

COMMISSION OF THE EUROPEAN COMMUNITIES

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REPORT FROM THE COMMISSION TO THE COUNCIL

on the implementation of financial and technical
cooperation from 1984 to 1987 within the framework
of Decisions 76/568/EEC and 80/1186/EEC on the
association of overseas countries and territories

This report from the Commission on the management of financial and technical co-operation in overseas countries and territories associated with the European Economic Community is presented to the Council in application of Decision 76/568/EEC and 80/1186/EEC (1) on the association of these countries and territories. Indeed, even though the expiry date of the first Decision was 1st March 1980 and of the second 28 February 1985, financial and technical co-operation continues to be implemented in the same way after the legal period of the Decision until the credits are exhausted. This report has been drawn up in collaboration with the Bank for the parts which concern it.

Within the framework of the long relationship of association between the EEC and the OCT dependent on its member states, the Decisions of 1976 and 1980 followed on from the three successive texts of 1957, 1964 et 1970 covering the first to the third EDFs in particular (2).

It seemed useful therefore to draw up a brief summary of the use of financial resources available under the two Decisions at the end of a period of twelve years (1976-1987).

In the second part, the report will examine more specifically the implementation of financial and technical co-operation in the various countries and territories during the last four years 1984 to 1987, thus completing earlier reports (3).

The third part examines the contents of Decision 86/283/EEC which governs the present relations between the Community and the OCT (4).

(1) O.J. L 361 of 31 December 1980
O.J. L 176 of 1 July 1976

(2) 1st EDF: Application agreement concerning the association of the OCT to the Community 25.3.57
2nd EDF: Decision 64/349 of 25.2.64 of the Council
O.J. 93 of 11.6.64
3rd EDF: Decision 70/549 of 29.9.70
O.J. 282 of 28.12.70

(3) Most recently, COM. (84) 659 final

(4) O.J. L175 of 1 July 1986

I. USE OF FINANCIAL RESOURCES

The Decision of 1976 (article 30) fixed the overall amount of aid from the Community at 160 million units of account (later ECU). In the Decision of 1980 (article 83), this amount totalled 109 million ECU. Another 10 mio ECU from the general budget of the Communities is intended to cover the costs of the Commission delegations in the OCT. These resources were subdivided as follows :

Initial allocation (million ECU)

	4th EDF	5th EDF
Grants	65	51
Special Loans	40	27
Risk capital	5	7
Stabex	20	9
Sysmin	-	p.m.
Reserve	20	-
TOTAL EDF	150	94
EIB Loans	10	15
Total Decision	160	109
Outside Decision :		
Delegations (general budget of the Communities)	-	10
GRAND TOTAL	160	119

With the passage of time the number of OCTs has progressively diminished following the accession to independence of some of them : their number was reduced from 27(1) in 1976 to 18(2) in 1980.

- (1) Annex I of the Decision of 1976
 (2) Annex I of the Decision of 1980

This reduction has entailed the gradual reduction of the allocation reserved for the OCTs, which was initially 160 mio ECU for the 1976 Decision and 109 mio ECU for the 1980 Decision.

This trend has continued since then with the accession to independence, then adhesion to the Lomé II Convention, of Belize, Antigua and Barbuda, St. Kitts and Nevis, (now called St. Christopher and Nevis). As these developments had occurred during the period of application of the 1976 Decision for other OCTs, the allocations which has been attributed were transferred by successive Decisions from the OCT part to the ACP part within the EDF. The adjusted allocations were thus as follows on 31 December 1987 :

Adjusted allocation (million ECU)

	4th EDF	5th EDF
Grants	49.4	42.7
Special Loans	24.5	20.0
Risk capital	2	7
Stabex	12.3	9.9(1)
Sysmin	-	p.m.
TOTAL EDF	88.2	79.6
EIB Loans	10.0	15.0
Total Decision	98.2	94.6
Outside Decision :		
Delegations (general budget of the Communities)	-	10.0(2)
GRAND TOTAL	98.2	104.6

- (1) Taking into account the increase in the allocation decided by the ACP-EEC Council in Libreville
(2) Annex I of the 1980 Decision

Article 30 of the 1976 Decision provided for the division into three equal parts of the amounts for grants, special loans and the Stabex reserve between the territories dependent on France, the Netherlands and the United Kingdom. The same principle of division into equal parts was incorporated into the 1980 Decision (article 83).

At the end of 1987, the situation of commitments and payments was as follows :

1976 Decision : The commitments out of the resources of the EDF reached 82 million ECU, or 93% of the adjusted allocation of 88 million. The payments at 75,6 million ECU represented 92% of the commitments or 86% of the adjusted allocation.

1980 Decision : The commitments made under the second Decision amounted to 49 million ECU at the end of December 1987 or almost two thirds (61,6%) of the allocation. Payments amounted to 35,3 million ECU, that is 72% of commitments and 44,3% of the adjusted allocation.

It is interesting to note that this percentage of use of credits is well below the corresponding figure for the ACP within the framework of the Lomé II Convention. Indeed during the same seven-year period, more than nine-tenths (93%) of the EDF allocation to ACP states was committed. In this connection, it is however true that the adoption of OCT Decisions is always about one year later than ACP Conventions and the programming phase is often slower because of the dialogue between the Commission services, the authorities of the State concerned and the authorities of each OCT.

Dividing the financing between the respective territories of France, the Netherlands and the United Kingdom, the following results are obtained :

Territories dependent on France : The amount of financing allocated in favour of these territories during the decade 1976-1987 came to 46,4 million ECU, divided as follows :

- Financing undertaken under the 1976 Decision -

<u>Commitments</u>	<u>Payments</u>	(Thousand ECU)
27,303	25,601	

The allocation to French OCTs has been wholly committed. The percentage of payments with respect to commitments is 93,8%.

It is worth pointing out that almost a third of the financing (8,6 million ECU) committed under the 1976 Decision in favour of the territories dependent on France has benefitted the French overseas departments : Guadeloupe, Guyane, Martinique, Réunion. In fact, just as during the 1st, 2nd and 3rd EDFs, the overseas departments were beneficiaries of the EDF. This was the last time, for such financing the Council having decided during that time to move them gradually in the category of beneficiaries of the "internal" Structural Funds (Social Fund, European Regional Development Fund, EAGGF Guidance Section).

- Financing undertaken under the 1980 Decision -

<u>Commitments</u>	<u>Payments</u>	(Thousand ECU)
19.085	13.535	

Commitments amounted to 87,5% of the allocation of 21,8 million ECU. Payments represent 70,9% of the commitments.

Territories dependent on the Netherlands : The total amount of financing decided for these territories under the two Decisions over the ten years 1976-1987 is 31,3 million ECU.

- Financing undertaken under the 1976 Decision -

<u>Commitments</u>	<u>Payments</u>	(Thousand ECU)
21.749	19.606	

Financing decisions represent 98,1% of the revised allocation of 22,16 million. The percentage of payments with respect to commitments is 90,1%.

- Financing undertaken under the 1980 Decision -

<u>Commitments</u>	<u>Payments</u>	(Thousand ECU)
9.537	7.127	

Commitments amount to 39% of the allocation of 24,46 million ECU. Payments represent 74,7% of commitments.

Territories dependent on the United Kingdom : The total amount of financing decided in favour of these territories for the period considered (1976-1987), is 47,5 million ECU.

- Financing undertaken under the 1976 Decision -

<u>Commitments</u>	<u>Payments</u>	(Thousand ECU)
32.571	30.660	

The allocation of 33,9 million is almost entirely committed (96,1%). The percentage of payments with respect to commitments is 94,1%.

- Financing undertaken under the 1980 Decision -

<u>Commitments</u>	<u>Payments</u>	(Thousand ECU)
14.937	13.252	

The allocation of 15,3 million ECU is committed as to 97;6%. Payments amount to 88,7% of commitments. This excellent result is mainly due to a Stabex transfer of almost nine million ECU in favour of Vanuatu, a former overseas territory, which still benefits from the Stabex allocation of the OCT.

Total financing granted to the territories dependent on France, the Netherlands and the United Kingdom in application of the 1980 OCT Decision amounts to 38,88 million ECU. An amount of 5,29 million committed under regional co-operation should be added to this bringing the total amount of commitments to 44 million ECU as already mentioned.

Payments effected under regional co-operation amount to 1,39 million ECU or 26,4% of commitments made under this heading.

Regional and inter-regional co-operation is, at the Commission's initiative an innovation of the Association Decision of 1980 (articles 114 to 116). The creation of markets, which are sufficiently large, is one of the objectives of regional co-operation (article 114). It is particularly desirable for the overseas countries and territories, since these are nearly all small in size and are thinly populated. It is also important for the implementation of specific measures in the field of transport and communications (article 114, point h of the Decision). The amount reserved for regional co-operation is 11 million ECU.

Regional co-operation activities have contributed to the involvement of the OCT with their ACP neighbours in projects of common interest. It is only natural that financing of this type should have taken longer to set up (opening of contacts between neighbouring countries, presentation of joint requests, etc...) so it was only in 1983 and 1984 that this financing was carried out.

One example in the Pacific region is the important regional project for rural electrification by solar batteries costing 3,2 million ECU, which is being carried out in parallel with the pilot project on renewable energy currently under way in ACP countries in the Pacific region within the framework of the Lomé II Convention. An observer of the ACP Regional Authorizing Officer, the SPEC, will take part in meetings to be held within the OCT solar power project; mutual transmission of the evaluations of the two projects is foreseen.

In the Caribbean region, several small projects have been financed at the initiative of the authorities of the Dutch Antilles (study and training on maritime relations between the Dutch Antilles and English-speaking Caricom countries, training programme and seminars on care of the mother and newborn child). Moreover, the Community has continued to maintain the financing of the stands of the OCT and the ACP States in the framework of the "Caribbean villages" and "Pacific villages" at the International Tourism Fair in Berlin. It has also ensured at the initiative of Caricom and by means of a contribution from the new "regional OCT" allocation of the EDF, the participation of the OCTs along with ACP States in the important regional programme for the promotion of tourism in the Caribbean, and in the programme of improvement in the quality of services offered by tourism ("statistics" project, "crafts" projects, etc.).

II. IMPLEMENTATION OF FINANCIAL AND TECHNICAL
COOPERATION IN THE OVERSEAS COUNTRIES AND
TERRITORIES DURING THE YEARS 1984 to 1987

Netherlands Antilles and Aruba

The financing decided from the resources fo the 5th EDF managed by the Commission in 1984 and 1985 amount to 1.75 million ECU. The largest investment (1 million ECU) relates to improvement of the road system at Bonaire. This is one of the ways of developing tourism which is considered essential by the authorities of the Netherlands Antilles. Another financial decision to 550.000 ECU is specifically designed to promote tourism by general technical cooperation actions. Commercial promotion operations of 200.000 ECU complete the Commission financing from the EDF resources for the two years under review.

Financial decisions in 1986 and 1987 totalling 179.540 ECU relate to two studies : one concerns the setting up of a tourist development plan in the Netherlands Antilles and the other the possibilities for further industrialisation in Aruba.

The financing decision taken for the resources managed by the European Investment Bank amount to 8.7 million ECU decided in 1985. This consists of a subsidized loan from the Bank's own resources of 7.1 million ECU and a conditional loan from risk capital of 1.6 million. These two amounts are intended for the extension of the electric power station at Mundo Nebo on the Island of Curaçao, in particular by the addition of a 25 Mw steam generator.

The implementation of aid tended to slow down during the period under review. The Netherlands Antilles had to face a serious economic crisis caused mainly by the shut-down of the Aruba oil refinery. The search for a solution to this crisis is a priority for those in charge. A new constitutional Policy connected with the "separate status" of the Isles of Aruba from 1st January 1986 is another contributory factor. It should be mentioned however that during the period under review, the authorities in the Netherlands Antilles have insisted on every possible occasion in stressing the importance they attach to the strengthening of their cooperation with the Community.

New Caledonia

The political and institutional situation in the wake of the events which began at the end of 1984 caused delays in the implementation of financial and technical cooperation during all of the period under consideration.

The largest amount of finance - from the 5th EDF - was decided in September 1986. It relates to the second microproject programme of 710.000 ECU for special loans covering the whole territory.

106.000 ECU for the proposed school for commercial technicians and business management was provided at the same time.

Polynesia

The principal operations during the years 1984-1987 were as follows :

The Commission financed from the 4th EDF the Tahiti slaughter house (1.2 million ECU) and a part of the forestry programme. A further part of the forestry programme was financed out of the 5th EDF (1 million ECU). The remainder of the 5th EDF financing decisions relative to a photoelectric cell microproject programme (450.000 ECU), other microprojects relating to vanilla (two projects financed) and pineapples (300.000 ECU in each case), an electric transport line in the Marquises Islands (268.000 ECU) and another, the "TEP", in Tahiti (1.8 million ECU) as well as a school for training pearl transplanters (5450.000 ECU). In 1984, the Bank gave a subsidized loan of 4 million ECU to the "Caisse Centrale de Coopération Economique" which in turn directed the funds to the "Société de Transport d'énergie en Polynésie - TEP". This loan is for the partial financing of the first phase of a high tension electric system in Tahiti.

Wallis and Futuna

The commitments rate for the 4th and 5th EDF is 100%. The 5th EDF projects include the enlargement of the jetty at Mata-Uti (1.2 million ECU) and electrical power lines on Futuna (1.2 million ECU) as well as microprojects (100.000 ECU).

Mayotte

The approval of the water supply project for Mayotte during 1984 and 1985 resulted in the commitment of the whole programme provided for this territory. This covers an amount of 4.280.000 ECU in grants and special loans from the 4th and 5th EDF. To this must be added emergency aid of 270.000 ECU decided in 1984 from the 5th EDF.

Saint Helena

The indicative programme of 796.000 ECU for the 4th and 5th EDF has still not been committed. The preparation of a project for a marine protection wall for the port is still in hands.

Considerable difficulties have been encountered in the identification and preparation of projects for this territory due to the complexities of the communications system and the local administration's lack of familiarity with the EDF's procedures.

Falkland Islands

Considerable difficulties have been met with in this territory. No commitments were made between 1984 and 1987. A project for the enlargement of a school is in course of preparation.

British Virgin Islands

All of the credits available (481.000 ECU for the 4th EDF and 500.000 ECU for the 5th EDF) were previously committed and there was no financing from 1984 to 1987.

Monserrat

As a result to the 1987 financing decision for 966.000 ECU for this territory, the total EDF credits available were committed (770.000 ECU for the 4th EDF and 700.000 ECU for the 5th EDF).

In 1985 the Bank gave a subsidized loan of 900.000 ECU to the Monserrat Electricity Service Ltd. (Monleo Project) for the installation of a diesel generator of 1.5 Mw and the improvement of medium voltage power lines.

In 1986 the Bank provided finance of 300.000 ECU for an advance study for the installation of a wind generator for electricity.

Cayman Isles

The amount provided prior to the period under review for the lengthening of the runway at Cayman Brac airport was supplemented by a commitment of 658.000 ECU (i.e. the whole of the credit available, of which 158.000 came from the 4th EDF) for the construction of a parking zone and taxiing area for the airport. This finance supplements that of the Carribean Development Bank and the local authorities which are responsible for the construction of the air terminal. Work has begun.

Anguilla

As a result of the commitment in 1984 of 659.000 ECU from the 4th and 5th EDF for the construction of a pier at Anguilla, the available credits for this country are completely committed.

Turks and Caicos Islands

A commitment of 207.000 ECU made prior to the period under review for an air terminal brought the rate of commitments of the 4th EDF to almost 60%. For the 5th EDF, 227.940 ECU was assigned to studies of the economic infrastructure of which 172.940 ECU was committed in 1984 (the difference between these two amounts had been previously committed).

In this connection, the preliminary studies for a deep water port in the north of the Caicos were abandoned since the future economic prospects were shown to be unfavourable. It is envisaged to allocate the remainder of 489.000 ECU to a project to be financed from the 6th EDF.

Mention has been made in this report of a certain number of difficulties encountered in the implementation of financial and technical cooperation in the OCT. The fact that, insofar as the Commission is concerned, and with the notable exception of the Netherlands Antilles, the responsibility for the execution of the decisions falls upon a delegate located in a country often very far away geographically, may be a part of the explanation of the situation. The distance of the OCT from their respective parent states certainly has a similar effect.

The necessity for clarification of the respective responsibilities at local and central level is very clear, in order to shorten the chain of procedures and improve the mechanism for identification, direction and execution of projects.

The Commission remains convinced that satisfactory solutions can be found for the difficulties encountered by means of direct contacts between central authorities of Member States, those of the OCT and the Commission. It is in this way that practical decisions on procedures have already come from work carried out in 1987 and 1988 with the British and French authorities for the implementation of the 6th EDF in the framework of the new decision of 1986.

III. THE NEW DECISION OF ASSOCIATION OF OCT

As was the case with the Lomé II Convention, the Decision 80/1186/EEC expired on 28th February 1985. In the circumstances, the Council, on the basis of Commission proposal, adopted on 26th February 1985, Decision No. 85/159/EEC (1), which extended the validity of the Decision of association for one year.

It was necessary to again extend temporarily the validity to 30 June 1986 (Decision 86/46/EEC (2)) in view of delays in obtaining agreement on the distribution of 6th EDF resources between the three areas of OCT.

(1) O.J. No. L61 of 1.3.1985, P. 25
(2) O.J. No. L63 of 5.3.1986, P. 94

On 30th June 1986 the Council, on the basis of the Commission proposal, adopted with effect from 1st July 1986 the new Decision of association of the OCT with the EEC No. 86/283/EEC (1) which lasts until 28th February 1990.

Based both on the former provisions of association as well as the new directions followed in the Lomé III Convention, the Decision draws its inspiration from the principle of the symmetry which existed in the past between the system applicable to OCT and that relating to the ACP States.

The text thus follows closely the ideas and structure of the Lomé III Convention. It enumerates and illustrates firstly the different areas of cooperation between the Community and the OCT, viz :

- . Agricultural and rural development and the preservation of natural resources
- . Development of fishing
- . Industrial development
- . Development of mining and energy potential
- . Transport and communication
- . Development of trade and services
- . Regional cooperation
- . Cultural and social cooperation.

In these different areas it is intended to take account of experience acquired by insisting very much on a closer cooperation, not only between the Community and the OCT but also between the OCT and ACP States. Thus, in these different areas of cooperation, there is continuous reference to the reciprocal exchange of information or to the mutual possibilities for training between the OCT and the ACP States; in this way the integration of these two types of country groups, i.e. territories or states in the framework of regional cooperation is reinforced.

(1) O.J. No. L175 of 1.7.1986, P. 1

The financial and technical cooperation for which the Council made an allocation to the OCT (120 million ECU, 20 from the EIB and 100 from the 6th EDF) contains the same principles as the Lomé III Convention but provides on this occasion the possibility of better integration of the OCT, on the one hand and the ACP States on the other, in the framework of the contracts financed by the Community.

Concerned with responding in a better way to the need for economic development in the OCT and ACP States, it has been proposed that firms in the ACP States can be awarded contracts for services, works and supplies for EDF projects financed in the OCT. Furthermore, in view of the characteristics of most of the OCT and based on experience acquired, it is foreseen that by contributing some of the resources made available to the OCT it will be possible for the latter to benefit in future from the services of the industrial Development Centre (IDC) and the Technical Center for Agricultural and Rural Development (TCA); these joint ACP/EEC centers have until now only benefitted the ACP States.

The global resources of 100 mio ECU allocated from the 6th EDF to the OCT consist of non-programmed aid amounting to 26,5 mio ECU (risk capital, 15 mio ECU, STABEX and SYSMIN, 5 mio ECU, emergency and refugee aid 4 mio ECU and interest subsidies, 2.5 mio ECU) and programmed aid of 73.5 mio ECU. The breakdown of the aid allocation is shown in the summary table annexed. It should be pointed out, in addition, that the Council acting on a Commission proposal adopted on the same date, a Decision No. 86/285/EEC (1) which reallocated the remainder of resources provided under the 6th EDF for Statbex for the OCT. They have been redistributed to the OCT as programmed aid in the following amounts (ECU):

French OCT	1.100.000
Dutch OCT	1.100.000
Bristish OCT	1.542.944

Since then the three Member States concerned have informed the Commission in conformity with art. 147 of the Decision 86/283/EEC, of the distribution of programmed aid between their different OCT (taking into account both the resources of the 6th EDF and the reallocation of the Stabex remainder for the 6th EDF); this has allowed the Commission and the appropriate authorities in the OCT to use programming methods specific to each OCT in line with the constitutional link which they have with the Member State on whom they depend.

(1) O.J. L175 of 1.7.86, P. 112

OCT Allocations 6th EDF (NECU)

Including breakdown between Grant-Special loans

Legal basis		Distribution	Total	Grants	Special loans
Internal agreement of 19.02.86	Décision OCT 1985-90 86/283/CEE				
		OCT Projects (FR)	26,5	17,5	9,0
	Art. 128	OCT Projects (NL)	26,5	17,5	9,0
		OCT Projects (UK)	<u>10,0</u>	<u>7,0</u>	<u>3,5</u>
		Total Projects OCT	63,5	42,0	21,5
	Art. 66	Regional cooperation	<u>10,0</u>	<u>6,5</u>	<u>3,5</u>
		TOTAL PROJECTS AND PROGRAMMES	73,5	48,5	25,0
(Art. 4)	(Art. 128 82)	Possible interest subsidies	2,5	2,5	-
	Art. 137 81	Emergency aid	3,0	3,0	-
		Repatriation of Refugees	1	<u>1</u>	<u>-</u>
Art. 2 81b1	Art. 127 81a	SUB-TOTAL	80,0	55,0	25,0
Art. 2 81b1	Art. 127 81a	Risk Capital	<u>15</u>		
Art. 2 81b1	Art. 127 81a	SUB-TOTAL TECHNICAL AND FINANCIAL COOPERATION	95,0		
Art. 2 81b1	Art. 127 81b	STABEX et SYSMIN	5		
Art. 2 81b	Art. 127 81	TOTAL ALLOCATION FROM EDF	----- 100,0		
Art. 3 b	Art. 127 82	EIB Loans	20		
		TOTAL	----- 120		

STABEX REMAINDER 5TH EDF (ECU)

OCT France	1.100.000 (Grants)
OCT Netherlands	1.100.000 (Grants)
OCT United Kingdom	1.542.944 (Grants)