

Procedure file

Basic information	
COS - Procedure on a strategy paper (historic) 2001/2158(COS)	Procedure completed
ACP heavily indebted poor countries HIPC: special loans, debt alleviation	
Subject 6.30.02 Financial and technical cooperation and assistance 6.30.04 Loans to third-countries, Guarantee Fund 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		26/06/2001
		PPE-DE MANTOVANI Mario	
	Committee for opinion	Rapporteur for opinion	Appointed
	BUDG Budgets	The committee decided not to give an opinion.	
Council of the European Union	Council configuration	Meeting	Date
	General Affairs	2346	14/05/2001
European Commission	Commission DG Development	Commissioner	

Key events			
11/04/2001	Non-legislative basic document published	COM(2001)0210	Summary
03/09/2001	Committee referral announced in Parliament		
21/02/2002	Vote in committee		Summary
21/02/2002	Committee report tabled for plenary	A5-0075/2002	
25/04/2002	Debate in Parliament		
25/04/2002	Decision by Parliament	T5-0209/2002	Summary
25/04/2002	End of procedure in Parliament		
05/06/2003	Final act published in Official Journal		

Technical information

Procedure reference	2001/2158(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/5/15121

Documentation gateway

Non-legislative basic document		COM(2001)0210	11/04/2001	EC	Summary
Committee report tabled for plenary, single reading		A5-0075/2002	21/02/2002	EP	
Text adopted by Parliament, single reading		T5-0209/2002 OJ C 131 05.06.2003, p. 0019-0167 E	25/04/2002	EP	Summary

ACP heavily indebted poor countries HIPC: special loans, debt alleviation

PURPOSE : to adopt the Community's position within the ACP/EC Council of Ministers regarding the settlement of all ACP HIPC LDCs' special loans remaining after full application of HIPC debt alleviation mechanisms. **CONTENT** : at the G7 Summit in Cologne in June 1999, it was decided that the initiative for heavily indebted poor countries ("HIPC") agreed in 1996 be enhanced in order to provide for faster, deeper and broader external debt relief. Within this context, the Community and the ACP countries decided in December 1999 that a contribution from EDF resources of the order of magnitude of EUR 1 billion be made in favour of the enhanced HIPC Initiative. In addition, the Council decided that a contribution of EUR 54 million be made towards the HIPC Trust Fund in favour of Latin American and Asian countries eligible for HIPC debt relief. The Community decided to make such a massive contribution to the HIPC Trust Fund in order to actually allow some Multilateral Development Banks, and specifically the AfDB, to face the significant increase of cost related to the enhancement of the HIPC Initiative. The EC decision was also decisive in allowing the AfDB to offer interim relief within the framework of the initiative. In a context where overall donor contributions to the Trust Fund were, and still are, insufficient, the EC decision was thus instrumental in effectively and rapidly alleviating debt burden, and freeing accordingly new resources for poverty alleviation and additional social spending. This of course had a particular significance for LDCs, which are the most vulnerable among the HIPCs. It is to be noted that the EC contribution represents about the third of total paid-in contributions to the HIPC Trust Fund so far. Since the putting in place of the enhanced HIPC framework by the World Bank and the IMF, important progress has been made in the implementation of the Initiative. However, further progress in the implementation of the enhanced HIPC Initiative and related debt-relief measures in favour of the beneficiary poor countries should remain high on the agenda of G7 discussions. The Least Developed Countries (LDCs) constitute the majority of the HIPC countries. As a group they represent 48 of the poorest nations on earth. This group of countries constitute a marginalised section of the global economy notably in terms of trade and investment. In addition, their domestic resources are limited and their institutional capacities weak. Their reliance on foreign assistance is high. In short, their economies are extremely fragile. In order to go a step further in the context of the evolving international consensus on debt alleviation and in order to respond to growing concerns in the international community regarding the increased marginalisation of LDCs in the world economy, the Community is now willing to propose the total alleviation of all remaining special loans granted and defined under the First to the Third Lomé Conventions to least developed ACP countries after agreed debt relief under the enhanced HIPC framework. ?

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The committee adopted the report by Mario MANTOVANI (EPP-ED, I) on the Commission communication. It pointed out that many loans had been granted to the ACP countries in recent years to enable them to service their debt rather than for the purpose of fresh investment. This vicious circle was hampering the development of those countries, which were increasingly affected by the world economic slowdown following 11 September 2001. The Commission's proposal was therefore to be welcomed, although MEPs said that the enhanced HIPC initiative was still inadequate in the current context of economic globalisation. Moreover, this initiative, and debt-relief measures in general, should not serve as a pretext for a reduction in development aid. In this context, MEPs recalled the EU Member States' commitment to work rapidly towards achieving the UN target of 0.7% of GNP in official development assistance. They added that trade was also an important source of growth and poverty reduction and that greater access to markets would provide a major boost to development. The committee believed that the process of public debt relief should be speeded up and taken further in countries whose governments respected human rights and the principles of good governance and gave priority to eradicating poverty. Whatever additional funds governments gained through debt relief should be allocated to social expenditure in areas such as basic education and primary healthcare, AIDS, etc. The Commission and the Member States were also urged to offer technical assistance to the ACP countries so that they could devise debt management schemes. The report stressed that the success of the HIPC initiative required coordination between the various donors and creditors so that the burden of implementing debt-relief plans was fairly distributed. Strict supervision of the operation of the HIPC mechanisms and additional debt-relief measures was also essential to combat corruption and the misuse of funds. Lastly, the committee called for the EDF to be incorporated into the EU's overall development budget, which would help increase the transparency and consistency of the EU's external actions. ?

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The European Parliament adopted the resolution by Mario MANTOVANI (EPP-ED, Italy) on HIPC debt alleviation. (Please refer to the document dated 21/02/02.) Parliament pointed out that the EU's average ODA contribution dropped from 0.45% in 1990 to 0.33% in 2001. The EU has set a binding ODA target for Member States which is intended to bring the Community average up to 0.39% of GDP by 2006, as an interim step towards reaching the UN target of 0.7% of GDP, as certain individual Member States already have. Parliament felt that the EU should decide on a mandatory time-frame for reaching this target by 2010. It added that trade liberalisation aimed at economic growth must be carried out within a framework which guarantees equity for countries and promotes sustainable use of the environment and its resources. The urgent need for technology cooperation and technology transfer with development countries is emphasised, as is the need for a stable investment climate. Trade is one of the most important external sources of development financing. Trade barriers, subsidies and other trade-distorting measures, particularly in sectors of special export interest to developing countries, including agriculture, should be assessed with a view to being eliminated. Finally, Parliament reaffirmed the EU undertaking that 35% of the 2002 EU development budget should be spent on health and education, as fundamental elements of poverty eradication.?