



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 25.10.2002
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Proposal for a

COUNCIL DECISION

on the position to be adopted by the Community within the ACP-EC Council of Ministers regarding a decision on the reallocation of unallocated resources as well as uncommitted interest subsidies from the eighth European Development Fund

(presented by the Commission)

EXPLANATORY MEMORANDUM

Decision No 1/2000 of the ACP-EC Council of Ministers of 27 July 2000¹ laying down transitional measures for the period from 2 August 2000 until the entry into force of the Cotonou Agreement provides for advance application of the Agreement and continued application of some of the provisions of the revised fourth Lomé Convention.

In accordance with the decision on transitional measures, the ACP-EC Council of Ministers took Decisions Nos 3/2000 of 15 December 2000² and 10/2001 of 20 December 2001³ (by delegation of powers to the Committee of Ambassadors) on the use of unallocated resources from the 8th EDF, in order to ensure certain activities pending the entry into force of the 9th EDF. Since the 9th EDF did not enter into force in June 2002, as planned, there are a number of activities that are not covered by these decisions on which the ACP-EC Council of Ministers must decide.

The enclosed draft decision provides for the allocation of € 54.2 million of unallocated resources as well as € 200 million of uncommitted interest subsidies from the eighth EDF to the following purposes:

1. RESOURCES FOR INTERNATIONALLY AGREED DEBT REDUCTION INITIATIVES

By Decisions Nos 1/1999 of 8 December 1999⁴ and 2/2001 of 20 December 2001,⁵ the ACP-EC Council of Ministers allocated resources to debt alleviation mechanisms in favour of highly indebted ACP countries for a total amount of €1,060 million.⁶ These resources were intended to (i) cover the overall financing of the initiative in favour of Highly Indebted Poor Countries (HIPC) to the amount of €680 million and (ii) meet the outstanding debt and debt-servicing obligations to the Community of ACP countries which qualify under the HIPC initiative for a total amount of €380 million. In order to allow for the continuation of the support of the Community to the initiative taken in 1999 and supplemented in 2001, it is proposed that an amount of at least €125 million be transferred from uncommitted interest subsidies to assistance to ACP countries which qualify under the HIPC initiative.⁷ These resources will be used as a priority for outstanding debt and debt-servicing obligations to the Community.

2. CONFLICT PREVENTION AND RESOLUTION AND PEACE-BUILDING

The Community and the ACP States have agreed to pursue an active, comprehensive and integrated policy of conflict prevention and resolution and peace-building. Within this framework there is a need to support countries emerging from cross-border conflicts and help them consolidate their peace efforts. By Decision No 10/2001 the ACP-EC Committee of

¹ OJ L 195, 1.8.2000, p. 46. This decision was extended by Decision No 1/2002 of the ACP-EC Council of Ministers of 31 May 2002.

² OJ L 8, 12.1.2001, p. 38.

³ OJ L 50, 21.2.2002, p. 62.

⁴ OJ L 103, 28.4.2000, p. 73.

⁵ OJ L 56, 27.2.2002, p. 19.

⁶ The Community gave further contributions to the HIPC initiative from EDF interests (€40 million) and from the Budget (€54 million, in favour of Latin American and Asian countries).

⁷ On entry into force of the ninth EDF, this amount will be supplemented from any uncommitted balances from the allocations mentioned under headings 3, 4 and 5.

Ambassadors allocated €50 million for this purpose. Given the substantial needs for assistance in this field, it is proposed that a supplementary amount of €25 million be transferred from uncommitted interest subsidies to support for conflict prevention and resolution, in accordance with Article 11(2) and (3) of the ACP-EC Partnership Agreement, which was put into early application by Decision No 1/2000 of the ACP-EC Council of Ministers.

3. RISK CAPITAL OPERATIONS

By Decision No 2/2000 of 15 December 2000,⁸ the ACP-EC Council of Ministers decided to allocate €300 million from unallocated resources and uncommitted interest subsidies to risk capital operations, in addition to the initial allocation under the Financial protocol of the revised fourth Lome Convention. This decision was taken in order to ensure that sufficient resources are available for operations of this type, pending the entry into force of the 9th EDF. However, according to forecasts from the European Investment Bank, which manages risk capital operations, resources currently available for risk capital operations would not be sufficient to cover the needs until the entry into force of the 9th EDF, which is not scheduled before early 2003. It is therefore proposed that a supplementary amount of €50 million be transferred from uncommitted interest subsidies to risk capital operations.

The enclosed draft decision provides that, on entry into force of the 9th EDF, any uncommitted balances from the 8th EDF allocation for risk capital operations will be used for debt reduction.

4. CENTRE FOR THE DEVELOPMENT OF ENTREPRISE (CDE)/CENTRE FOR THE DEVELOPMENT OF AGRICULTURE (CTA)

The Decision mentioned above (No 1/2000) on transitional measures provides for advance application of the provisions concerning the CDE and CTA in Annex III to the ACP-EC Partnership Agreement. In line with this decision, Decisions Nos 3/2000 and 10/2001 included allocations for the CDE and CTA for the financial years 2001 and 2002, from unallocated resources from the 8th EDF, as an advance on the 9th EDF (in the Financial protocol of the ACP-EC Partnership Agreement, €90 million of the 9th EDF is earmarked for the CDE and € 70 million for the CTA).

Given that the entry into force of the 9th EDF is unlikely to take place before the beginning of 2003, a new provision should be taken to cover the 2003 financial year for the CDE and the CTA. The total amount necessary for financing the CDE budget in 2003 is estimated at a maximum of €22 million. Since €6.8 million is still available under the 8th EDF, in accordance with the reallocation decisions of December 2000 and December 2001, the CDE would need an additional amount of €15.2 million to cover the 2003 financial year. The requirements of the CTA for the same financial year are €14 million. To make these financial resources available, therefore, it is necessary for the ACP-EC Council of Ministers to authorise the use, in the form of an advance on the 9th EDF, of unallocated resources from the 8th EDF.

⁸ OJ L17, 19.1.2001, p. 20.

The enclosed draft decision provides that, on entry into force of the 9th EDF, any uncommitted balances from the special 8th EDF allocations for the CDE and CTA will be used for debt reduction.

5. REGIONAL COOPERATION

The Financial Protocol attached to the ACP-EC Partnership Agreement earmarks €1,300 million for regional co-operation. The Decision mentioned above (No 1/2000) on transitional measures specifies that, pending the entry into force of the 9th EDF, financial co-operation will be financed with resources from preceding EDFs. Some regions do not have sufficient resources available to implement new projects. It is therefore proposed that the ACP-EC Council of Ministers authorise the use, in the form of an advance on the 9th EDF, of a maximum of €25 million of unallocated resources from the 8th EDF.

As for headings 3 and 4, the enclosed draft decision provides that, on entry into force of the 9th EDF, any uncommitted balances from the special 8th EDF advance allocation for regional co-operation will be used for debt reduction.

For all these reasons, the Commission is proposing that the Council adopt the attached decision on the position to be adopted by the Community within the ACP-EC Council of Ministers regarding a decision on the reallocation of unallocated resources as well as uncommitted interest subsidies from the 8th EDF.

Proposal for a

COUNCIL DECISION

on the position to be adopted by the Community within the ACP-EC Council of Ministers regarding a decision on the reallocation of unallocated resources as well as uncommitted interest subsidies from the eighth European Development Fund

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 310 in conjunction with the second subparagraph of Article 300(2) thereof,

Having regard to the proposal from the Commission,

Whereas:

- (1) Decision No 1/2000 of the ACP-EC Council of Ministers of 27 July 2000, as extended by Decision No 1/2002 of 31 May 2002, laid down transitional measures for the period from 2 August 2000 until the ratification of the Cotonou Agreement. Article 2 of that decision states that provisions of the fourth Lomé convention as revised by the Agreement signed in Mauritius on 4 November 1995, regarding the ACP-EC Council of Ministers' power of decision on the use of unallocated resources from the 6th, 7th and 8th EDFs, remains applicable.
- (2) The position of the Community within the ACP-EC Council of Ministers should be set out with a view to the adoption by the latter of a decision on the use of unallocated resources and uncommitted interest subsidies from the eighth EDF,

HAS DECIDED AS FOLLOWS :

Article 1

The position taken by the Community within the ACP-EC Council of Ministers on the reallocation of unallocated resources as well as uncommitted interest subsidies from the 8th EDF shall be based on the draft decision of the ACP-EC Council of Ministers attached as the annex.

Article 2

Minor changes to the draft decision may be agreed without any need for a further decision by the Council.

Done at Brussels, [...]

For the Council
The President
[...]

ANNEX

Draft

DECISION OF THE ACP-EC COUNCIL OF MINISTERS

on the reallocation of unallocated resources as well as uncommitted interest subsidies from the eighth European Development Fund

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, and in particular Articles 195(b), 219(2)(d), 245(2), 257 and 282(5) thereof,

Having regard to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000,

Whereas:

- (1) By Decision No 1/2000 of 27 July 2000, the ACP-EC Council of Ministers adopted transitional measures for the period from 2 August 2000 until the ratification of the ACP-EC Partnership Agreement, envisaging the anticipated application of certain provisions of the Partnership Agreement as well as the continued application of certain provisions of the fourth Lomé Convention as revised by the Agreement signed in Mauritius on 4 November 1995. Article 2 of that decision states that provisions of the Lomé Convention, regarding the ACP-EC Council of Ministers' power of decision on the use of unallocated resources from the 6th, 7th and 8th EDFs, remain applicable. This decision was extended by Decision No 1/2002 of the ACP-EC Council of Ministers of 31 May 2002.
- (2) By Decisions Nos 1/1999 of 8 December 1999 and 2/2001 of 20 December 2001, the ACP-EC Council of Ministers allocated resources to debt alleviation mechanisms in favour of highly indebted ACP countries for a total amount of €1,060 million. In order to allow for the full implementation of the pledge announced by the Community through the initiative taken in 1999 and supplemented in 2001, it is necessary to allocate supplementary resources to the debt reduction facility.
- (3) To ensure that the Community continues to contribute to efforts of conflict prevention and resolution and peace-building, it is appropriate to allocate supplementary resources to this effect.
- (4) To ensure the continuation of risk capital operations, the necessary funds should be available to cover the financial requirements until the entry into force of the 9th EDF.
- (5) To ensure the continuation of the activities of the Centre for the Development of Enterprise (CDE) and the Centre for the Development of Agriculture (CTA), the necessary funds should be made available to cover the financial requirements for the 2003 financial year.

- (6) To continue the implementation of regional co-operation in regions that have insufficient resources under the 6th, 7th and 8th EDF, the necessary funds should be made available to cover the financial requirements until the entry into force of the 9th EDF.

HAS DECIDED AS FOLLOWS:

Article 1 – Debt relief initiatives

An amount of €125 million shall be taken from uncommitted interest subsidies from the 8th EDF for debt alleviation in favour of highly indebted ACP countries, in accordance with Article 66 of the ACP-EC Partnership Agreement.

Article 2 – Conflict prevention and resolution and peace-building

An amount of €25 million shall be taken from uncommitted interest subsidies from the 8th EDF for actions in the field of conflict prevention and resolution and peace-building, in accordance with Article 11(2) and (3) of the ACP-EC Partnership Agreement.

Article 3 – Risk capital operations

1. An amount of €50 million shall be taken from uncommitted interest subsidies from the 8th EDF for risk capital operations.
2. After entry into force of the Financial Protocol of the ACP-EC Partnership Agreement, any uncommitted balances from the allocation for risk capital operations in paragraph (1) shall be transferred to the debt relief allocation created by Article 1 of the present decision and used for debt alleviation.
3. Until the date of entry into force of the Financial Protocol of the ACP-EC Partnership Agreement, repayments of loans financed from the allocation for risk capital operations in paragraph (1) as well as repayments of loans financed from the allocation for risk capital operations created by Decision No 2/2000 of the ACP-EC Council of Ministers of 15 December 2000 shall be added to the general reserve (unallocated resources) of the 8th EDF. After that date, such repayments shall be added to the Envelope for long-term development as indicated in Article 3(a) of the Financial Protocol.

Article 4 – CDE/CTA

1. The following shall be taken from unallocated 8th EDF resources (general reserve), as an advance on the 9th EDF:
 - A maximum of €15.2 million to contribute to the financing of the CDE budget in 2003
 - A maximum of €14 million to finance the CTA budget in 2003
2. After entry into force of the Financial Protocol of the ACP-EC Partnership Agreement, any uncommitted balances from the allocations in paragraph (1) shall be

transferred to the debt relief allocation created by Article 1 of the present decision and used for debt alleviation.

3. Only the amounts actually committed will be considered as an advance on the 9th EDF.

Article 5 – Regional co-operation and integration

1. An amount of €25 million shall be taken from unallocated 8th EDF resources (general reserve), as an advance on the 9th EDF envelope for regional co-operation and integration, as specified in Article 3(b) of the Financial Protocol of the ACP-EC Partnership Agreement.
2. After entry into force of the Financial Protocol of the ACP-EC Partnership Agreement, any uncommitted balances from the allocation for regional co-operation and integration in paragraph (1) shall be transferred to the debt relief allocation created by Article 1 of the present decision and used for debt alleviation.
3. Only the amounts actually committed will be considered as an advance on the 9th EDF.

Article 6

The Chief Authorising Officer of the EDF is requested to take the measures necessary to give effect to this Decision, which shall enter into force on the day it is adopted.

Done at

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