

COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMISSION REPORT TO THE COUNCIL
on the administration of financial and technical cooperation
in 1976, 1977 and 1978
under Decision 76/568/EEC on
the Association of Overseas Countries and Territories

COM(79) 639 final

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INTRODUCTION

This report has been drawn up pursuant to Article 29 of Decision 76/568/EEC of 29 June 1976 on the association of the overseas countries and territories with the European Economic Community¹, which provides the framework for the EEC's financial and technical aid to those countries and territories. The parts of the report which concern the European Investment Bank (EIB) have been drawn up in conjunction with the Bank.

Similar provisions have existed since 1958, but the June 1976 Decision covers a greater number of countries and territories, and takes account of innovations contained in the Lomé Convention.

It is the first Community decision regarding the OCT since the first enlargement which, under Protocol No 22 to the Act concerning the Conditions of Accession of Denmark, Ireland and the United Kingdom, extended the Community policy of association to cover all British territories. This brought numerous Caribbean and Pacific territories, mostly islands, within the Association of OCT with the EEC.

The recitals to the 1976 Decision, moreover, refer to the Community's efforts to establish, in particular by means of the ACP-EEC Convention of Lomé, "a new model for relations between developed and developing regions, compatible with the aspirations of the international community towards a more just and more balanced economic order". This basic approach led to innovations in the Community's relations with the OCT. The most important of these concern the stabilization of export earnings (Stabex), special concessions for the poorest countries and territories, microproject programmes and regional cooperation.

The main aim of association, set out in Article 1 of the Decision, remains "to facilitate the economic and social development and to strengthen the economic structures of the countries and territories" concerned; however, particular emphasis is now laid on the need for cooperation to aim at "the greater well-being of the population".

¹ OJ No L 176, 1.7.1976, page 8, the 1976 and 1977 reports were not drawn up separately as the aid programme was not, at the time, sufficiently under way.

Community experience in the field of development, garnered over more than fifteen years, particularly with regard to financial and technical cooperation, provides a foundation for new, broader and more intensive operations.

The various forms of intervention therefore remain the same: economic and social investment, technical, general or project-linked cooperation, exceptional aid and aid for trade promotion, etc.. The fields covered also remain unchanged, with projects concerning industrialization, tourism, rural production, economic infrastructure and social development.

With regard to methods of financing, the Decision distinguishes between grants, loans on special terms, EIB own-resources loans and risk capital operations.

CHAPTER I

MAIN FEATURES OF THE DECISION

1. Initial geographical scope

The geographical scope of the Association of OCT with the Community is very extensive, since in addition to the overseas countries of the Netherlands and the overseas territories of France, which were previously covered, the Decision applies also to dependent or associated overseas countries and territories of the United Kingdom.

Because of the change to come about in the status of some of those countries or territories, the cooperation measures in the Decision were only provisionally to apply to the Comoros and Surinam.

Furthermore, since inclusion in the list of OCT to which the Decision applies does not prejudice the status of a country or territory, the subsequent independence of some of them led to changes in the amounts earmarked as financial cooperation for the OCT.

It is therefore useful to recall here such changes in status as took place from 29 June 1976 to 31 December 1978, and their financial consequences.

2. Changes in status and their financial consequences

For the lifetime of the Decision, i.e. from 1 April 1976 (on a retroactive basis, to allow the Decision to come into effect at the same time as the Lomé Convention) to 1 March 1980, Community aid was set at 160 million units of account, including loans from the EIB's own resources up to a limit of 10 million EUA.

This gives a total of 150 million earmarked for the OCT under the fourth EDF, 5 million EUA of which has already been allocated in the form of risk capital, and 20 million EUA in the form of transfers for the stabilization of export earnings (Stabex).

This leaves a further 125 million EUA, broken down as follows:

- 65 million EUA in the form of grants
- 40 million EUA in the form of loans on special terms
- 20 million EUA constituting a reserve.

The 125 million EUA is divided, in three equal shares of 41.666 million EUA, among:

the French overseas territories and departments,
Surinam and the Netherlands Antilles,
the British overseas countries and territories.

However, adjustments have been made to these equal shares in the course of the period under consideration, in response to changes in the international status of various countries and territories.

(a) Suriname, Seychelles, Comoros

When Surinam gained its independence to become the Republic of Suriname, 20.866 million EUA had to be paid from the OCT allocation to the ACP allocation (Decision 77/156/EEC of 14 February 1977). The remainder of the sum initially set aside for the Netherlands territories (20.8 million EUA) constitutes the allocation of the Netherlands Antilles.

At the same period the Council also decided to transfer 2.766 million EUA from the OCT allocation to the ACP allocation; this sum was taken from the British OCT's share for the benefit of the Republic of the Seychelles, which had gained its independence and requested accession to the Lomé Convention (Decision 77/156/EEC of 15 February 1977).

The Council also decided to earmark 7.986 million EUA for the new Comoro State, bringing the total transfers for these three newly-independent Lomé Convention signatory states to 31.6 million EUA.

(b) Djibouti

Following the grant of independence to the Republic of Djibouti, the Community took the decision to earmark 2.75 million EUA for the new ACP State.

(c) Cape Verde, Sao Tome and Principe

Subsequently, the recognition of Cape Verde and Sao Tome and Principe as ACP States occasioned a further payment into the Fund of 13 million EUA set aside for this purpose when the Council agreed on the draft of Decision 76/568/EEC.

(d) Tuvalu, Solomon Islands, Dominica

The grant of independence to the territories of the Ellice and Solomon Islands and Dominica, which became the ACP States of Tuvalu, Solomon and Dominica, led to the transfer of 10.917 million EUA from the OCT allocation to the ACP allocation.

These operations have reduced the allocation agreed for the OCT in the 1976 Decision from 150 million EUA to 91.733 million EUA, of which 4 million EUA as risk capital.

Out of that total, 7.7 million EUA was earmarked for the French OD, this is less than under the third EDF, as measures adopted since 1975 as part of the integration of OD into the Community allow the Departments access to various funds available within the Community (Social Fund, European Regional Development Fund, European Agricultural Guidance and Guarantee Fund). Because of this it was agreed that the OD would be allowed to benefit from the EDF only until such time as the "internal" funds came fully into operation

Decision 76/568/EEC also set aside 2 million EUA for the poorest OCT; part of this (850 000 EUA) was allocated to the Comoros, with the remainder (1.15 million EUA) being divided up, in April 1978, between the various OCT.

This means that the allocations on the basis of which the OCT indicative programmes were established have been increased for the poorest among them; this is shown in the annexed Table No I, which lists the different OCT, giving their initial allocation, the share allocated for the poorest countries, and the total, representing the sum available for each indicative programme.

CHAPTER II

IMPLEMENTATION OF THE DECISION

1. Programming and procedures

It has already been noted in Chapter I.1 that the cooperation instituted by Decision 76/568/EEC has a geographical scope covering the overseas countries of the Netherlands, the overseas territories of the French Republic, and the British overseas countries and territories.

The procedures governing cooperation with the OCT resemble those for the ACP States on many points, although there are other features which differ.

The OCT which, in 1976, 1977 and 1978, as noted in Chapter I, gained their independence and acceded to the Lomé Convention under Article 89 come under the procedure for ACP States from the date of their accession, viz 16 July 1976 for the Republic of Suriname, 27 August 1976 for the Republic of the Seychelles, 13 September 1976 for the Comoro State and 27 July for the Republic of Djibouti. The same applies to the Solomon Islands, Tuvalu and Dominica from December 1978.

For the other countries and territories, the procedures applicable are those indicated in Article 28 of Decision 76/568/EEC, which stipulates that aid shall relate to "the execution of projects and programmes which contribute essentially to the economic and social development of the said countries and territories".

The concept of programming is one of the innovations of the Lomé Convention and is applied by analogy to the OCT. However, it is the Member State on which the overseas country depends which is responsible for gathering the economic, social and political data relating to it and reporting on opportunities and constraints.

When the information is ready the Member States submit to the Community a development programme for the use of the allocation available for a country or territory, through the Programming Committee, although no programming missions take place.

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Following this procedure, programmes were established between 28 February and 10 October 1977 for all the British OCT except one Caribbean associated state (St Kitts-Nevis), the programme for which was adopted on 6 March 1978 after information had been provided by the UK Ministry of Overseas Development.

A programme was established in June 1977 for the Netherlands Antilles, the only remaining Netherlands overseas territory since the independence of Surinam.

In June 1978, finally, the French authorities laid before the Commission the projects to be financed under the fourth EDF for the French overseas territories.

After the programming stage, the procedure resembles that for ACP projects under the financial and technical cooperation provisions of the Lomé Convention: a financing proposal is drawn up and submitted for approval by the EDF Committee, after which it goes to the Commission for a final decision. Projects programmed for the OCT under the fourth EDF have fallen far behind the rate of commitments for ACP States' projects, since the preparation of the financing proposals takes place only after the programming stage which, as indicated above, was much later for the OCT than the ACP, and hence at the end of 1978 commitments under the fourth EDF were relatively much lower than those for the ACP: including amounts transferred under Stabex, financing decisions taken for the OCT-OD to 31 December 1978 totalled 19.207 million EUA (to which should be added, however, a further 3.642 million EUA for Stabex transfers to ACP States which were formerly OCT; see fifth paragraph on page 10 below).

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2. Financing decisions

- by method of financing

aid administered by the Commission

(a) grants

As noted in connection with the breakdown of the total allocated to the OCT, a high proportion is earmarked for grant-financed projects, although the initially available 65 million EUA has been reduced to 31.692 million EUA as a result of various transfers to the ACP States.

At the end of 1978, 12.742 million EUA out of the total available had been committed.

(b) special loans

The Community initially set aside 40 million EUA for special loans to OCT; this sum has been cut to 23.915 million EUA following transfers to the ACP allocation.

By the end of 1978, 2.545 million EUA of the 23.915 million EUA had been committed for various projects.

aid administered by the European Investment Bank (EIB)

(c) loans from the EIB's own resources

By the end of 1978, no operations had been carried out under the 10 million EUA ceiling made available for loans from the EIB's own resources, without prior allocation among the three categories of OCT, no concrete requests for financing having been received.

(d) risk capital operations

One million of the 4 million EUA earmarked for risk capital operations had been committed by the end of 1978 (regional project for the Caribbean).

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- by sector

Out of the various sectors to which EDF resources can be applied, economic infrastructure accounted for the largest portion of funds committed; commitments in this field totalled 5.3 million EUA, going in particular to St Vincent (1.92 million EUA), Dominica as an OCT still (1.96 million EUA), St Lucia (800 000 EUA), and the Cayman Islands, the Netherlands Antilles and St Kitts-Nevis.

The second most important sector was social development, with commitments totalling 3.6 million EUA by the end of 1978, going to the Netherlands Antilles (2.45 million EUA), Antigua and the British Virgin Islands.

Third has come rural production, with 3.228 million EUA committed for the department of French Guiana (1.55 million EUA), St Lucia (1.17 million EUA), Belize and the Netherlands Antilles.

Industrialization (1 million EUA) and tourism (800 000 EUA) accounted for the remainder of the EDF resources used from 1976 to 1978.

Although Stabex does not come under the heading of financial and technical cooperation, it should be noted here that from the entry into force of the OCT Decision until the end of 1978, payments on this account totalled 6.562 million EUA (2.920 million EUA for present OCT and 3.642 million EUA for former OCT which are now ACP States) out of the 20 million EUA earmarked for that purpose. Seven territories had recourse to the Stabex system (see Table V).

It should be recalled that under Article 1(5) of the Internal Agreement, it was agreed to leave the Stabex funds in the OCT allocation even where various OCT gained their independence. Thus Tuvalu, the Comoros and Djibouti, now ACP States, are listed as Stabex recipients under the OCT. The following OCT contributed to the replenishment of resources:

Belize:	61 000 EUA in respect of the transfer for 1975.
New Hebrides:	1.103 million EUA in respect of the transfer for 1975 and 327 000 EUA in respect of the 1976 transfer.

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3. Execution

Financing agreements

Twelve financing agreements have been signed since 1 April 1976 with the responsible OCT authorities, for a total of 8.585 million EUA.

Invitations to tender

Four invitations to tender were issued during the period in question in respect of projects financed in OCT under the fourth EDF. It should be noted that these invitations to tender, to a total value of 1 385 000 EUA, are concerned solely with supply contracts.

Payments

Payments under the fourth EDF totalled 8.2 million EUA^x at 31 December 1978, i.e. 7.8% of the total allocation. Of that sum,

0.946 million EUA went to Netherlands OCT

0.739 million EUA went to French OCT

6.553 million EUA went to British OCT.

^x of which 4.2 million EUA for OCT Stabex.

4. Commission Delegations

Most of the overseas countries and territories, with the exception of the Netherlands Antilles, which has its own Commission Delegation, are attached to delegations established in nearby ACP States. Those delegations accordingly have competence on a regional basis for the preparation, supervision and execution of EDF-financed projects in the countries and territories concerned.

The New Hebrides, New Caledonia, French Polynesia, Wallis and Futuna Islands, Pitcairn and Brunei come under the Fiji delegation; the Solomon Islands and Gilbert Islands¹ under the Papua New Guinea Delegation; St Kitts-Nevis, Anguilla, Dominica, Antigua, St Lucia, St Vincent, Montserrat, the British Virgin Islands and St Helena under the Barbados Delegation; Belize, the Cayman Islands, and the Turks and Caicos Islands under Jamaica; and the South Atlantic OCT under the Delegation in Trinidad and Tobago.

In 1978 a number of overseas countries and territories gained their independence and were also attached to existing delegations: the Republic of Djibouti to Madagascar and the Comoros and Seychelles to Mauritius.

The administration of Community aid in these countries and territories did not give rise to any particular problems.

¹ Now called Kiribati (independent since 12 July 1979) and which will accede to the Lomé Convention in the near future.

Statistical annexes

Table I

I.1

FOURTH EDF "PROJECTS" ALLOCATION FOR
OCT-OD (in '000 EUA)

British OCT

OCT	indicative programme	from the least developed country allocation	total available for projects
Anguilla	190	10	200
Antigua	2.040	40	2.080
Belize	3.815	-	3.815
Dominica	2.380	120	2.500
Cayman Is.	330	-	330
Falkland Is.	18	-	18
Gilbert Is.	3.460	60	3.520
Solomon Is.	10.375	370	10.745
Turks and Caicos Is.	190	10	200
Virgin Is.	300	-	300
Montserrat.	360	10	370
New Hebrides	1.380 (U.K.) 1.300 (F.)	120	1.500
St Kitts-Nevis	1.540	50	1.590
St Helena	192	10	202

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British OCT (contd)

OCT	indicative programme	from the least developed country allocation	total available for projects
St Lucia	3.155	60	3.215
St Vincent	2.900	160	3.060
Tuvalu	565	40	605
Caribbean Regional	2.000		2.000
Reserve	3.410		3.410
TOTAL	38.900	1.060	39.960

French OCT

I.3

OCT	indicative programme	from the least developed country allocation	total available for projects
Mayotte	1.700	80	1.780
New Caledonia	3.000	-	3.000
Wallis and Futuna Is.	1.300	10	1.310
French Polynesia	3.000	-	3.000
Anglo-French Condominium of the New Hebrides	1.300	-	1.300

French OD

OD	indicative programme	from the least developed country allocation	total available for projects
French Guiana	1.550	-	1.550
Martinique	1.800	-	1.800
Guadeloupe	1.700	-	1.700
Reunion	2.650	-	2.650
St Pierre and Miquelon	600	-	600
TOTAL FRENCH OCT-OD	18.600	90	18.690

Netherlands OCT

I.4

OCT	indicative programme	from the least developed country allocation	total available for projects
Netherlands Antilles	19.100	-	19.100

Table III

OCT-OD

Financing situation at end 1978, broken down by method of financing and administrative body ('000 EUA)

	Allocations ¹		Commitments at end 1978				
	Amount	%	Aid administered by the Commission		Aid administered by the EIB		Total
			Amount	%	Amount	%	
<u>EDF resources</u>							
- Grants of which microprojects	91.733	90,2	18.207	100	1.000	100	19.207
- Special loans	31.692	31,2	12.742 (65)	70,- (0,3)			12.742 (65)
(Reserve (grants (special loans)	23.915	23,5	2.545	14,-			2.545
- Risk capital	12.126	11,9					
- Stabex	4.000	3,9			1.000	100	1.000
	20.000	19,7	2.920	16,-			2.920
<u>EIB resources</u>	10.000	9,8	-		-		-
- Loans from EIB resources	10.000	9,8					
TOTAL	101.733	100	18.207	100	1.000	100	19.207

¹ Article 1 of the 1975 Internal Agreement on the financing and administration of Community aid, as amended by the Council Decision of 19 March 1979. The allocations given do not include the amounts earmarked for Dominica and Tuvalu (although these were still OCT in 1978), which together with the amount for the Solomon Is (which became an ACP State in 1978) were transferred by the Council Decision of 19 March 1979 to the ACP allocation, as a lump sum. However, the table does show commitments for Dominica and Tuvalu, as they were OCT in 1978.

Table IV

OCT-OD

Financing situation at 31 December 1978, broken down by method of financing and sector ('000 EUA)

	Development of production			Economic infrastr.	Social devel.	Stabex	Other	Total	%
	Ind.	Tourism	Rural prod.						
1. Aid administered by the Commission	-	800	3.288	5.300 100	3.600 100	2.920 100	2.299 100	18.207	94,8
1.1. Grants		800	1.803	4.970 93,8	2.870 79,7	-	2.299 100	12.742	66,3
(of which micro-projects)			(65)					(65)	
1.2. Special loans			1.485	330 6,2	730 20,3			2.545	13,3
1.3. Stabex						2.920 100		2.920	15,2
2. Aid administered by the EIB	1.000	-	-	-	-	-	-	1.000	5,2
Risk capital	1.000							1.000	5,2
TOTAL	1.000	800	3.288	5.300	3.600	2.920	2.299	19.207	100

Table V
V.1

OCT-OD
Stabex: results to end 1978

		1976 (in respect of years:			1978 1977)	Total
		1975	1976	1977		
HELIZE	sawn wood	139.650		202.714	342.364	
GILBERT IS	copra		1.083.098		1.083.098	
NEW HEBRIDES	copra	1.103.499	327.364		1.430.863	
TUVALU	copra		64.417		64.417	
	TOTAL				2.920.742	
<p>In addition, the following agreements have been signed with the Comoros, Djibouti and the Solomon Islands; these former OCT are now parties to the Lomé Convention, but continue to come under the OCT Stabex allocation:</p>						
COMOROS	copra cloves ylang-ylang	298.304	286.508	367.784 552.547 170.596	952.596 552.547 170.596	
DJIBOUTI	raw hides, skins and leather	256.894	265.328	169.629	691.851	
SOLOMON IS	copra		1.273.640		1.273.640	
	GRAND TOTAL				6.561.972	

Table V
V.2

OCT-OD

Staber: 1978 results (in respect of 1979)

BELIZE	sawn wood .	202.714
COMOROS ¹	ylang-ylang	170.596
	copra	367.784
	cloves	552.547
DJIBOUTI ¹	raw hides, skins and leather	169.629
	<u>Total</u>	<u>1.463.270</u>

¹ Former OCT still under the OCT allocation.

Table III

OCT-OD

Financing situation at 30.6.1979 broken down by method of financing and administrative body ('000 EUA)

	Allocations ¹		Commitments at end 1978					
	Amount	%	Aid administered by the Commission		Aid administered by the EIB		Total	
			Amount	%	Amount	%	Amount	%
<u>EDF resources</u>								
- Grants	21.713	90,2	26.761	100	1.000	100	27.761	100
- of which microprojects	31.692	31,2	20.814 (701)	77,8 (2,6)			20.814 (701)	75,7 (2,5)
- Special loans	23.915	23,5	2.965	11,-			2.965	10,7
(Reserve (grants special loans)	12.126	11,9						
- Risk capital	4.000	3,9			1.000	100	1.000	3,6
- Stabex	20.000	19,7	2.982	11,2			2.982	10,7
<u>EIB resources</u>	10.000	9,8	-		-		-	
- Loans from EIB resources	10.000	9,8						
TOTAL	101.733	100	26.761	100	1.000	100	27.761	100

¹ Article 1 of the 1975 Internal Agreement on the financing and administration of Community aid, as amended by the Council Decision of 19 March 1979. The allocations given do not include the amounts earmarked for Dominica and Tuvalu (although these were still OCT in 1978), which together with the amount for the Solomon Is (which became an ACP State in 1978) were transferred by the Council Decision of 19 March 1979 to the ACP allocation, as a lump sum. However, the table does show commitments for Dominica and Tuvalu, as they were OCT in 1978.

Table IV OCT-OD broken down by method of financing and sector ('000 EUA)

Financing situation at 30.6.1979

	Development of production			Economic infrastr.	Social devel.	Stabex	Other	Total	%
	Ind.	Tourism	Rural prod.						
<u>1. Aid administered by the Commission</u>	<u>185</u>	<u>800</u>	<u>3.964</u>	<u>8.312</u>	<u>8.072</u>	<u>2.982</u>	<u>2.446</u>	<u>26.761</u>	96,4
1.1. Grants	185	800	2.479	7.562	7.342	-	2.446	20.814	75,-
(of which micro-projects)		(701)		91,-	91,-			(701)	(2,5
1.2. Special loans		1.485		750	730			2.965	10,7
1.3. Stabex		-		9,-	9,-			2.982	10,7
<u>2. Aid administered by the EIB</u>	<u>1.000</u>	-	-	-	-			<u>1.000</u>	3,6
Risk capital	1.000	-	-	-	-			1.000	3,6
TOTAL	1.185	800	3.964	8.312	8.072	2.982	2.446	27.761	100

TABLE V
V.1
OCT-00
STABEX : results on 30.6.1979

	1976 (in respect of years : 1975	1977 1976	1978 1977	1979 1978	TOTAL
BELIZE	130,650		202,714		342,364
GILBERT IS		1,093,098			1,093,098
NEW HEBRIDES	1,103,499	327,364			1,430,863
TUVALU	61,541(1)	64,417			125,958
<u>TOTAL</u>					<u>2,992,293</u>

In addition, the following agreements have been signed with the Comoros, Djibouti, Solomon Islands and Tuvalu; these former OCT are now parties to the Lomé Convention, but continue to come under the OCT Stabex allocation.:

COMOROS	298,304	286,508	367,734	39,253	991,849
cloves			552,547	180,290	732,846
ylang-ylang			170,596		170,596
DJIBOUTI		265,328	160,029		691,851
raw hides, skins & leather	256,894				
SOLOMON IS	138,502	1,273,640			1,412,142
rough wood	761,245				761,245
TUVALU				49,771(1)	49,771
<u>GRAND TOTAL</u>					<u>7,701,513</u>

(1) Amounts allocated in 1979 for the application years 1975 and 1978.

Table V
V.2

OCT-OD

Stabex: 1978 results (in respect of 1977)

BELIZE	sawn wood	202.714
COMOROS¹	ylang-ylang	170.596
	copra	367.784
	cloves	552.547
DJIBOUTI¹	raw hides, skins and leather	169.629
	<u>Total</u>	<u>1.463.270</u>

At 30.6.1979 results (in respect of 1978)

TUVALU (1)	copra	48.771
COMOROS (1)	copra	39.253
	cloves	180.299
	<u>Total</u>	<u>268.323</u>

(1) Former OCT still under the OCT allocation.

Table V
V.2

OCT-OD

Staber: 1978 results (in respect of 1977)

BELIZE	sawn wood	202.714
COMOROS ¹	ylang-ylang	170.596
	copra	367.784
	cloves	552.547
DJIBOUTI ¹	raw hides, skins and leather	169.629
	<u>Total</u>	<u>1.463.270</u>

At 30.6.1979 results (in respect of 1978)

TUVALU (1)	copra	48.771
COMOROS (1)	copra	39.253
	cloves	180.299
	<u>Total</u>	<u>268.323</u>

(1) Former OCT still under the OCT allocation.