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Aid to Africa: the resignation of politicians

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Summary

During the second half of the 1990s, ODA decreased, especially in Least developed countries and Africa. In this context, in 1999, this paper draws attention to four factors that might prompt technical decisions without consideration for the political issue of why, what for, and whom to offer aid. What will be the consequences for Africa?

Article

The summer of 1999 will have been rich in spotlight on aid to Africa, and more widely the news will have had to be interested in aid and its difficulties: earthquake in Turkey, problems of use of IMF funds in Russia, suspected misappropriation of aid to Bosnia, etc.

In the aftermath of the reform of the institutions of French cooperation – which took center stage in 1998 – this article examines three factors in the evolution of French aid to Africa that are often seen as favourable: the negotiation of the successor agreement to the Lomé Convention, the Cologne initiative on debt and the untying of aid. A fourth factor, the post-war situation in Kosovo, is more clearly defined in the light of the international meetings in the summer of 1999.

These factors combine to justify bleak prospects for the evolution of aid to Africa.

Negotiation of the successor agreement to the Lomé Convention

The countries of the Union are increasingly called upon to arbitrate between the aid they grant directly and that they finance through the Commission and the EIB.

The European Community's aid programme has grown at an average rate of 3.3% per annum¹ over the past five years, while the overall effort² of bilateral aid donors (starting with France) has

¹ Their bilateral aid added to their contributions to multilateral aid, including Community aid, for the Member States of the Union (The Union designates the Community bodies and the Member States; the Community designates the Community bodies alone - Council, Parliament, Commission, Court of Justice, EIB, etc.).

fallen by 4.7% per annum. The weight of Community aid in overall aid to the ACP, Mediterranean, and Latin American and Asian countries increased from 12% in 1980 to 24% in 1997. This movement undoubtedly reflects a strong trend towards the Europeanisation of official development assistance (ODA).³

In this context, is the quality of Community aid commensurate with the significant resources devoted to it?

So far, Community aid has proven neither a comparative advantage nor a need in terms of subsidiarity. How is the value added by the Commission higher than that of the administrations of Member States that have significant aid programmes? Is the aid managed with a specific specificity at Community level, either in relation to the Bretton Woods institutions – the world level, or in relation to the institutions of the Member States?

The quality of Community aid:

Paritarism, a principle which seemed to be a step forward for Community aid, is proving problematic in practice. The Commission has taken the concept of parity fairly far, one of the specific features of the Lomé Convention, which consists in managing the aid process at parity between the donor and the beneficiary, from the Lomé Convention guidelines to the purchase of the goods and services financed. Contrary to the practices of other donors, the partnership with the aid recipient is developed very upstream of programming, and it is pushed very downstream, up to the evaluation of projects.

In addition a whole series of «joint» bodies (managed jointly) were introduced: the ACP-EU Council of Ministers, the ACP-EU Joint Assembly, but also the Industrial Development Centre...

Experience shows that this specificity of the Lomé Convention is more a source of deadlock, of burdens and an open door to corruption than a factor in the real appropriation of aid by the beneficiaries, since all this remains rather formal. Its failure in the ACP framework meant that the other regions receiving Community aid did not experience parity. Unfortunately, this challenge has not been extended to ACP countries.

For example⁴, a significant misappropriation of Community aid has been made public in Côte d'Ivoire⁵; it shows how little the beneficiaries can do about the rules and effectiveness of Commission controls. Let it not be objected that these revelations will have been followed by heavy sanctions, since once again they have mainly had a dimension of political settling of accounts.

2 Bilateral aid plus multilateral aid rose from 0.64% of GDP in 1992 to around 0.30% in 2000; an increasing proportion of this amount was spent on Community aid.

3 The ACP are the countries of Africa, the Caribbean and the Pacific, with which the European Union has concluded a series of association agreements, first through an annex to the Treaty of Rome, then through the Conventions (Yaoundé, then Lomé). The Lomé IV Convention was concluded in 1990 for a period of ten years. It included two financial protocols of five years each. A successor agreement to the Lomé Convention has been under negotiation with the ACP since September 1998. Negotiations must be concluded by the year 2000.

4 See Marchés Tropicaux et méditerranéens No. 2798 of 27 June 1999 – an EU audit found serious irregularities (refusal to tender and splitting of contracts, extra billing and use of doubtful accounting documents, non-delivery of goods and services, unjustified expenditure, etc.) leading to a 38% rejection rate of accounting documents, for about 27 million euros.

5 L. Gouffern, « Les limites d'un modèle ? À propos d'État et bourgeoisie en Côte d'Ivoire », *Politique africaine*, n° 6, mai 1982 ; B. Hibou, *L'Afrique est-elle protectionniste ?*, Paris, Karthala, 1996.

Secondly, owing in particular to the low number of staff, the Commission has a very wide delegation to private bodies for its aid management⁶. This delegation was made without good management⁷, even regularity or orthodoxy finding their benefit. In the case of humanitarian aid⁸, we are even talking about fictitious contracts.

As a possible consequence of these management problems, the importance of Community aid does not give Europe the political weight it deserves. This characteristic is not specific to the ACP but also affects regions in which Europe's involvement is a more sensitive political issue. For example, in Bosnia, where it is the largest donor, under the combined effect of the Community budget and direct contributions from the Member States, it is paradoxically «the least effective institution on the ground»⁹.

Moreover, the themes that are specific to Community cooperation do not produce any convincing results, as the fiction of regional cooperation suggests.

France's positioning:

The conclusion of the successor agreement to the Lomé Convention, which will in particular have to review the management arrangements of the EDF (European Development Fund), will involve an important negotiation devoted to the financial envelope. The latter is all the more complex because it is an extra-budgetary fund.

After a series of setbacks, France's share of the EDF was almost half its contribution to the Community budget. This is due, on the one hand, to the double distrust of the other countries, vis-à-vis the Commission and, therefore, the ACP countries, mainly Africa, and, on the other hand, to France's desire to preserve a substantial level at the EDF. Thus, each financial negotiation was able to conclude at the cost of a new increase in France's share, leading to an even larger gap as the new Member States of the Union joined.

Why does the effort of the other Member States remain proportionally stronger for the Mediterranean, Asia or Latin America than for Africa? The European Union seems to have a hard time articulating a discourse placing the fight against poverty among the new objectives of aid¹⁰ with a reality that shows that, apart from France, the Member States will not primarily help the poorest countries, most of which are in Africa. The distribution of the financial envelope of the next EDF should be an opportunity to rebalance the political interest for Africa among the Member States of the European Union: the French over-contribution first highlights the lack of interest of the other Member States and maintains it.

6 First Report on allegations of fraud, mismanagement and nepotism at the European Commission (15 March 1999) - Chapter 3.3. Legal considerations. For example, for the MED programmes of decentralised cooperation with the Mediterranean countries, it refers to a «genuine delegation of powers to a third party body, and not simple contracts for the provision of services»; this body «is entirely within the purview of the Commission»; the report highlights conflicts of interest with that delegate

7 *ibid.* Chapter 3.6. Mismanagement, irregularities or fraud?

8 *ibid.* Chapter 4 - ECHO

9 Lucas Delattre, in *Le Monde* du 16 juillet: Bosnia, laboratory for the reconstruction of Kosovo. The former President of the Commission, Mr Santer, has also expressed his concern about the loss of control over his financial commitment, and his successor, Mr Prodi, stresses that «the EU will be the first to contribute» (in the Balkans) «there is a risk that the impact of its support will be blurred in a complex web of competing structures» and that «the Union's significant financial contribution will be devoted to reconstruction and not to bureaucracy.»

10 cf. the text of the negotiating mandate for the successor agreement to the Lomé Convention which the Council established for the Commission in June 1998

For France, maintaining bilateral aid of a certain critical mass aims to preserve its place among major bilateral aid and to support the legitimacy of a specific and original discourse in multilateral institutions. This speech has in particular an interest for Africa that it is one of the last to display. On this occasion, the distribution of the financial envelope of the next EDF will give the measure of the arbitration between the bilateral and the Community in France. A reduction in the French over contribution to the EDF would allow the amount of bilateral aid to be restored after several years of decline¹¹.

The day¹² after the publication of the report of the Committee of Wise Men, the lack of reliability of the Commission's management, evidenced by rather critical evaluation work, justifies that the dissolution of French aid in European aid be reconsidered. So far, this overcontribution results from a series of financial decisions taken in Bercy¹³ without public debate. If the hypothesis of a spillover effect of Community aid on bilateral aid could be justified, it has not been verified since the end of the Cold War. The distribution between the 15 of the financial envelope should therefore be an opportunity for a public and transparent political choice, both in the other Member States and in France.

Debt cancellation

The success of the debt cancellation campaign led to a series of important measures being taken by the G8 (initiated by the new German Social Democratic government) in Cologne in June 1999 (cf. Annex).

Started in the United Kingdom in 1996, a movement was led by international solidarity associations in favor of a cancellation of the debt of poor countries in the year 2000. The "Jubilee 2000" campaign gathered more than 5 million signatures around the world. It was based on the unsustainable and unfair character of the debt of poor countries, considered excessive, as lenders were «unscrupulous», the mechanics of debt constitute a «downward spiral», and the responsibilities being shared between lenders and borrowers. The purpose being that this cancellation would revive the economies.

Despite the reservations expressed on the substance of this demand of the NGOs, the G7 heads of state¹⁴ gave them satisfaction to spare their public opinions.

However, this victory might be ambiguous. The necessarily sketchy nature of its demands, and the great diversity of its components, did not allow the campaign to formulate a perfectly constructed and coherent claim, and to obtain real guarantees on a «balanced package» including, in addition to a real debt clearance, an effort to restore official development assistance.

¹¹ This decline will be aggravated in the year 2000, following the exclusion of the TOM from recipients of official development assistance (ODA) - until the end of 1999, certain transfers to the overseas territories (TOM) could be accounted for as ODA; they are an important part of it.

¹² Evaluation of European development aid managed by the Commission; it is a series of evaluations of development aid programmes financed by the European Union (EU) and managed by the Commission. These evaluations covered the three geographical areas of European aid: African, Caribbean and Pacific (ACP), Mediterranean (MED) and Asia and Latin America (ALA). They also covered humanitarian aid managed by the Commission. These evaluations were requested in June 1995 by the Member States (the Council of Ministers responsible for development cooperation).

¹³ Where the Treasury of the Ministry of Economy is located. This Directorate is most influential on French ODA – it is in charge with the Paris Club and multilateral banks, the IMF and the Agence française de développement

¹⁴ Russia playing a passive role. The main creditors targeted are France and Japan.

The arguments of the campaign are not all of equal quality and some criticize the moral dimension given to the subject¹⁵.

But, more fundamentally, a cancellation ignores the dynamics of loan aid: a donation is an immediate financial operation without a future; a loan registers the creditor-debtor relationship over time. Most often, the loan is followed by other loans: it is an incentive to repay for the debtor. In this spirit, the creditor country (or a lending institution, such as the World Bank) has an interest in maintaining positive flows (payments less repayments). To meet an economic priority, a country can choose between several levels of investment. In some areas, there are thresholds below which investment does not make sense because of technical levels. The optimum effect is often obtained from a minimum size. With limited resources, only a loan makes it possible to carry out an investment program that offers a better economic performance. If an investment is profitable, it must be able to meet its repayment expenses. Loans are a sign of confidence in the borrower that they can take advantage of – allowing them to borrow more.

As a result of this cancellation, the credit “pump” risks defusing, and the investment programmes of the countries benefiting from the Cologne initiative could be permanently affected by this cancellation, which would cut off their access to credit, with its leverage effect, thus preventing them from reaching a critical size for their investments. In these very poor countries, foreign aid is an essential resource.

The future of these countries would be severely affected. But we must not exclude that the G7 members were so liberal on the debt and that they gave in to a questionable demand precisely because they had already implicitly decided to reduce aid. Most of the countries concerned are indeed very poor economically, but also have a democratic deficit, and are often in a situation of open or hidden conflict, which makes the effectiveness of aid increasingly questionable.

In addition, the problem of financing the initiative remains.

The sale of 31 tonnes of the IMF’s gold reserves was to compensate for this cancellation to the tune of \$ 2.5 billion; this point is subject to controversy, particularly from African gold producing countries, which see the danger of placing such a quantity of gold on the market. The sums obtained will remain limited, especially since prices have already fallen significantly in response to the sale of gold from the Bank of England in early July¹⁶.

The rest – but the most important part – would be provided by a trust fund¹⁷ financed by the IMF Interim Committee member countries, to which the private sector is invited to contribute. Nothing very specific at this stage as it is unlikely that the private sector will show enthusiasm and governments in industrial countries will suffer from restrictive fiscal policies, This would force them to finance this contribution by redeploying their respective ODA envelopes. The prospects for financing this fund remain unclear.

¹⁵ For example, the Financial Times of June 23, 1999, denounced the “seven myths of debt cancellation”.

¹⁶ Cf. *Le Monde* of 8 July 1999. The Bank of England is auctioning 415 tons of gold; a first sale of 25 tons took place on 6 July; prices, which have fallen slowly since January, have fallen below \$260 per ounce. Consequently, according to Les Echos of 11 August, the IMF seeks to avoid the sale of its gold to avoid the consequences that this could have for the «producing countries, 36 of which are concerned by the debt relief».

¹⁷ This trust fund was created at the suggestion of France, for whom debt cancellation should represent an effort of 38 billion F, a very substantial drain on its official development assistance (the equivalent of more than a year).

The tying of development assistance

The tying of aid refers to the common practice whereby donors subject their assistance to geographical restrictions for the purchase of goods and services financed. While the subject may seem technical, it is not without bearing on the volume of aid by loans, to the point of having been placed on the agenda of the summits of the major industrialized countries, at the level of the Heads of State and Government in Birmingham and then in Cologne.

Concern, mainly from the United States, not to see tied aid used to gain a commercial advantage (particularly in highly competitive sectors such as telecommunications, transport, energy and industry) In 1991, the Arrangement on Guidelines for Officially Supported Export Credits was recast¹⁸. This is an agreement that establishes guidelines to limit public support to export credits, and particularly tied aid - considered a factor of distortion of competition; it acts by requiring increased concessionality for operations eligible for public support (making the use of ODA as an export promotion tool more dissuasive) and active transparency in the context of a priori notification and consultation procedures, allowing competition to take place. Essentially, the new rules prohibit the use of tied aid credits in upper middle income countries and the use of tied aid credits in all countries (other than least developed countries - LDCs) for projects "commercially viable"¹⁹.

Criticism of tied aid is easy in the abstract and in a pure and perfect world: today the nationality of a company is difficult to determine, a measure of this nature has a small scope while all public contracts are liberalized, Moreover, in a country like France, its trade surplus remains substantial outside the aid-financed markets. Linked aid generates significant additional costs, which are clearly highlighted²⁰.

However rigorous and well-founded, this critical attitude ignores a reality dominated by increasingly dramatic administrative logics, commercial concerns and budgetary arbitrations.

At a time of budgetary restrictions, the public support attached to bilateral aid is essentially explainable by two of its qualities: its function at the service of the national sovereignty of the donor²¹ (subject to compliance with a series of international constraints) and its ability to create a link between two countries, particularly by promoting a transaction.

This last point is the main issue. Within the OECD framework, no country is seriously considering actually untying what has the strongest trade-oriented power: engineering. There is therefore a sort of facade debate on the untying of financing, but upstream, markets are locked in favour of national companies by closely controlled engineering services with adequate leverage.

For a country like France, the concession would be unequal: opening the markets by a significant aid is more expensive than obtaining access to markets by less generous aid, in a context where some major industrial countries are hostile to the aid (the United States seems to want to put an end to it and find a way to speed up the process) and where others practice a pure facade untying (Japan, for example).

¹⁸ The new agreement, commonly known as the "Helsinki Arrangement", brings together the following parties: Australia, Canada, European Union, Korea, United States, Japan, Norway, New Zealand and Switzerland.

¹⁹ On the detailed presentation of the Arrangement, cf. in particular the paper of the author in *Afrique Contemporaine: Aid to Africa in Question* – No. 188, October-December 1998.

²⁰ Cf. Jepma, C. J. *The tying of aid*, Paris, Development Center, OECD.

²¹ Specificity in particular vis-à-vis Community aid – which is also too burdensome to cope with particular situations.

Finally, those concerned, the beneficiary countries, will not benefit because today the obligations of generosity (the grant element or concessionality) that weigh on tied aid are stronger than those that weigh on untied aid: Very soon the budget would put pressure on the reduction of the level of subsidies, which would increase the terms of the debt of the beneficiaries. There is even a risk that aid agencies will have to justify a commercial return rate, which they are not currently doing.

Financing the Balkan War in a context of declining aid

A last argument, apparently cyclical,²² aggravates this rather pessimistic picture: the expenses of the Kosovo war (of the order of 4 billion F for France) and the reconstruction of the countries it affected, while aid shows a downward trend.

Within the framework of the United Nations, donor countries committed in 1970 to achieving an ODA effort of 0.7% of their GDP²³. To achieve this goal, they sought to maximize the transfers they could place under the ODA category.

The large public funding needs of transition countries led them in 1993 to re-examine the concept of ODA and the DAC list²⁴ (which lists the countries for which aid flows can be classified as ODA). The US proposed extending ODA to all countries that meet the DAC criteria. On the other hand, some countries were willing to follow a path of limiting the concept of ODA to the poorest countries and introducing new concepts for aid to other countries and other uses, a position which was agreed upon, rejecting an extension of the expenditure base and the list of eligible countries in the aid effort. This statistical choice came on the eve of a substantial decline in aid, which the opposite choice might have masked: ODA has indeed been falling inexorably since 1992, from 0.33% to 0.22% (1997) of donor GDP.

Aid to Central and Eastern European countries²⁵, according to²⁶ an OECD study that tracks net financial disbursements on both liberal and market terms by OECD Members and multilateral organizations (CEEC) and the New Independent States (NIS) of the former Soviet Union exceeded US\$ 5 billion in 1991, out of a total ODA of more than US\$ 102.01 billion (1995), the share of the CEEC/NIS rose from 2.16% in 1990 to 8.08% in 1995, returning to 5.66% in 1996.

²² *Le Figaro Economie*, 10 June 1999.

²³ Nevertheless, the weighted average of the DAC has always remained below this level (a maximum of 0.34% was reached during the first half of the 1980s; this rate has been steadily eroded during the 1990s).

²⁴ Development Assistance Committee, which meets within the framework of the OECD.

²⁵ Directorate for Development Cooperation - Sixth edition of the annual survey on aid flows and other resources to the countries of Central and Eastern Europe (CEECs) and the New Independent States (NIS) of the former Soviet Union.

²⁶ The CEECs are: Albania, Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland, the Czech Republic, Romania and Slovakia. States from the former Yugoslavia are not included. The NIS are: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Moldova, Uzbekistan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Ukraine. Among these countries, one CEEC (Albania) and eight NIS (Armenia, Azerbaijan, Georgia, Kazakhstan, Uzbekistan, Kyrgyz Republic, Tajikistan and Turkmenistan) are considered by the OECD Development Assistance Committee (DAC) as developing countries. In DAC statistics, payments to these countries are therefore included in aid flows to developing countries (Part I of the DAC List of Aid Recipients), while payments to the more developed CEECs/NIS are shown separately, in Part II of the List of beneficiaries of aid drawn up by the DAC. The cited study covers both groups of CEECs/NIS. It also lists the disbursements of all OECD countries and indicates the amounts that CEEC/NIS have received from multilateral donors, while the DAC Annual Report on Development Cooperation only mentions disbursements from DAC Members. Net payments are gross payments less principal repayments.

This gives a measure of the effect of new arrivals: if the amounts granted to the CEECs/NIS are not enough to halt the decline, if the funding they attract remains marginal compared to the public effort, they have only more prices in a period of great scarcity.

The post-conflict situation in the Balkans will exert an additional drain on ODA, as part of a very important reconstruction effort, commensurate with the damage (airstrikes and scorched earth), and also a specific effort to reward countries that have contributed to the smooth running of operations. The countries concerned are Kosovo, Serbia (which immediately requires humanitarian aid, then aid for reconstruction and economic cooperation, as soon as a democratic regime is established) and the other neighbouring countries, (first of which Albania and the former Yugoslav Republic of Macedonia – FYROM²⁷, but also, to a lesser extent, Bosnia and Herzegovina, Bulgaria, Croatia, Romania).

After peace, aid must be assessed. The Council asked the Commission to draw up, as a matter of priority, proposals concerning the organization of the aid for the reconstruction envisaged, and in particular the appropriate means and mechanisms to be put in place and the human and financial resources necessary to carry out the process. Ratings range from 5-6 billion euros to 18 or even 50 billion euros²⁸. Whatever the needs, the rise in payments will probably be quite gradual, and the effect of the war will be felt especially from 2002.

As after the fall of the Berlin Wall, developing countries can worry.

All in all, a series of exogenous factors seem likely to prompt a series of seemingly technical decisions, all of which would converge in the same direction:

- the negotiation of the post Lomé agreement risks either freezing the current situation – aid to Africa carried at arm’s length by France, to the detriment of its bilateral aid – or trivializing this aid with the risk that it will slowly fade away;
- debt cancellation mobilizes aid budgets sustainably; the countries concerned are no longer eligible for credit; there is no alternative to finance the necessary investment programmes;
- Aid linkage is probably not a good thing, but untying it may further reduce the low level of support for aid to economic decision-makers or parliamentarians; liberality will be the first victim;
- the war in Kosovo will demand its tribute; it will be heavy; Africa is directly threatened.

²⁷ Albania’s GDP per capita has been in the last three years: \$690 in 1995, \$800 in 1996 and \$750 in 1997. For Macedonia \$840, \$920 and \$1,090. These two countries are low-income countries - LICs.

²⁸ For orders of magnitude concerning Kosovo alone, one could take the reference of Bosnia (3.3 million inhabitants); the commitments declared to the OECD (creditor country notification system) progress as follows:

Millions of dollars	All donors	Including DAC donors	Of which multilateral
1992	Ns		
1993	40	40	
1994	32	32	
1995	461	461	
1996	1 839	1 070	769
1997	1 751	1 317	434

That is more than 4 billion dollars in total commitments, excluding those of 1998 and 1999; in total, it is more than 5 billion dollars. These commitments had to be disbursed more or less quickly. We can see that multilateral organizations have later commitments, which appear to be decreasing more rapidly than bilateral donor commitments.

It is therefore very likely that aid to Africa will continue to decline tomorrow.

In the end, one could very well say that this is deliberate policy. Politicians could say that Africa is no longer an elective association, that the scale of the difficulties requires an international approach where the bilateral would not have scope, that breaches of the rule of law and deviations from the desirable are such that one renounces. The problem is that this discourse is not confined to the citizens, nor to the ambassadors (cf. in appendix an excerpt on Africa from the address of the President of the Republic).

Everything seems to be happening rather as if a sum of administrative decisions inexorably led to the extinction of aid to Africa, unbeknownst to policy makers, under cover of so many elements of exogenous constraints, that we would suffer like the slow drift of continents. Forgotten, the assurances given in February 1998 by the Prime Minister, Lionel Jospin, who had indicated that any savings made in the framework of the reform of cooperation would remain affected in favour of development aid. The promise has not been kept globally, and specifically, aid to Africa, whose trivialization was to be salutary, continues to decline inexorably.

**STATEMENT BY THE HEADS OF STATE
AND G-8 GOVERNMENT
(Köln - June 20, 1999)**

(extracts)

(...) to reduce the debt of the poorest countries more radically through more ambitious targets, faster debt relief through greater flexibility in the timetable for debt relief programmes, and a higher priority given by Financial Institutions to debt service relief in the early stages. We also ask the Paris Club and other bilateral creditors to raise the cancellation rate of commercial debt to 90% or more in some cases, if this is necessary to make the debt bearable, especially for the poorest of these countries. In addition to these contributions, we call for a total cancellation of official development assistance (ODA) debt on a bilateral basis and under different options. For poor countries that do not meet the conditions of the HIPC Initiative, the Paris Club could unify 67% of the debt cancellation rate granted under the terms of Naples and, for other debtor countries, raise the current ceiling on debt conversion operations.

If these measures are adopted, the outstanding debt of HIPC eligible countries -some \$130 billion in nominal value (\$71 billion in net present value) after applying traditional relief measures- would be reduced by an additional \$50 billion in nominal value (\$27 billion in net present value). These measures, combined with the cancellation of official development assistance (ODA) debts, of which some \$20 billion in nominal terms concern G7 countries, would reduce by more than half the total outstanding debt. This would significantly reduce debt servicing in these countries and allow them to free up resources for priority social spending.

We recognize that these changes will have a significant cost, particularly with respect to debt to international financial institutions. We are prepared to put in place a number of mechanisms to address these costs, recognizing the importance of maintaining the ability of International Financial Institutions to provide concessional loans at a satisfactory level:

To meet the costs, the IMF should mobilize all of its resources, while maintaining a satisfactory level of reserves through: interest premium income; the possible reuse of repayments from the special quota account (SCA) or comparable sources; and interest on income from the prudent disposal of a limited amount of its gold reserves, up to 10 million ounces.

Multilateral Development Banks should continue the work they have undertaken to identify and exploit innovative approaches to optimize the use of their own resources.

the additional cost to international financial institutions will also require bilateral contributions. We have committed substantial contributions to the HIPC Trust Fund. We will consider in good faith the possibility of contributions to an expanded HIPC Trust Fund

to meet these costs, we call for an appropriate sharing of effort among donors, taking into account all factors, including the size and quality of ODA already granted and cancellations of ODA debts already granted, as well as the contribution of countries that currently have a high stock of ODA loans relative to their GDP.

We welcome the efforts of the private sector to reinforce the objectives of this initiative, including contributions to a Millennium Fund to help finance debt relief.

On this basis, we call on international financial institutions and the Paris Club to create the conditions for debt relief that is both faster, deeper and more radical, to work with HIPCs so that three-quarters of eligible countries have reached their decision point by the year 2000, and to help the poorest countries to engage in the HIPC process as soon as possible. Concrete proposals will have to be approved by the next annual meetings of the IMF and the World Bank.

ADDRESS OF THE PRESIDENT OF THE REPUBLIC, MR. JACQUES CHIRAC, ON THE OCCASION OF THE RECEPTION IN HONOUR OF THE AMBASSADORS

(Paris, 26 August 1999)

Thinking about the world in the 21st century is also thinking about the future of Africa. The OAU Summit in Algiers confirmed the will of the leaders and peoples of this continent to assume all their responsibilities. To make their principles of democracy and human rights, like the rules of good governance. To put an end to conflicts.

To accept these orientations with skepticism tinged with indifference would be a serious mistake. I tell you: despite disappointing relapses, Africa is making progress. This is not the time to discourage it. On the contrary, we must provide increased public assistance to all countries that are moving in the right direction. Without this help, they will not succeed. With it, progress can be rapid, trigger the spiral of development and finally attract private capital. I will never tire of being the lawyer for Africa. Because I believe in it. Because I am convinced that there is no more inevitability of underdevelopment on this continent, that there is no inevitability of war in the Middle East. We must help African leaders who make courageous choices with as much determination as we put into helping peace succeed elsewhere in the world. It is a moral issue. It is also our long-term interest. It would be shocking, for example, if the United Nations hesitated to send an international force to the Democratic Republic of Congo as soon as the conditions were met to accompany a peace settlement, while the unanimous Security Council did not hesitate when it was necessary to make a massive commitment and to engage the UN massively in Kosovo.