

# COMMISSION OF THE EUROPEAN COMMUNITIES

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Brussels, 16 January 1991

RELIEF OF ACP DEBT

TO THE COMMUNITY

- Commission communication to the Council -

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1. On 19 November 1990 the Commission sent the Council a communication containing its proposals concerning the relief of the debt of ACP countries to the Community.

This communication contains the requisite legal instruments.

2. The Commission

- invites the representatives of the governments of the Member States meeting within the Council to decide to cancel special loans, except those to profit-making firms, notably mining firms, by adopting the draft internal agreement contained in Annex 1,
- asks the Council to
  - . propose to the ACP States that the obligation to replenish STABEX resources be removed, in accordance with the draft joint position contained in Annex 2,
  - . decide to recycle into EDF resources all repayments of risk capital granted under Yaoundé or Lomé I, II or III, and repayments of certain special loans, by adopting the draft Council decision contained in Annex 3,
  - . confirm its political will to take a similar decision for Lomé IV risk capital and to adopt the draft Council decision contained in Annex 4 as soon as the new Convention enters into force.

DRAFT

INTERNAL AGREEMENT

on the cancellation and conversion  
into grants of  
special loans to the ACP States

signed on .....

THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES MEETING WITHIN  
THE COUNCIL,

Having regard to the Treaty establishing the European Economic Community,

Whereas the first and second Yaoundé Conventions and the first, second and  
third Lomé Conventions provide for the financial instruments of the  
European Development Fund to include special loans to ACP States;

Whereas Article 9(1) of the 1985 Internal Financing Agreement provides that  
payments made in respect of special loans granted to ACP States after  
1 June 1984 are to be credited to the Member States, unless the Council  
decides unanimously, on a proposal from the Commission, to place them in  
reserve or allocate them to other operations;

Whereas the debt problem is a destabilizing factor for the economies of the  
ACP States, a threat to their social cohesion and a brake on their  
long-term development;

Whereas the Member States have already taken bilateral and multilateral  
measures to relieve the debt of developing countries;

Whereas since 1988 the Community itself has participated in the special  
programme of assistance coordinated by the World Bank by means of its  
special programme to aid certain highly indebted, low-income countries of  
sub-Saharan Africa;

Whereas particular attention was paid to the debt problems of certain  
middle-income countries at the Houston summit in July 1990;

Whereas, under the fourth Lomé Convention, measures have been agreed concerning the relief of the debt of ACP States by converting special loans and the Sysmin facility into grants and by abandoning the replenishment of STABEX resources;

Whereas, at its September 1990 session, the ACP-EEC Joint Assembly adopted a resolution expressing support for all measures aimed at finding a long-term, equitable solution to the debt problem and calling for the debts contracted by ACP States with the Community to be cancelled;

Whereas, at its October 1990 part-session, the European Parliament adopted a resolution also calling for concrete initiatives to be taken to that end;

Whereas coherent arrangements must be adopted for the operation of the various European Development Fund instruments in line with the spirit of the fourth Lomé Convention;

Whereas the burden of the debt of ACP States to the Community should be alleviated and the creation of new debts of those States to the Community should be avoided,

After consulting the Commission,

HAS DECIDED AS FOLLOWS:

#### Article 1

1. Obligations to repay capital and interest falling due after the date on which the current internal agreement takes effect in respect of special loans granted to the Government of an ACP State or a regional body and signed between 1 June 1964 and the date referred to above are hereby cancelled. Where the loans have been onlent, this shall not affect the obligations of the Government and the final recipient resulting from such onlending.
2. Obligations referred to in paragraph 1 with respect to special loans the direct recipient of which is a national or regional financial intermediary or a public or semi-public body shall be assigned by the Community to the ACP States concerned. The income which the ACP States concerned receive as a result of such assignment shall be governed by the rules applicable, in the Convention concerned, to profit accruing to the State as a result of the onlending of a loan to a final recipient.

Article 2

1. Amounts earmarked for special loans in respect of which the loan contract has not been signed by the date referred to in Article 1 and the recipient of which is one of the entities covered by Article 1 shall be granted to the governments or via the governments in grant form.
2. The income which an ACP State receives as a result of the onlending of such grant aid in the form of aids to final recipients shall be governed by the relevant provisions of the Convention concerned.

Article 3

Repayments of capital and interest in respect of special loans granted or to be granted to profit-making firms, notably mining firms, shall continue to be payable.

Done at Brussels,

PROPOSAL FOR A JOINT POSITION

on

the removal of the obligation for ACP States, except the least-developed ACP States, to contribute to the replenishment of the resources of the System for the stabilization of export earnings (STABEX) under the first, second and third ACP-EEC Conventions of Lomé

Explanatory memorandum

1. To alleviate the debt of ACP States to the Community, the fourth ACP-EEC Convention of Lomé ended the obligation previously imposed on all ACP States other than those classified as "least-developed" to contribute to the replenishment of STABEX resources.

The Commission proposes that transfers subject to this obligation under Lomé I, II and III which have not yet been repaid should henceforth be subject to the same conditions as apply under Lomé IV.

2. This adjustment concerns a nominal amount of ECU 899 million. At the end of 1990 this breaks down as follows:
  - (i) in the case of 5 payments totalling ECU 54.2 million, the specific criteria triggering replenishment have been fulfilled; at the end of a 2-year grace period these transfers will fall due in annual instalments of one fifth of the amounts triggered;
  - (ii) in the case of 10 transfers totalling ECU 116.2 million, the period of contractual observation of the said criteria has elapsed without result: these transfers are currently awaiting a decision of the ACP-EEC Council of Ministers;
  - (iii) the remaining transfers, totalling ECU 728.5 million, are currently in the observation phase (7 years).

Over the next few years

- transfers for which the replenishment criteria are met will move to category (i),
- where the replenishment criteria are not met

\* transfers under Lomé II will move to category (ii): this potentially concerns ECU 72.9 million;

- \* the replenishment of transfers under Lomé III will be automatically abandoned; this potentially concerns ECU 655.6 million.

3. Thus the only effective claims which the Community currently has under STABEX amount to ECU 54.2 million. The economic situation in the countries concerned is such that replenishment would demand major sacrifices.

Since any decision to recover transfers in category (ii) requires the agreement of the ACP States, the replenishment of these transfers will remain blocked without any hope of a solution.

It is highly unlikely that the replenishment criteria will be met for all the transfers in category (iii). Replenishment of transfers for which the criteria are not fulfilled would thus be subject to a decision of the ACP-EEC Council of Ministers (whose willingness to agree to replenishment is unlikely to grow), or automatically abandoned.

Thus the real consequences of removing the replenishment obligation are likely to be minimal. Nevertheless, such an initiative will undoubtedly have a political impact, particularly if it comes in support of a more wide-ranging initiative on the debt of the ACP States to the Community.

4. In conclusion, the Commission proposes that the Council:
  - adopt the Commission proposal as the Community position with a view to a decision of the ACP-EEC Council of Ministers,
  - propose that the ACP States adopt the attached ACP-EEC Decision.



Draft

Decision No  
of the ACP-EEC Council of Ministers  
of

on the removal of the obligation for ACP States, except the least-developed ACP States, to contribute to the replenishment of the resources of the System for the stabilization of export earnings (STABEX) under the first, second and third ACP-EEC Conventions of Lomé

THE ACP-EEC COUNCIL OF MINISTERS,

Having regard to the first ACP-EEC Convention, signed in Lomé on 28 February 1975, and in particular Article 21(4) thereof,

Having regard to the second ACP-EEC Convention, signed in Lomé on 31 October 1979, and in particular Articles 35 and 44 thereof,

Having regard to the third ACP-EEC Convention, signed in Lomé on 8 December 1984, and in particular Article 156 thereof,

Whereas the debt problem is a destabilizing factor for the economies of the ACP States, a threat to their social cohesion and a brake on their long-term development;

Whereas any commitment to contribute to the replenishment of Stabex resources has been abandoned under the fourth ACP-EEC Convention of Lomé;

Whereas the provisions on the obligation to contribute to the replenishment of Stabex resources in the first, second and third ACP-EEC Conventions of Lomé can in some cases have major financial implications for the ACP States concerned, thereby increasing their debt burden,

Whereas the ACP States' obligation to contribute to the reconstitution of STABEX system resources should be cancelled,

HAS DECIDED AS FOLLOWS:

Article 1

1. The obligation under the first, second and third Lomé Conventions for ACP States other than least developed States to contribute to the replenishment of the resources from which they have benefited by means of Stabex transfers is hereby removed.
  
2. This Decision concerns all the amounts concerned which are:
  - subject to a decision of the ACP-EEC Council pursuant to Article 21(4) of the first Convention or Article 44 of the second Convention,
  - payable after the date on which the current decision is adopted in annual instalments pursuant to Article 43(4) of the second Convention and Article 174 of the third Convention,
  - subject to annual examination by the Commission pursuant to Article 43(2) of the second Convention or Article 173(2) of the third Convention.

Article 2

The ACP States, the Member States and the Community, are obliged, each for their part, to take appropriate measures in order to implement this decision.

Article 3

This Decision shall enter into force on the day on which it is adopted.

Proposal for a  
COUNCIL DECISION  
of  
on the recycling of repayments  
in respect of certain special loans and risk capital  
made available to ACP States

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to the first AASM-EEC Convention of Association, signed in Yaoundé on 20 July 1963,

Having regard to the second AASM-EEC Convention of Association, signed in Yaoundé on 29 July 1969,

Having regard to the first ACP-EEC Convention, signed in Lomé on 28 February 1975,

Having regard to the second ACP-EEC Convention, signed in Lomé on 31 October 1979,

Having regard to the third ACP-EEC Convention, signed in Lomé on 8 December 1984,

Having regard to the 1985 Internal Agreement on the Financing and Administration of Community Aid, hereinafter referred to as the "Internal Agreement", and in particular Article 9(1) thereof,

Having regard to the proposal from the Commission,

Whereas the debt problem is a destabilizing factor for the economies of the ACP States, a threat to their social cohesion and a brake on their long-term development;

Whereas the Member States have already taken bilateral and multilateral measures to relieve the debt of developing countries;

Whereas since 1988 the Community itself has participated in the special programme of assistance coordinated by the World Bank by means of its special programme to aid certain highly indebted, low-income countries of sub-Saharan Africa;

Whereas particular attention was paid to the debt problems of certain middle-income countries at the Houston summit in July 1990;

Whereas, under the fourth Lomé Convention, measures have been agreed concerning the relief of the debt of ACP States by converting special loans and the Sysmin facility into grants and by abandoning the replenishment of STABEX resources;

Whereas, at its September 1990 session, the ACP-EEC Joint Assembly adopted a resolution expressing support for all measures aimed at finding a long-term, equitable solution to the debt problem and calling for the debts contracted by ACP States with the Community to be cancelled;

Whereas, at its October 1990 part-session, the European Parliament adopted a resolution also calling for concrete initiatives to be taken to that end;

Whereas the Community should be given supplementary resources enabling it to respond flexibly to the debt problems of the ACP States,

HAS DECIDED AS FOLLOWS:

#### Article 1

The payments, proceeds and income from the ACP States with respect to risk capital operations and special loans granted or to be granted to profit-making firms, notably mining firms, referred to in Article 9(1) of the 1985 Internal Agreement, increased where appropriate by the interest on credit balances calculated in accordance with the terms of the exchange of letters of 30 May 1985 and 9 July 1985 between the President of the European Investment Bank and the president of the Council of the European Communities shall, after deduction of the commissions due to the European Investment Bank, be recycled, from the date on which the current decision takes effect, into European Development Fund resources.

#### Article 2

The payments, proceeds and income referred to in Article 1 shall be allocated to the financing of non-project grant aid to ACP States, aimed in particular at:

- overcoming balance of payments constraints by financing import programmes and the like,

- supporting operations to reduce external debt or debt service by repurchasing commercial debts and like operations.

The latter type of support will be undertaken in close cooperation with the World Bank and IMF.

#### Article 3

Such aid will be granted by the Commission after consulting the Member States, in accordance with the rules in force for the management of the EDF.

#### Article 4

Such aid may be granted to ACP States:

- whose debt burden seriously compromises their capacity to import and their level of investment,
- which are eligible for structural adjustment support pursuant to Article 246 of the fourth Lomé Convention,
- which have concluded a rescheduling agreement with the Paris Club or a sustainable debt rescheduling agreement with private creditors, in the case of support for operations to reduce debt or debt service.

#### Article 5

This Decision shall be published in the Official Journal of the European Communities. It shall take effect on the day following that of its publication.

Done at Brussels,

For the Council  
The President

Proposal for a

COUNCIL DECISION

of

on the recycling of repayments  
in respect of risk capital  
made available to ACP States

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to the fourth ACP-EEC Convention, signed in Lomé on  
15 December 1989,

Having regard to the [ ] Internal Agreement on the Financing and  
Administration of Community Aid, hereinafter referred to as the "Internal  
Agreement", and in particular Article 9(1) thereof,

Having regard to the proposal from the Commission,

Whereas the debt problem is a destabilizing factor for the economies of the  
ACP States, a threat to their social cohesion and a brake on their  
long-term development;

Whereas the Member States have already taken bilateral and multilateral  
measures to relieve the debt of developing countries;

Whereas since 1988 the Community itself has participated in the special  
programme of assistance coordinated by the World Bank by means of its  
special programme to aid certain highly indebted, low-income countries of  
sub-Saharan Africa;

Whereas particular attention was paid to the debt problems of certain  
middle-income countries at the Houston summit in July 1990;

Whereas, under the fourth Lomé Convention, measures have been agreed concerning the relief of the debt of ACP States by converting special loans and the Sysmin facility into grants and by abandoning the replenishment of STABEX resources;

Whereas, at its September 1990 session, the ACP-EEC Joint Assembly adopted a resolution expressing support for all measures aimed at finding a long-term, equitable solution to the debt problem and calling for the debts contracted by ACP States with the Community to be cancelled;

Whereas, at its October 1990 part-session, the European Parliament adopted a resolution also calling for concrete initiatives to be taken to that end;

Whereas the Community should be given supplementary resources enabling it to respond flexibly to the debt problems of the ACP States,

HAS DECIDED AS FOLLOWS:

#### Article 1

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The proceeds and income referred to in Article 1 shall be allocated to the financing of non-project grant aid to ACP States, aimed in particular at:

- overcoming balance of payments constraints by financing import programmes and the like,

- supporting operations to reduce external debt or debt service by repurchasing commercial debts and like operations.

The latter type of support will be undertaken in close cooperation with the World Bank and IMF.

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- whose debt burden seriously compromises their capacity to import and their level of investment,
- which are eligible for structural adjustment support pursuant to Article 246 of the fourth Lomé Convention,
- which have concluded a rescheduling agreement with the Paris Club or a sustainable debt rescheduling agreement with private creditors, in the case of support for operations to reduce debt or debt service.

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Done at Brussels,

For the Council  
The President