

# COMMISSION OF THE EUROPEAN COMMUNITIES

SEC(91) 758 final

Brussels, 29 April 1991

## REPORT FROM THE COMMISSION

on the operation during 1990 of the  
export earnings stabilization system set up  
by the third Lomé Convention

## I. Introduction

1. Article 27 of the Internal Agreement on the financing and administration of Community aid stipulates:

"Each year the Commission shall draw up a comprehensive report for the Member States on the operation of the system of stabilization of export earnings and the use made by the ACP States of the funds transferred.

The report shall indicate in particular the effect of the system on the economic development of the recipient countries and on the development of external trade."

2. This report covers the activities of the ACP-EEC institutions, the administration of the system (the transfers made for the 1989 application year and the replenishment of resources) during 1990, and the utilization and economic impact of transfers.

## II. Activities of the ACP-EEC institutions

3. The operation of Stabex was discussed at the 15th session of the Council of Ministers (Fiji, 28-29 March) and the 31st, 32nd and 33rd meetings of the ACP-EEC Committee of Ambassadors (Brussels, 27 February, 9 July and 23 November).

4. The following matters were examined at these meetings:

- (a) replenishment of the resources transferred under Lomé I;
- (b) the shortfall in Stabex funds for application years 1980, 1981, 1987, 1988 and 1989;
- (c) the request made by certain ACP States that they be allowed to benefit from the "all destinations" derogation;
- (d) the inclusion of new products in Stabex;
- (e) the 1989 application year.

## 5. Replenishment of the Lomé I transfers

This matter, which has been on the agenda of the Council of Ministers for several years, was still not resolved in 1990, since the Community as a whole did not accept the Commission's proposal to write off debts relating to transfers for which the repayment conditions have not been met. In November the Commission presented a proposal to the Council on the settlement of the ACP countries' debts to the Community, which included abandoning the principle of replenishing Stabex transfers (under the three Lomé Conventions).

## 6. The shortfall in Stabex funds

In February 1990, the Commission submitted a report to the ACP-EEC Council of Ministers on the Stabex system's financial problems in the 1980, 1981, 1987 and 1988 application years. The object of this report (SEC(90)387 final of 28 February 1990), which was requested by the Council in June 1989, was to go beyond a factual description of the situation to provide an objective contribution towards resolving the persistent disagreement between the Community and the ACP countries, which insist that they still have outstanding claims on the Stabex system relating to those years in which the sum of the eligible requests for transfers could not be covered in full.

At the 33rd meeting of the Committee of Ambassadors, the ACP group recorded its disagreement with the report's conclusion; the Commission considered that there was no remaining Community obligation in respect of sums which it had not been possible to pay in respect of the years 1980, 1981, 1987 and 1988.

The Committee of Ambassadors charged the Stabex subcommittee to continue to examine this file which, as of July 1990, also includes the 1989 application year (see below, point 10).

## 7. The "all destinations" derogation

Of the four ACP States whose requests for an "all destinations" derogation were under discussion by the ACP-EEC authorities, three (Sudan, Tanzania and Uganda) withdrew their requests with the advent of the new Convention. This introduces new rules for Stabex cover on exports to all destinations, making it automatic and reversible and establishing transitional arrangements for countries which benefited from the derogation under Lomé III. Only Mozambique is still claiming the "all destinations" derogation.

## 8. The inclusion of new products in Stabex

The Council of Ministers was unable to give a favourable reply to requests to include live animals and tuna (and canned tuna) in the list of Stabex products. On the other hand, octopus and cuttlefish were added to the list as part of a new product group, "octopus, cuttlefish and squid". Following Namibia's accession to the fourth Convention (decided at the 33rd meeting of the Committee of Ambassadors), Karakul pelts were added to the list.

## 9. The 1989 application year

At the start of the year, the ACP requested that the provision in Article 160(4) of Lomé III on the method for calculating the transfer bases (converting export receipts for the application year into ecus) should be suspended. This provision, known as the "tunnel", sharply reduced the transfer bases for many ACP States under Lomé III, and has not been incorporated into Lomé IV. The Commission recommended the request be refused because it anticipated one of a number of changes in the rules

governing the system which had been introduced into the fourth Convention as an evenly-balanced package. The Commission's recommendation was followed.

10. The ACP-EEC institutions were also called upon to take steps under Article 155(4) of the Convention in view of the shortfall in the system's financial resources.

The subject was first raised at the meeting of the ACP-EEC Council of Ministers; the Commission announced that total transfer requests exceeded Stabex resources and called upon the Council to take appropriate action. The Council instructed the ACP-EEC Committee of Ambassadors to study the matter on the basis of a report prepared by the Commission.

The report was sent to the Council at the end of June; on 13 July, the Committee of Ambassadors met in Brussels. The measures adopted at this meeting (see point 16) enabled the Commission to take a decision on the transfers before the end of July in accordance with the timetable laid down in Article 168(3) of the Convention.

### III. Transfers for the 1989 application year

11. The Commission received a total of 70 transfer requests for the 1988 application year, presented by 32 ACP States. After appraisal, 36 requests were deemed inadmissible; the remaining 34, from 20 countries, gave rise to a transfer entitlement. Thirty-one eligible transfer requests were covered by the Commission decision of July 1990.

Six transfer requests presented by Western Samoa were not received by the Commission department responsible for Stabex until October 1990 and appraisals of three of these were not completed until the end of the year. The results of these appraisals are summarized in point 18.

12. The system's ordinary resources, under Article 154 of the Lomé Convention, for the 1989 application year prior to the decision on transfers amounted to ECU 141 million. This sum comprises 75% of the allocation for the year 1989, the last instalment of the Lomé III budget (reduced by early withdrawal during the 1988 application year) and the interest on Stabex funds made available under Article 153(2), i.e. ECU 138.75 million and ECU 2.25 million respectively.

### 13. Rejected transfer requests

Seven requests were rejected for failing to reach the dependence threshold (Article 161 of the Convention):

<u>ACP State</u>	<u>Product</u>
Guinea-Bissau	squid
"	cottonseed
Mauritius	tea
Uganda	tea
Papua New Guinea	oil cake
Western Samoa	wood in the rough
"	bananas

Twenty-six other requests were rejected on the grounds that there was no loss of export earnings within the meaning of Articles 165(2)(b) and 160(3) and (4) of the Convention:

<u>ACP State</u>	<u>Product</u>
Benin	cotton
Central African Republic	wood in the rough
Gabon	wood in the rough
Ghana	cocoa, cocoa butter
Guinea-Bissau	groundnuts
"	cotton
"	palm oil, palm nuts
"	wood in the rough and sawn wood
"	cashew nuts
"	shrimps
Mali	cotton
Uganda	coffee
"	cotton
Papua New Guinea	copra, coconut oil
São Tomé and Príncipe	cocoa
Sudan	groundnuts
"	gum arabic
Tanzania	coffee
"	cotton
"	tea
"	cashew nuts
"	sisal
Chad	cotton
Vanuatu	cocoa
Western Samoa	copra
Zimbabwe	coffee

In three cases the losses did not reach the threshold set by Article 162 of the Convention:

<u>ACP State</u>	<u>Product</u>
Côte d'Ivoire	cocoa
Gambia	oil cake
Solomon Islands	cocoa

The rejection of a particularly large number of transfer requests is explained partly by the fact that certain ACP States presented requests for most or even all of the Stabex products which they export.

14. Calculation of the transfer bases - results of consultations (Article 164 of the Convention)

The total for the transfer bases finally amounted to ECU 571 420 179.

In many cases, consultations between the Commission and the representatives of the ACP States were needed in accordance with Article 164 of the Convention because of shifts in the commercial production and export of products for which lost receipts were recorded. These consultations led to reductions being applied to several transfer bases.

- Reductions applied as a result of a decline in marketed production:

<u>ACP State</u>	<u>Product</u>	<u>Reduction</u>	
		<u>Amount in ECU</u>	<u>% of transfer basis</u>
Tonga	coconut oil	299 995	36.11
Vanuatu	copra	289 483	15.86
		589 478	

- Reductions applied as a result of a decline in the ratio of exports (all destinations) to marketed production:

<u>ACP State</u>	<u>Product</u>	<u>Reduction</u>	
		<u>Amount in ECU</u>	<u>% of transfer basis</u>
Cameroon	cocoa paste	496 772	16.97 <sup>1</sup>
"	coffee	12 574 491	15.14
Côte d'Ivoire	coffee	57 070 923	28.59
Rwanda	coffee	5 434 143	12.35
		75 577 329	

The overall result of the consultations was to reduce the transfer bases to ECU 495 253 372.

15. Shortfall in resources and reductions in the transfer bases

Owing to the shortfall in Stabex resources in relation to the transfer bases, the bases were reduced in accordance with Article 155(2) and (3) of the Convention. The outcome of the application of these provisions was as follows:

- the reduction was not applied to 14 transfer bases worth less than ECU 2 million which affect the least developed ACP countries. The transfer bases concerned affect the following countries: Benin, Central African Republic (cotton and sawn wood), Comoros, Ethiopia, Gambia, Grenada, Rwanda, Somalia, Tonga and Vanuatu.

<sup>1</sup> 0.62 of the global "cocoa products" transfer basis.

- the transfer basis for Papua New Guinea (an island country) for palm products was reduced by ECU 1 million.
- in ten other cases, the reductions were calculated as a percentage of the reference levels: 6% for ACP States which do not belong to the categories of least developed, landlocked or island countries (Cameroon, Côte d'Ivoire, Kenya), and 1.5% for the other countries (Burundi, Central African Republic (coffee) Dominica, Equatorial Guinea, Malawi, Papua New Guinea (cocoa) Rwanda and Togo).
- finally, the reduction applied to Papua New Guinea's transfer basis for coffee was limited to 40%, in accordance with Article 155(3)(c).

The total amount of the reductions finally came to ECU 81 839 259. The transfer bases were reduced to ECU 413 414 113.

#### 16. Calculating the transfers

The total amount of the transfer bases still exceeded the system's resources and, pursuant to Article 155(4) of the Convention, the Commission, in its decision of 4 July 1990, authorized Mr Marin to send the ACP-EEC Council of Ministers the report on the financial situation and the probable development of the system and to seek solutions for this situation.

On the basis of this report, and as authorized by the ACP-EEC Council of Ministers at its 15th session, the ACP-EEC Committee of Ambassadors met on 13 July 1990 to assess the situation and examine possible remedies within the terms of the Convention.

The Committee of Ambassadors found that both parties agreed on boosting Stabex resources for 1989 by another ECU 70 million, composed as follows:

##### Under the 4th EDF

- Interest rate subsidies	ECU 1 704 901	
- Emergency aid	47 886	
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	1 089 787	1 089 787

##### Under the 5th EDF

- Interest rate subsidies	ECU 7 445 967	
- Emergency aid	1 816 015	
	<hr/>	
	9 261 982	9 261 982

Under the 6th EDF

- Interest rate subsidies	ECU 5 000 000	
- SYSMIN	54 648 231	
	<hr/>	
	59 648 231	59 648 231
		70 000 000

17. The resources made available in this way for Stabex (ECU 211 million) represented 51.04% of the transfer bases. Their proportional allocation, approved, with regard to the ordinary Stabex resources, by the Commission (on 4 July) and by the Committee of Ambassadors, resulted in a uniform supplementary reduction of 48.96%.

18. Requests for transfer presented by Western Samoa (see point 11)

Western Samoa had three transfer requests turned down (see point 13), while another three - for cocoa, coconut oil and oil cake gave rise to transfer entitlements.

The transfer bases for these three products were set at ECU 2 854 235. This amount was reduced to ECU 2 761 787 after the transfer basis for cocoa was reduced by 23.02% (ECU 92 448) because of a drop in the proportion of marketed production exported in 1990.

To ensure that Western Samoa's requests were treated the same as other transfer requests, the transfer bases were reduced in two ways:

- according to Article 155(3) of the Convention: the transfer basis for coconut oil was reduced by ECU 79 556 (1.5% of the reference level), the other two remained unchanged;
- by a percentage corresponding to the reduction decided by the Committee of Ambassadors (48.96%).

The transfer bases finally set for Western Samoa therefore amounted to ECU 1 369 011.

These transfer bases were covered by resources derived from interest on Stabex funds accruing since July 1990.



19. The result of the operations described in points 13 to 18 is shown in the following tables:

- Table 1: calculation of the transfer bases;
- Table 2: reductions pursuant to Article 155(3);
- Table 3: calculation of the transfers<sup>2</sup>

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<sup>2</sup> The distinction between the amounts paid from ordinary Stabex resources and additional Stabex resources is made only as an indication since these amounts are disbursed in exactly the same way.

Table 1

Calculation of transfer bases

(ECU)

Country	Product	Loss of earnings	Transfer basis (TB)	Reductions Art. 164 (consult.)	T.B. after reductions Art. 164
Benin	oil	280 257	285 862		285 862
Burundi	coffee	38 544 897	39 315 794		39 315 794
Cameroon	cocoa products	77 999 534	79 559 523	496 772	79 062 751
	coffee	81 426 238	83 054 761	12 574 491	70 480 270
Central African Republic	coffee	5 943 574	6 062 445		6 062 445
	cotton	668 256	681 621		681 621
	sawn wood	1 358 213	1 385 377		1 385 377
Comoros	vanilla	1 551 254	1 582 279		1 582 279
	cloves	1 258 868	1 284 045		1 284 045
Côte d'Ivoire	coffee	195 704 395	199 618 479	57 070 923	142 547 556
	wood	33 707 606	34 381 757		34 381 757
Dominica	bananas	2 689 691	2 743 485		2 743 485
Ethiopia	beans	803 181	819 245		819 245
Gambia	groundnuts	860 059	877 260		877 260
	groundnut oil	1 335 126	1 361 828		1 861 828
Grenada	cocoa	1 381 682	1 409 316		1 409 316
Equ. Guinea	cocoa	5 958 589	6 077 761		6 077 761
	coffee	441 673	450 506		450 506
Kenya	coffee	32 939 190	33 597 973		33 597 973
Malawi	groundnuts	2 328 424	2 374 992		2 374 992
	coffee	2 378 444	2 424 013		2 426 013
Papua New Guinea	cocoa	8 948 825	9 127 802		9 127 802
	coffee	4 280 389	4 365 997		4 365 997
	plam goods	1 002 782	1 022 837		1 022 837
Rwanda	coffee	43 146 332	44 009 258	5 435 143	38 574 115
Somalia	raw hides & skins	1 043 642	1 064 515		1 064 515
Togo	cocoa	3 445 217	3 514 121		3 514 121
	coffee	5 616 878	5 729 215		5 729 215
Tonga	coconut oil	814 491	830 781	299 995	530 786
	bananas	568 718	580 092		580 092
Vanuatu	copra	1 789 450	1 825 239	289 483	1 535 756
<b>Total</b>	<b>(July 1990)</b>	<b>560 215 875</b>	<b>571 420 179</b>	<b>76 166 807</b>	<b>495 253 373</b>
West. Samoa	cocoa	393 723	401 597	92 448	309 149
	coconut oil	2 354 032	2 401 113		2 401 113
	oil cake	50 515	51 525		51 525
<b>TOTAL</b>		<b>563 014 145</b>	<b>574 274 414</b>	<b>76 259 255</b>	<b>498 015 159</b>

Table 2

Reductions in transfer bases (Art.155(3))

(ECU)

Country	Product	Reduction 6%/1.5% R.L.(*)	Art. 155(3) applied	% TB	TB after reductions (Art. 155(3))
Benin	palm oil	27 262	-	-	285 862
Burundi	coffee	1 588 217	1 588 215	4.4	37 727 577
Cameroon	cocoa products	13 301 801	13 301 801	16.82	65 760 950
	coffee	11 496 032	11 496 032	16.31	58 984 238
Central African Republic	coffee	382 485	382 485	6.31	5 679 960
	cotton	177 322	-	-	681 621
	sawn wood	64 705	-	-	1 385 377
Comoros	vanilla	177 785	-	-	1 582 279
	cloves	45 723	-	-	1 284 045
Côte d'Ivoire	coffee	25 076 488	25 076 488	17.59	117 471 068
	wood	12 558 866	12 558 866	36.53	21 822 891
Dominica	bananas	375 820	375 820	13.70	2 367 665
Ethiopia	beans	84 423	-	-	819 245
Gambia	groundnuts	13 192	-	-	877 260
	groundnut oil	51 390	-	-	1 361 828
Grenada	cocoa	50 443	-	-	1 409 316
Equ. Guinea	cocoa	190 409	190 409	3.13	5 887 352
	coffee	18 357	-	-	450 506
Kenya	coffee	11 884 427	11 884 427	35.37	21 713 546
Malawi	groundnuts	56 175	56 175	2.37	2 318 817
	coffee	138 840	138 840	5.72	2 287 173
Papua New Guinea	cocoa	851 305	851 305	9.33	8 276 497
	coffee	2 260 938	1 746 399	40.00	2 619 598
	palm products	648 784	22 837	2.23	1 000 000
Rwanda	coffee	1 631 189	1 631 189	4.23	36 942 926
Somalia	raw hides & skins	60 729	-	-	1 064 515
Togo	cocoa	157 418	157 418	4.48	3 356 703
	coffee	380 551	380 551	6.64	5 348 664
Tonga	coconut oil	20 746	-	-	530 786
	bananas	10 753	-	-	580 092
Vanuatu	copra	108 503	-	-	1 535 756
<b>Total</b>	<b>(July 1990)</b>	<b>83 891 078</b>	<b>81 838 259</b>	<b>16.52</b>	<b>413 414 113</b>
West. Samoa	cocoa	13 902	-	-	309 149
	coconut	79 556	79 556	3.31	2 321 557
<b>TOTAL</b>		<b>83 989 803</b>	<b>81 918 815</b>	<b>16.45</b>	<b>416 096 344</b>

Table 3

Calculation of transfers

(ECU)

Country	Product	Reduction ACP-EEC Amb.Cttee	Transfers from Stabex resources	Transfers from additional resources	Total
Benin	palm oil	139 962	97 497	48 403	145 900
Burundi	coffee	18 472 021	12 867 457	6 388 099	19 255 556
Cameroon	cocoa products	32 197 605	22 428 586	11 134 759	33 563 345
	coffee	28 879 620	20 117 304	9 987 314	30 104 618
Central African Republic	coffee	2 780 998	1 937 221	961 741	2 898 962
	cotton	333 733	232 475	115 413	347 888
	sawn wood	678 303	472 500	234 574	707 074
Comoros	vanilla	774 709	539 656	267 914	807 570
	cloves	628 689	437 939	217 417	655 356
Côte d'Ivoire	coffee	57 515 699	40 064 962	19 890 407	59 955 369
	wood	10 684 834	7 442 967	3 695 090	11 138 057
Dominica	bananas	1 159 247	807 521	400 897	1 208 418
Ethiopia	beans	401 114	279 414	138 716	418 130
Gambia	groundnuts	429 521	299 200	148 539	447 739
	groundnut oil	666 773	464 468	230 587	605 055
Grenada	cocoa	690 023	480 665	238 628	719 293
Equ. Guinea	cocoa	2 882 542	2 007 954	996 856	3 004 810
	coffee	220 574	153 651	76 281	229 932
Kenya	coffee	10 631 296	7 405 674	3 676 576	11 082 250
Malawi	groundnuts	1 135 330	790 861	392 626	1 183 487
	coffee	1 119 836	780 069	387 268	1 167 337
Papua New Guinea	cocoa	4 054 304	2 822 802	1 401 391	4 224 193
	coffee	1 282 597	893 446	443 555	1 337 001
	plam goods	489 617	341 062	169 321	510 383
Rwanda	coffee	18 087 843	12 599 842	6 255 241	18 855 083
Somalia	raw hides & skins	521 203	363 066	180 246	543 312
Togo	cocoa	1 643 495	1 144 845	568 363	1 713 209
	coffee	2 618 791	1 824 228	905 645	2 729 873
Tonga	coconut oil	259 881	181 031	89 874	270 905
	bananas	284 022	197 848	98 222	296 070
Vanuatu	copra	751 930	523 789	260 037	783 826
<b>Total</b>	<b>(July 1990)</b>	<b>202 414 113</b>	<b>141 000 000</b>	<b>70 000 000</b>	<b>211 000 000</b>
West. Samoa	cocoa	151 359	157 790	-	157 790
	coconut oil	1 136 634	1 184 923	-	1 184 923
	oil cake	25 227	26 298	-	26 298
<b>TOTAL</b>		<b>203 727 333</b>	<b>142 369 011</b>	<b>70 000 000</b>	<b>212 369 011</b>

20. Aggregate results for each recipient country and product concerned are as follows:

Stabex Transfers by recipient country

ACP States	Transfers		%
	Amount in ecu		
1. Côte d'Ivoire	71 093 426	33.48	
2. Cameroon	63 667 963	29.98	
3. Burundi	19 255 556	9.07	
4. Rwanda	18 855 083	8.88	
5. Kenya	11 082 250	5.22	
6. Papua New Guinea	6 071 577	2.86	
7. Togo	4 443 081	2.09	
8. Central African Republic	3 953 924	1.86	
9. Equatorial Guinea	3 234 742	1.52	
10. Malawi	2 350 824	1.11	
11. Comoros	1 462 926	0.69	
12. Western Samoa	1 369 011	0.64	
13. Dominica	1 208 418	0.57	
14. Gambia	1 142 794	0.54	
15. Vanuatu	783 826	0.37	
16. Grenada	719 293	0.34	
17. Tonga	566 975	0.27	
18. Somalia	543 312	0.26	
19. Ethiopia	418 130	0.20	
20. Benin	145 900	0.07	
<b>TOTAL</b>	<b>212 369 011</b>		

Stabex transfers by product

Products/Product groups (*)	Amount	Transfers	
			%
1. Coffee (10)	147 615 981		69.51
2. Cocoa/cocoa products (6)	43 382 639		20.43
3. Wood (2)	11 845 131		5.58
4. Groundnut products (3)	2 326 281		1.10
5. Coconut copra products (3)	2 239 654		1.05
6. Bananas (2)	1 504 488		0.71
7. Vanilla (1)	807 570		0.38
8. Palm products (2)	656 283		0.31
9. Cloves (1)	655 356		0.31
10. Hides and skins (1)	543 312		0.26
11. Beans (1)	418 130		0.20
12. Cotton (1)	347 888		0.16
13. Oil cake (1)	26 298		0.01
<b>TOTAL</b>	<b>212 369 011</b>		

(\*) number of transfers in brackets

As in the 1987 and 1988 application years, the main beneficiaries were the Côte d'Ivoire and Cameroon. These two countries received over 63% of the total amount of the transfers, an even higher percentage than in the previous two years (at 40% and 60%).

The transfers once again related to two products whose price dropped: coffee (almost 70% of the transfers) and cocoa (over 20%). The suspension of the economic clauses in the world coffee agreement in mid-1989 resulted in a very considerable fall in prices, which was reflected in the export receipts of coffee exporting countries.

21. Although the amounts transferred represented only a proportion of the loss of earnings recorded in 1989, they none the less contributed significantly to the export revenues of ACP States. Thus total transfers amounted to some 27% of export earnings from all products for Burundi, 22% for Rwanda and 12% for Western Samoa.

The additional revenue provided by Stabex is particularly significant when measured in relative terms - i.e. compared with the revenue derived from the export of a given product. In several cases, transfers approached or even exceeded 1989 export earnings:

<u>ACP State</u>	<u>Product</u>	<u>Transfer/1989 earnings (%)</u>
Comoros	cloves	37
Gambia	groundnuts and groundnut oil	27
Grenada	cocoa	32
Equatorial Guinea	coffee and cocoa	45
Malawi	coffee	22
"	groundnuts	277
Tonga	cocomut oil	48
"	bananas	200
Western Samoa	cocoa	30
"	cocomut oil	52

These high ratios are partly explained by the fact that export levels for some products are fairly low and fluctuate considerably from one year to another. Thus, when low market prices are accompanied by specific local sectoral difficulties, the drop in exports may be substantial, resulting in relatively high transfers.

However, Stabex transfers can also account for a significant percentage of earnings from major export goods:

<u>ACP State</u>	<u>Product</u>	<u>Transfer/1989 earnings (%)</u>
Burundi	coffee	35
Cameroon	coffee and cocoa products	23
Côte d'Ivoire	coffee	26
Rwanda	coffee	29

#### IV. Replenishment of resources

22. The Commission continued its investigation of the repayment conditions for transfers under the second Lomé Convention (from 1983 to 1987) and the first few years of Lomé III.

It established that the repayment conditions were met for the following transfers:

<u>ACP State</u>	<u>Product</u>	<u>Application Year</u>	<u>Amount (ECU)</u>
Madagascar	sisal	1983 (Lomé II)	470 414 <sup>3</sup>
Senegal	groundnut products	1985 (Lomé III)	27 567 437
"	"	1986 "	21 898 706 <sup>4</sup>

Among the transfers which did not meet the repayment conditions were those to Fiji in respect of exports of cocomut oil in 1982 (ECU 788 481). The decision on the possible repayment of this transfer, along with two others to the same country (for 1980 and 1981) and one to Ghana (for cocoa products in 1981), is now a matter for the ACP-EEC Council of Ministers, pursuant to Article 44 of Lomé II.

<sup>3</sup> For the transfer amount of ECU 1 461 636.

<sup>4</sup> For the transfer amount of ECU 54 567 358.

## V. Utilization of transfers

23. Between the end of January and the end of December 1990, the allocation and the procedures for following up payments were defined for one transfer in respect of the 1988 application year (Comoros, for cloves) and for more than half of the transfers covered by the Commission's decision of July 1990 (i.e. those relating to Burundi, Cameroon, Central African Republic, Côte d'Ivoire (coffee), Dominica, Grenada, Equatorial Guinea, Kenya, Papua New Guinea, and Rwanda, totalling approximately ECU 188 million, or 89% of the total transfers). Consultations between the ACP States and the Commission concerning the allocation of transfers to six other countries (Benin, Comoros, Gambia, Lesotho (1988 transfers), Malawi and Togo) were still in progress. The utilization of transfers to six ACP States (Côte d'Ivoire (wood), Ethiopia, Solomon Islands (1988 transfers), Somalia, Tonga, and Vanuatu (1988 and 1989 transfers)) was still to be decided.

### 24. Allocation of new transfers

(a) Benin (ECU 145 900). Most of this amount will be paid to the Société Nationale pour la Promotion Agricole National Society for the Promotion of Agriculture - (SONAPRA) to complete the financing of inputs for the 1990/91 cotton-growing year, on which 1988 transfers worth ECU 7.16 million were also spent.

(b) Burundi (ECU 19 255 556). The transfer was devoted to the sectors of the three main Stabex products: coffee (84%), tea (10%) and cotton (3%) and to export diversification and agricultural research (3%). In the coffee sector, the funds were used for the replenishment of the Fonds d'Egalisation (Compensation Fund) for coffee (price support for producers), building coffee washing stations and buying equipment. In the tea sector, the funds financed the import of fertilizers and the work of the tea complex at Buhoma. In the cotton sector, the funds were devoted to research and the purchase of equipment. The funds were also used for the supply of airport cryostorage equipment and research into rice cultivation.

(c) Cameroon (ECU 63 667 963). Transfers administered in agreement with the Commission Delegation have been allocated to finance the growing season (around 17% of the total, mainly for the purchase of inputs and other current expenditure) and in large part to restructure the Office National de Commercialisation des Produits de base (National Commodity Marketing Board - ONCPB) and support cooperatives and exporters.

(d) Central African Republic (ECU 3 953 924). The coffee transfer was partly allocated to the Fonds de soutien de cours du café. (Coffee Price Support Fund) the rest being used to fund product purchases for the 1989-90 growing season. The cotton transfer was allocated for buying seed cotton for the 1990-91 growing season. The transfer for wood was used in the forestry sector for conservation, protection, reforestation and research.



(e) Comoros (ECU 1 037 953 - 1988 transfer). The transfer was assigned to the maintenance and repair of rural roads. First indications on the possible use of 1989 transfers (ECU 1 462 926) to pay Comoros' subscription fees for participation in the international organization of vanilla producers have yet to be confirmed and worked out.

(f) Côte d'Ivoire The sum of the coffee transfer (ECU 59 955 369) was paid in full to the Caisse de Stabilisation des prix des produits agricoles (Agricultural Price Stabilization Fund - CSPPA) so that it can refund some of its arrears to coffee and cocoa producers, who, by repaying their banking debts, should enable the banks to finance the 1990/91 marketing year satisfactorily.

(g) Dominica (ECU 1 208 418). The transfer was assigned to the rehabilitation of banana plantations and other crops in the wake of Hurricane Hugo, to stabilizing producer prices and investing in infrastructure (rural airstrips).

(h) Gambia (ECU 1 142 794). Preliminary indications are that the transfers will be used to repay as yet unspecified credits granted by the banks (and guaranteed by the state) to the Gambia Cooperative Union as part of its financial support to farmers.

(i) Grenada (ECU 719 273). The transfer was assigned to the Grenada Cocoa Association (to help rehabilitate the sector) and to diversification schemes and rural road projects.

(j) Equatorial Guinea (ECU 3 234 742). The transfers were intended to purchase equipment and chemical inputs, subsidize production and exports from the mainland region, and finance exemption from export duties and the cocoa rehabilitation project.

(k) Kenya (ECU 1 082 250). The transfer was paid to the National Cereals Produce Board (NCPB) to finance the cereals reserves, and to the Marketing Stabilization Fund, also in the cereals sector.

(l) Lesotho (ECU 1 224 000 - 1988 transfer). The use to which this transfer is to be put has not yet been decided. The initial project to utilize the funds for the construction of a factory to process wool may be abandoned in favour of other projects in the sector.

(m) Malawi. Early indications suggest the transfer for groundnuts (ECU 1 183 487) will be used for the services expansion programme, and the transfer for coffee (ECU 1 167 337) to support prices paid to small producers.

(n) Papua New Guinea (ECU 6 071 577). The transfers were allocated to the fund for stabilizing the prices of export crops.

(o) Rwanda (ECU 18 855 083). The transfer was allocated to the Fonds d'Egalisation (Compensation Fund) for coffee, which supports producer prices.

(p) Togo (ECU 4 443 081). The transfers will complete the funds for the investment and equipment budget for financing intervention activities in the agricultural sector. At the end of 1990 the Commission was still awaiting fuller information on this allocation.

It should be noted that in many cases the allocation and follow-up procedures for transfers under the preceding application years (particularly 1987 and 1988) were reapplied without any major changes.

## 25. Transfer utilization reports

Article 171 of the Lomé Convention obliges ACP States to submit reports on the utilization of transferred funds within twelve months of the signing of the transfer agreements.

At the end of 1990 the Commission had still not received some transfer utilization reports for the first four application years of Lomé III. The following reports are due:

<u>ACP State</u>	<u>Application year</u>
Burkina Faso	1987
Central African Republic	1987, 1988
Comoros	1987
Ethiopia	1987, 1988
Gambia	1988
Guinea-Bissau	1988
Madagascar	1987
Mali	1988
Mozambique	1987
Rwanda	1987, 1988
Senegal	1987, 1988
Tanzania	1985
Chad	1988
Togo	1987
Tonga	1987, 1988
Western Samoa	1987, 1988

In addition, some transfer utilization reports relating to the second ACP-EEC Convention have still not been transmitted by the recipient States despite regular reminders from the Commission. At the end of 1990, a number of countries had still not sent the Commission any report whatsoever on the utilization of transfers arising from the 1982-84 application years and the allocation of the remaining Stabex balance under Lomé II:

<u>Application year</u>	<u>ACP State</u>	<u>Product</u>
1982	Comoros	copra
"	São Tomé and Príncipe	cocoa
1983	Sudan	groundnuts
"	Tanzania	sisal, cashew nuts

1984	Burundi	cotton
"	Cape Verde	bananas
"	Comoros	cloves, vanilla
"	Tanzania	sisal, cashew nuts
Lomé II balance	Burundi	
"	Côte d'Ivoire	
"	Kenya	
"	Madagascar	
"	Somalia	
"	Tanzania	
"	Chad	

26. As regards transfer utilization reports for Lomé III, two remarks need to be made.

(i) Many of the reports received, particularly concerning transfers for the 1986, 1987 and 1988 application years, do not relate to the entire amounts transferred. In those cases, the recipient countries must send the Commission more than one utilization report.

(ii) The Commission not only reminds ACP States which are late in presenting reports of their contractual obligations, but also, in many cases, has comments to make on the reports available and requests further clarification on the various operations described.

## VI. Conclusion

27. At the end of 1990, the last year in which Stabex was governed by the provisions of the third ACP-EEC Convention, the Commission drew up a full balance of the working of the system under the Lomé I, Lomé II and Lomé III Conventions. This balance, covering several aspects of the administration of the Stabex system - its financial resources, the allocation and repayment of the transfers and eligible requests, including those which could not be covered by the transfers - is presented as an appendix to this report.