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

2001/2158(COS) - 11/04/2001 - Non-legislative basic document

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 leviation 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 underthe enhanced HIPC framework.