust Fund managed by the IDA. It called on the Council to refinance the debt of eligible countries from repayments of earlier loans.?