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Report

drawn up on behalf of the Joint Committee

on the ~~Annual~~ Report of the ACP/EEC Council of Ministers (doc. ACP-EEC 5/77)
and on current problems connected with the Lomé Convention

Rapporteur: Lord REAY

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In accordance with Article 19 of the Rules of Procedure, the Joint Committee of the ACP/EEC Consultative Assembly decided, at its meeting on 3 June 1976 in Luxembourg, to draw up a report on the Annual Report of the ACP/EEC Council of Ministers and on current problems connected with the Lomé Convention.

At the same meeting, Lord REAY was appointed rapporteur.

The Joint Committee examined this report at its meeting on 1-3 December 1976 in Lomé and on 6-7 June 1977 in Luxembourg, and adopted it unanimously.

Present: Mr Kasongo Mukundji (Zaire), Joint Chairman; Lord Reay, rapporteur; Mr Baas, Benin, Mr Bourdellès (deputizing for Mr Durieux), Burundi, Cameroon, Central African Empire, Congo, Mr de la Malène, Ethiopia, Mr Flämig, Miss Flesch, Mr Fioret, Gabon, Gambia, Ghana, Guinea Bissau, Guyana, Mr Hunault, Ivory Coast, Jamaica, Mr Kaspereit, Kenya, Mr Laçorce, Lesotho, Mr Lezzi, Liberia, Malawi, Mali, Mr Martinelli, Mauritania, Mauritius, Niger, Nigeria, Mr Price, Mr Pucci (deputizing for Mr Vernaschi), Rwanda, Mr Sandri, Mr Seefeld, Senegal, Sierra Leone, Somalia, Mr Spénale, Sudan, Togo, Trinidad and Tobago, Uganda, Zambia.

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MOTION FOR A RESOLUTION

The ACP-EEC Consultative Assembly meeting from 8 - 10 June 1977 in Luxembourg,

- having heard the statements of the President of the ACP-EEC Council of Ministers, the President of the ACP Council of Ministers and the representatives of the Council and Commission of the European Communities;
 - having taken note of the annual report of the ACP-EEC Council of Ministers (Doc ACP-EEC 5/77),
 - welcoming the accession of the Comoro State, the Republic of Seychelles and the Republic of Surinam as well as the signing of accession agreements with the Republic of Cape Verde, Papua New Guinea and the Republic of Sao Tomé and Príncipe, all of which bears witness to the attraction of the Convention, which remains open, under certain conditions, to other nations wishing to accede, and expressing the hope that the necessary ratification procedures will be completed as soon as possible;
1. Stresses the generally satisfactory application of the provisions of the Convention of Lomé such as those concerning the exemption from duty of almost all exports from the ACP States, and the smooth functioning of financial and technical cooperation.
 2. Notes with satisfaction that the work of the ACP-EEC Council of Ministers, and the Interim Committee which was operative before the full entry into force of the Convention, made possible the establishment of most of the provisions of the Convention, as well as the necessary institutions, before the end of the first full year of application of the Convention;
 3. Notes the positive results already achieved with respect to the application, for the first year, of the provisions of the Convention relating to the system for stabilizing export earnings, and welcomes the recent extension of the system to other products and the extension of the derogation provided for in Article 17(4) of the Convention to certain other ACP States, while drawing attention to the need to extend this system further and to strengthen and improve it as a contribution of the ACP-EEC Group to the search for and establishment of a new international economic order, which is essential and urgent;

4. Welcomes that at the recent meeting of the ACP-EEC Council of Ministers in Fiji on 13/14 April 1977, it was possible to clarify a number of problems that had arisen in the trade sector, thus underlining the political will by all parties to achieve the goals set by the Convention;
5. Commends the Community on its declared willingness to examine practical proposals for facilitating the export at preferential prices of surplus agricultural products from the Community to the ACP States; and urges the Community to devise a method of payment for those and other exports to the ACP States such as would place the least possible foreign exchange burden on those States;
6. Urges that information and consultation procedures provided for in the Convention be strengthened and expresses the earnest desire that they should be effective, i.e. applied by both ACP States and the Community prior to the taking of decisions;
7. Notes with satisfaction that all the necessary steps have been taken to set up the institutional framework relating to industrial cooperation, and hopes that implementing action will now take place;
8. Believes that the provisions of the Convention relating to micro-projects are of great importance in responding to the needs of local communities, and hopes that the method of implementing these projects can be simplified and speeded up;
9. Welcomes the Community's recent decision to reinstate the quotas of certain countries which had not delivered their agreed quantities of sugar during the campaign year 1975/1976 and urges the Community to enter into urgent consultation with the ACP in order that such a decision can be smoothly implemented;
10. Notes with satisfaction that the positions of the ACP and the EEC have moved closer in respect of the application of Article 5(4) of the Protocol on Sugar, but having regard to the unsatisfactory results of the latest negotiations on the guaranteed price for 1977/78, calls upon the Community and the ACP to explore fully all possible avenues of consultation in order that a common understanding be reached on the interpretation of the provisions of the Protocol on Sugar so that subsequent talks on prices leave real scope for negotiations as claimed by the ACP;
11. Considers that the special treatment accorded to those ACP States which are exporters of beef and veal products must be maintained after 1977 because of the urgent needs of these countries whose economies are largely dependent on those products and who need to plan their production in advance;

12. Urges the Community in the context of the Joint Banana Group to make a rapid and constructive response to the proposals put forward by the ACP States in connection with the implementation of Protocol No. 6 of the Convention on bananas; and expresses the hope that the Community's response will give priority to the interests of the ACP States;
13. Again underlines the importance it attaches to the provisions of the Convention on regional and inter-regional cooperation, welcomes the first indicative programme recently proposed by the Commission and calls for the drafting at the earliest opportunity of a second indicative programme to promote the regional and inter-regional development of the other ACP States, and in particular the least developed countries in the other regions;
14. Considers that the setting up, recommended by the ACP/EEC Council of Ministers in Fiji, of an ACP/EEC subcommittee with special responsibility for investigating the specific problems facing the least developed, landlocked or island countries is entirely consistent with the spirit of the Convention of Lomé;
15. Expresses the hope that the Community generalised preference scheme for 1978 will take account of the legitimate concern of the ACP countries; and therefore welcomes the agreement of the ACP/EEC Council to set up a Working Party to study this question;
16. Calls on the ACP States and the Member States of the EEC, in the light of ~~the disappointing~~ results of the work of the latest major international meetings, for example the UNCTAD Conferences in Nairobi and Geneva and the North-South dialogue, to ensure that the spirit of solidarity of the Convention of Lomé which has prevailed over recent difficulties governs forthcoming meetings of the international community;
17. Stresses that the economic situation of the member countries of the Convention of Lomé engaged in southern Africa in the joint struggle of the African peoples for independence is part of a political crisis in which the EEC must concern itself, necessitating the use of special measures within the framework of the Convention; welcomes, in this connection, the use made of the provisions of the Convention relating to exceptional aid, and recognises that in view of the worsening of the crisis further and more urgent help will be needed;

18. Urges the need, in this connection, for careful consideration of the economic activities of investors from the Member States of the EEC in the region;
19. Requests all signatory States of the Convention to observe with the utmost strictness the resolutions adopted by the United Nations, the OAU and the recent Maputo Conference in support of the peoples of Zimbabwe, Namibia and the Republic of South Africa for independence, the unequivocal affirmation of the principle of majority rule and the equality of all peoples in this area;
20. Urges the Council of Ministers to pursue appropriate action at the level of the Committee of ACP/EEC Ambassadors to ensure ways of establishing, within the meaning of Title 3 of the Convention, effective contacts, consultations and cooperation between the economic and social sectors of the Member States and the ACP States.
21. Considers that cooperation in the agricultural produce sector is of major importance for all the countries that have acceded to the Convention and that it is necessary to provide in this field institutions and instruments similar to those provided for in the Convention of Lomé for industrial cooperation; feels, therefore, that provision should be made, on the basis of Article 80(5) of the Convention, for representative organizations of the economic and social sectors, especially agriculture, to be ~~effectively~~ consulted;
22. Notes the resolution adopted by the ACP/EEC Council of Ministers in Fiji recommending that the Committee of Ambassadors study the viability of a Joint Centre to promote agriculture in the ACP countries;
23. Instructs its Presidents to forward this resolution and the report by Lord REAY¹ to the ACP/EEC Council of Ministers and to the Commission of the European Communities.

¹ Doc. ACP-EEC 6/77

EXPLANATORY STATEMENTINTRODUCTION

1. According to Article 80(4) of the Lomé Convention the Council of Ministers shall submit a report on its activities to the Consultative Assembly each year. The report here reviewed (Doc ACP-EEC 5/77) covers the period 1 April 1976 to 31 March 1977. However, the Interim Committee set up by an exchange of letters effected on 28 February 1975 (in order to allow a number of interim provisions to be put into effect without waiting for the formal ratification of the Convention) produced a report (ACP/EEC 4/76) which was presented to the ACP-EEC Council of Ministers at its first meeting on 14 - 15 July 1976. It was subsequently sent to the Consultative Assembly which in turn referred it to the Joint Committee. The report was discussed by the Joint Committee at its meeting in Lomé on 1 - 3 December 1976.

2. The following report therefore covers the activities of the Interim Committee from the date of its inception (28 February 1975) as well as the activities of the Council during the first year of full operation of the Convention (1 April 1976 - 31 March 1977) and in addition discusses some of the current problems of the Lomé Convention which were dealt with at the second meeting of the Council of Ministers at Fiji (13-14 April 1977).

CHAPTER I - TRADE COOPERATION

3. The provisions of the Convention relating to trade arrangements (Chapter 1 of Title I and the Protocols and Declarations concerning originating products, Botswana, Lesotho and Swaziland, fisheries, rum and bananas) and the provisions relating to the arrangements to be applied to coal and steel were implemented autonomously on 1 July 1975, i.e. before the Convention came fully into effect. A considerable part of the Interim Committee's work concerned trade cooperation.

4. Despite the existence of a certain number of specific problems, most of these provisions were put smoothly into operation. Thus, products originating in the ACP States have been imported into the Community free of customs duties and charges having equivalent effect. Also agricultural products originating in the ACP States and covered by the common agricultural policy have as a rule been imported into the Community under arrangements more favourable than the general arrangements applicable to the same products originating in third countries which benefit under the most-favoured-nation clause. The Community has not applied the safeguard clause referred to in Article 10 of the Convention despite economic difficulties experienced by Member States. In the case of beef and veal, special provisions were brought into effect to help the exporting states sell stipulated quantities in the EEC.

5. Although, in overall terms, these arrangements work well, there have been a number of specific items which could not easily be resolved. These are set out below:

RUM

6. Protocol No.7 on rum, or rather products under subheading 22.09 of the EEC's Common Customs Tariff (rum, arrack, tafia) stipulates that these products will be admitted into the Community exempt of customs duties and within the limits of an annual quota fixed by the Community. The quota fixed for the year ending June 30 1976 was 168,000 hectolitres of pure alcohol. It was divided into two portions: 128,000 hectolitres of pure alcohol for consumption in the UK and 40,000 hectolitres shared among the other Member States as follows:

Benelux:	3,500 hl
Denmark:	2,900 hl
West Germany:	26,000 hl
France:	6,000 hl
Ireland:	1,000 hl
Italy:	600 hl
Total:	40,000 hl

7. The annual quotas are fixed by the Community on the basis of the largest annual quantities imported from the ACP States into the EEC in the last three years for which statistics are available, increased by an annual growth rate of 40% on the UK market and 13% on the other markets. The quota for the period 1 July 1976 - 30 June 1977 was fixed at 162,000 hectolitres.

8. At the Council meeting in July, the ACP States questioned the method used in arriving at the new level of quotas. This question applies to the overall tariff quota and to the quota levels for individual Community markets. Moreover, the ACP States felt that the Community was acting unilaterally and not within the spirit of the Protocol. They also mentioned their concern about the difficulties they were facing as regards non-tariff barriers in certain Member States. The Community maintained that the present rules generally ensure access for all available ACP rum, and the Community could not accept the implication that it was not fulfilling the terms of Protocol No.7.

9. At the meeting of the two Presidents¹ in October, the question of rum was again discussed. The Community had provided statistics which, among other things, showed that the ACP States had not supplied enough rum to meet even the new quota. The ACP States said that, on the contrary, they had one million gallons available for export, but that obstacles exist in different Member States. It was agreed that groups of experts from both sides should meet to resolve the basis on which statistics are compiled, and to examine the question of non-tariff barriers.

¹This meeting, which took place on October 20, and has been dubbed the "mini-Summit", arose because a number of problems remained outstanding at the end of the July meeting, and it was therefore agreed that the President of the EEC Council and the President of the ACP Council, together with representatives of those ACP States concerned, and the Commission, should meet to discuss these problems.

The Community has since forwarded to the ACP States, for information, the Commission proposals for a regulation on the common organization of the market in ethyl alcohol of agricultural origin, which are still under examination within the Community bodies.

10. At the meeting in Fiji, the problem of rum was again raised. The ACP States raised the matter of non-tariff barriers and joint trade promotion action, and it was agreed that talks would continue in order to seek the source of these difficulties as well as possible solutions, and, at the appropriate time, to examine proposed new Community legislation.

BANANAS

11. Protocol No.6 on bananas contains three major provisions:

- maintenance of access to the markets and advantages acquired by each ACP for its exports of bananas to the EEC;
- joint EEC/ACP endeavour to enable the ACP States (particularly Somalia) to increase their exports of bananas to their traditional markets in the EEC, via investment at all stages (from production to consumption);
- joint EEC/ACP endeavour to enable the ACPs to break into new markets in the Community.

12. An EEC/ACP Permanent Joint Group on Bananas was set up with the job of ensuring the attainment of these objectives concerning banana exports by the ACP States into the Nine, and coming up with recommendations where appropriate. The Group met on October 28 1975 and a general exchange of views took place on the general objectives of the Protocol; at this meeting the Community presented a communication concerning the application of the Protocol but the Community pointed out that it would be useful if the ACP States prepared a document setting out their requests or ideas so that fruitful discussion of this issue could take place.

13. To enable the two sides to fulfil the objectives of Protocol No.6, a number of provisions are available under the terms of the Convention: technical and financial assistance, trade promotion, use of the export receipt stabilization mechanism (STABEX) and aid from the European Development Fund. Whatever the method used, the problem is not an easy one, owing to the intense and effective competition of Latin American producers and the protected markets of the United Kingdom and France. Questions to be discussed include a need for a common market for bananas and whether private interests should be represented on the Joint Banana Group. At the Council meeting in July, the ACP States still had not completed their study on the interpretation of Protocol No.6, but drew attention to a number of specific problems.

14. One of these problems which the ACP States raised arose from the fact that the UK authorities have been under pressure to grant licences for the importation of bananas originating in the dollar zone and in free circulation in other Member States of the Community. The ACP States contended that the possible grant of such licences would endanger a most vital element of protection for ACP bananas in the UK by allowing bananas from dollar sources to circumvent the measures, specifically import licensing of dollar bananas, which the UK government employs to ensure the orderly supply of bananas to its market. The arrangements now existing on the UK market allow for the issue of supplementary licences for the import of bananas from dollar sources only after supplies from ACP sources are exhausted.

15. The position of Somalia in the Italian market was also discussed since the ACP States believed that the Italian authorities might issue import licences for bananas from the dollar zone during the second half of the year, when the quotas for the first half of the year had not been exhausted. Such a practice was obviously likely to endanger exports of bananas from Somalia to the Italian market.

16. Both these points were mentioned at the "mini-Summit" in October. As regards bananas from the Caribbean, the EEC President pointed out that the United Kingdom gave priority to ACP bananas, even though these were often higher priced than bananas of equal quality imported from third countries. The quota for ACP bananas had to be exhausted before "dollar bananas" were licensed.

17. With regard to Somali bananas, the EEC felt that the decline in exports was due to a decrease in production and an increase in exports to the Middle East, and not to restrictive measures by Italy which had not lessened its efforts to help Somalia. The EEC President suggested that precise details of cases where sales had been difficult should be supplied, within the Joint Group on Bananas, by the ACP States. It was agreed that the Group should meet as soon as possible to discuss these problems.

18. In fact, the Group met on 15 March 1977, and the ACP States made a series of proposals on implementation of Protocol No.6 of the Lomé Convention, so as to:

- ensure that no ACP State finds itself in a less favourable position than in the past or at the present time with regard to access to markets on the three traditional markets of the EEC (France, UK, Italy). With this end in view, it would be necessary to have a

"reorganization" of the Community banana market guaranteeing the ACP a fair share of EEC imports and an annual increase in banana consumption in the EEC at "reasonably remunerative and fair prices for producers";

- use all applicable measures laid down by the Lomé Convention with regard to provisions involving all stages from production to final consumption: not only contributions from the EDF and STABEX, but also measures laid down for industrial cooperation and trade promotion;
- allow access by the ACP banana producers to new non-traditional EEC markets, notably Germany. The ACP States made specific proposals on how this was to be achieved. Finally, the ACP States proposed a Joint Experts Group made up of specialized technical and commercial staff, which would be responsible to the Permanent Joint Group of Ambassadors. This Group should monitor the market situation in all its aspects in the EEC and provide help in the export of bananas from the ACP States to the EEC.

19. At the meeting in Fiji, the Community and the ACP Ministers agreed that this Memorandum on the application of Protocol No.6 on bananas should be examined at an early date. The Permanent Mixed Group on Bananas should meet as soon as possible to discuss these problems.

BEEF AND VEAL

20. The ACP States who are primarily exporters of these products had frequently emphasized the special importance of these products for their economies. Since July 1975, there have been special measures to help four ACP beef exporters (Botswana, Madagascar, Swaziland and Kenya) who would normally have been unable to export to the EEC because of imposition by the Community of its safeguard clause. Originally, these measures consisted of specified quantities of beef which ACP States were allowed to export into the Community markets. It soon became clear that the export quantities allowed were subject to the Common Agricultural Policy levies which amounted to 100% of the difference between the world market price of beef and the Community's intervention price. Upon representation by the ACP Council of Ministers, the Community reduced these levies of import charges by 90% on condition that the ACP States imposed an equivalent export tax on their meat export agencies. The reductions of the import charges were applicable for six-month periods and consequently, required frequent renewals.

The licencing regulations of the Community required ACP exporters to submit their applications on a specified day of the month, and such licences when issued were only valid for up to the arrival day of each consignment. Failure to meet these restrictive regulations rendered the ACP States concerned liable to a surcharge of considerable magnitude. The system was unsatisfactory in a number of respects; the period was too short given that in the case of Botswana, at least six weeks had to be allowed for transport, the quota was divided into equal half-yearly amounts although the production process did not operate in this way, and it was not possible for the producer countries to plan ahead in case the measures were not renewed. Following further discussions, and in particular a special mention of this problem by the ACP/EEC Consultative Assembly in its resolution¹ which was forwarded to the Council of Ministers, the Commission made new proposals to the Council in October 1976 which were discussed at the "mini-Summit" on October 20. The arrangement agreed between the two sides were for an extension of the present system for twelve months, i.e. a continuation of the 90 per cent reduction in the import charges. Subsequently, the EEC Council of Ministers confirmed this arrangement, which entered into force on 1 January 1977 and is to last until 1 January 1978. The Joint Committee of the Consultative Assembly at its meeting held in Lomé, Togo, December 1-4, considered that the special measures accorded to those ACP States which were exporters of beef and veal products must be maintained after 1977 because of the urgent needs of those countries.

21. The ACP States were also anxious about the possible effects of lifting, in 1977, the ban on imports into the Community of beef and veal coming from other third countries, and of the increase in levies which might result. They asked the Community to hold talks in good time (at the end of the first half of 1977) to decide on the arrangements to be applied after 1 January 1978.

¹ See point 6 of the resolution adopted by the Consultative Assembly on 3.6.76 (OJ No. C 154, 7.7.76)

22. The Community was unable at the time to give any details as to the possibility of lifting the ban on imports; this could largely depend on the market situation¹. As regards to the possibility of an increase in the levy, the Commission assured the ACP States that they would be consulted if any difficulties arose.

GROUNDNUT CAKE AND AFLATOXIN

23. At the Council meeting in July, the ACP States (in particular those from the African Groundnut Council, namely Gambia, Mali, Niger, Nigeria, Senegal and Sudan) raised the problem of EEC regulations on permissible levels of aflatoxin in groundnut cake which they maintain is in effect a non-tariff barrier. The ACP States believe that further research on the actual dangers involved is necessary. For its part, the Community referred to the regulations which it had recently succeeded in adopting, relating to the permissible levels of aflatoxin, which the Community believed to be a carcinogenic substance. The EEC regulations concern the permissible level of aflatoxin in the finished animal feedstuff, i.e. in the end product rather than on the groundnut cake. Hence the permissible level depends to some extent on the mixing process. At the October meeting, the EEC President proposed a joint research programme to be financed by the EDF, with the competent African bodies, to study means of regulating aflatoxin. It was also agreed that it was important to achieve progress in improving methods of stocking and marketing.

At the meeting in Fiji, the ACP States put forward suggestions concerning the method of analysis of products coming under this regulation which the Community agreed to study jointly with them in the near future.

¹ The ban was, however, lifted on 1 April 1977

PROBLEMS ARISING FROM COMPULSORY INCORPORATION OF SKIMMED MILK POWDER IN FEEDINGSTUFFS

24. This problem was raised by the ACP States in July as a result of the EEC Regulation imposing the use of milk powder in manufactured animal feeds. This measure which was taken to help dispose of the surplus milk powder in Europe would, they thought, result in reducing the market for groundnut cake.

25. This problem was again discussed in October. The EEC President pointed out that the measure appeared to have had no adverse effects on exports of feedingstuffs from the ACP States, which was partly explicable in that it was anyway a very limited measure (it affected 400,000 tonnes in a total consumption of 58 million tonnes). Moreover, the measure was of limited duration, and indeed, shortly after the Council meeting it came to an end. It should also be mentioned that in point of fact both in terms of price and quantity exports from the ACP States to the EEC had been higher in 1976 than in 1975.

TRADE PROMOTION

26. The trade promotion provisions of the Convention are based on arrangements to enable the ACPs to reap as much benefit as possible from trade and industrial cooperation with the Community. To improve cooperation between those concerned in the EEC and in the ACP countries, the Convention provides for the formation of liaison bodies suitable for promoting this cooperation.

27. Trade promotion activities may concern the marketing of any ACP products on any markets (EEC, other ACP and third countries). They will be financed by the European Development Fund (EDF) and requests can be made by one or more of the ACPs.

28. For some ACP countries the trade promotion facilities of the Convention are of great importance, since, having in the past conducted most of their trade with particular groups of EEC Member States they need help in adapting their marketing methods to the new conditions and demands of a much more varied market. Indeed, it will be interesting to see whether traditional trade flows are beginning to alter. Some ACPs are considered as better off than others and therefore are unlikely to qualify for much EDF aid. These countries feel that trade promotion can play an important role in stimulating their development. It should be remembered that over 40% of total ACP exports to the Community are agricultural and there would appear to be merit in setting up means of consultation between EEC and ACP agricultural

organizations, in order to help develop this trade. The ACP have agreed among themselves that the establishment of a joint Centre for Promoting Agricultural Development is warranted on those grounds and proposed to the EEC in Fiji that a joint approach be made to this proposal. The ACP is thus actively pursuing this matter.

29. At the ACP-EEC Council of Ministers' meeting in July, the ACP States mentioned difficulties resulting from a lack of information, which they were meeting in connection with the implementation of certain sales promotion projects for which provision was made in the Convention.

30. At the meeting of the Sub-Committee on Trade Cooperation on 22 March 1977, the ACP States returned to this question which was included on the agenda of the second meeting of the Council.

31. At the meeting in Fiji, it was agreed that in addition to trade events, Community aid would in future be extended to improving structures in external trade, the training of personnel and the marketing of products. The Council of Ministers also exchanged views on a Commission proposal to set up a European Agency for Trade Cooperation with the Developing Countries and agreed that the functioning of any such institution would not be allowed to endanger ACP interests.

32. APPLICATION OF ARTICLES 2, 7, 8 AND 11 OF THE CONVENTION

At the meeting in Fiji, the Council discussed issues relating not only to the question of information and consultation, but to a whole range of matters relating to the application of Articles 2, 7, 8 and 11 of the Convention. As far as the exchange of information was concerned, it was mutually acknowledged that both sides were under an obligation to give notice whenever they intended to adopt trade policy measures which could harm each others' interests. With regard to trade preferences for ACP products over similar products from non-ACP suppliers - a vital concern of the ACP States - the Community without making a general declaration, nevertheless agreed to begin consultations as requested by the ACP States with a view to granting more favourable treatment to vegetables, particularly tomatoes and melons, originating in the ACP States.

PRESENTATION OF THE LOME CONVENTION TO GATT

33. No problems have been experienced in presenting the Convention to GATT. With regard to defending the Convention before the Group of 77, the ACP States found general support for its continued operation, the reasoning being that other developing countries believe that any ground gained by the 46 will in the end help the developing countries as a whole. The presentation to GATT was a joint presentation by the Community and the ACP States.

CONSULTATION PROCEDURE

34. Both in the Interim Committee and at the first meeting of the Council, the ACP States raised problems on the information and consultation procedure provided for in the Convention.

35. While they expressed general satisfaction with the present arrangements for trade, they were concerned about some cases in which these arrangements had been implemented. They felt that improvements could be made to the consultation procedure in a number of respects, and in particular they wanted to be more closely involved in the preparation of those Community measures which affected them before they came into effect, so that they could make their position known in good time. The ACP States were of the view that consultation often took place late and after the Commission had completed the elaboration of rules and regulations which it expected the Community Council of Ministers to approve. The ACP States were therefore not so much consulted as informed of the action to be taken.

36. The Community's response to this criticism was that a large number of draft texts had been forwarded to the ACP States, amongst the most important and significant of which were the Financial Regulation of the European Development Fund, the offer made by the Community regarding tropical products in the context of the GATT multilateral trade negotiations, the proposals relating to the Generalized Preferences Scheme for 1977, the draft Agreements recently signed between the Community and the Mashreq countries or with Israel, and the draft texts relating to the new accessions to the Lomé Convention. The Community also laid emphasis on the practical importance of meetings between experts from the ACP States and Commission experts as well as the presence in each ACP capital of a Commission delegate and the existence of a Joint Secretariat which facilitated permanent contacts between the two parties.

37. The Community also mentioned that the flow of information from the Community to the ACP States was far in excess of that in the opposite direction. A number of ACP States had not yet fulfilled their obligations under Article 8 of the Convention to communicate their customs tariffs and any amendments thereto. Furthermore, several ACP States had introduced measures which affected imports from the Community covered by Article 7 of the Convention without giving the Community prior notification or warning.

COMMUNITY GENERALIZED PREFERENCES SCHEME

38. Both in the Interim Committee and at the Council meeting in July, the ACP States expressed their fear of erosion of the advantages gained under the Lomé Convention by the extension of the generalized system of preferences in 1976. Since those meetings, the Community has put into effect its GSP proposals for manufactured products for 1977, which offer a substantial improvement over those for 1976.

39. The ACP States pointed out that whereas 40% of the trade of ACP countries was with the EEC, the figure for other developing countries was more like 20%, so that they were very vulnerable to a loss of preferences.

40. They were not calling into question the Generalized System of Preferences which all developing countries welcomed as an important element of Community development policy, but they felt that closer cooperation should be possible in order to ascertain more precisely the effects of the system on the ACP States' principal products. It was possible, they pointed out, for great harm to be done to their economies by the time it was conclusively established that damage has been caused to their trade.

41. The ACP States therefore proposed consultations through the setting up of machinery for joint and continuous monitoring of certain sensitive and key ACP exports.

42. At the Council meeting in Fiji, the question was again brought up and it was agreed that a Joint Working Party should be instructed to identify and assess the effects of the Community's generalized preferences.

SURPLUS AGRICULTURAL PRODUCTS

43. One of the subjects which the ACP States mentioned in July was an arrangement whereby they could purchase surplus agricultural products from the Community at favourable prices. This question was not settled at the meeting, and accordingly it was decided to discuss it again later in the year at the informal meeting which the Council arranged to take place in the autumn. At this meeting, it was agreed that the Commission would examine the request, on which the ACP States were invited to provide more specific and detailed information. The Community is willing to examine practical proposals for further improving the procedures to facilitate the exports of some products to the ACP States, bearing in mind that it is already engaged in a heavy food aid programme. At the

Fiji meeting, the Council instructed the Committee of Ambassadors to examine the ACP States' proposals.

Rules of Origin

44. Protocol No.1 annexed to the Convention concerning the definition of the concept of "originating products" and methods of administrative cooperation, was implemented in advance by the Community and the ACP States on the same date (1 July 1975) as those on trade provisions cooperation. It was necessary to implement the Protocol in order to apply these provisions satisfactorily.

45. At the Council meeting in July, the ACP States mentioned difficulties which they were experiencing with regard to the application of Protocol 1 of the Convention. In particular, the ACP States suggested a change to some of the provisions of Lists A and B contained in Annexes I and II to the Protocol¹.

46. The Council referred detailed consideration of these matters to the Committee of Ambassadors. Since then, there have been several meetings of the Customs Cooperation Committee, which under Article 28 of Protocol No.1 is responsible for carrying out administrative cooperation.

47. The bulk of the work in this field was of an extremely technical nature, such as, for example, the difficulties involved in issuing EUR.1 certificates in some landlocked ACP States. In the Interim Committee it was agreed in this context that the Community should prepare for the benefit of users a guide to the application of Protocol No.1 and that it should organize information seminars.

48. The ACP States submitted an application requesting a derogation from the rules of origin in accordance with Article 27 of Protocol No.1 in respect of certain textile products exported from Mauritius to the Community. The object of this was to allow Mauritius to export six million metres of grey cloth made from imported raw materials to the EEC over a period of two years. The Council considered this request at its meeting of 14 and 15 July and approved for the period 1 August 1976 to 31 July 1977 derogation for a quantity of 832 tons with the understanding that the ACP-EEC Council of Ministers may decide to extend it until 31 July 1978, should examination reveal that this is necessary.

¹List A details the working or processing operations which result in a change of tariff heading without conferring the status of "originating" product on the products concerned, or conferring this status only subject to certain conditions.

List B details the working or processing operations which do not result in a change of tariff heading, but which do confer the status of "originating" product on the product concerned.

49. Malawi also applied for permission to export artificial flies to the Community, although not all parts of their anatomy originated in that country. This subject was again raised at Fiji and the Council was able to grant the necessary derogation to Malawi. There was a similar request for derogation by Kenya which the Community also granted. At the same meeting, Mauritius sought to have the earlier approved derogation with respect to textiles, extended for another year. It also sought a derogation with respect to Tuna fish. On both of these, the Community decided that it would need to give further study.

50. On 8 July, three months after the entry into force of the Lomé Convention, the Commission and sixteen ACP States signed twenty-four transfer agreements designed to offset a drop in these countries' export earnings from one or more commodities in 1975.

51. The main features of the system are as follows:

Appropriation: 375 million u.a. for the duration of the Convention, divided into five annual instalments of 75 million u.a. each with an automatic carry over of the balance to the following year. The annual authorized amount may be increased by up to 20% of the total (a maximum of 90 m u.a. per annum) in special circumstances. In fact, as a result of the Accession of Papua New Guinea, Cape Verde and Sao Tomé Príncipe, the amount available has been increased by 5 million u.a.

Products covered: Twelve commodities (groundnuts, cocoa, coffee, cotton, coconut, palm, palmtree and kernel products, raw hides, skins and leather, wood, bananas, tea, raw sisal and iron ore) and certain of their by-products.

Dependence threshold: For any one of these products to be taken into consideration, it must have represented at least 7.5% of total exports to all destinations in the preceding year. This percentage is reduced to 5% for sisal, and to 2.5% for all the least-developed, landlocked or island ACP countries.

Trigger threshold: In order to be eligible for a transfer, actual earnings from exports to the Community of a given product must be less than the average of the corresponding earnings over the four preceding years by at least 7.5% in normal cases or at least 2.5% in the case of the least-developed, landlocked or island countries.

Nature of the transfers: The intention is that in general they are interest-free loans which are repaid by the recipient States when certain conditions have been fulfilled relating to the increase in their export earnings. In the case of the twenty-four poorest countries, however, the transfers take the form of grants.

Examination of requests: Although an entirely new and technically complex system, the conditions for its implementation were fulfilled quickly and satisfactorily, particularly as regards the launching and the operation of the statistical cooperation between the ACP States and the Community. This made it possible to examine under good technical conditions the requests presented by twenty-one ACP States to verify to what extent these requests were admissible and to estimate the amounts of the transfers.

52. The STABEX provisions include a restrictive clause which can mean that a claim from an ACP State may be refused:

- where the fall in export earnings is due to a trade policy measure which has channelled exports away from the EEC and towards other markets (for example, where prices are higher);
- where significant changes have occurred in the total exports of the requesting ACP State, consultations take place between the country concerned and the Commission in order to determine its effect on the transfer.

53. Following examination and consultations with the requesting States, it was observed that a number of requests did not correspond to the conditions laid down by the Convention (dependence threshold, fluctuation threshold or a significant change in the structure of export flows). Moreover, in some cases a reduction was made in the amount of the transfer requested, justified for example by an increase in exports to other destinations.

54. During this first year of operation STABEX provided protection against export losses resulting from poor economic conditions, such as a fall in demand, as well as protection against losses caused by a drop in production attributable to circumstances such as natural disasters. Of the total disbursed 68% of the transfers made were of the first type; 32% of the second (see Table 1); 56% were in terms of non-repayable transfers to the least-developed countries, and 44% in the form of loans which should be reconstituted when the trend of export earnings improves.

55. The impact of STABEX should not be underestimated. In a number of cases the contribution is remarkably large. Compared with total export earnings (all products - all destinations - 1974) STABEX transfers represent 25% for Benin, over 13% for Niger, 6.5% for Ethiopia, 5.5% for Burundi.

56. The impact of STABEX can be seen even more clearly when the transfers made for a specific product and the export earnings (all destinations) corresponding to that product (1974) are compared. The following percentages are given as an example:

Burundi (cotton)	63%
Togo (coffee)	39%
Niger (groundnuts)	39%
Somalia (hides and skins)	33%
Burundi (hides and skins)	33%
Benin (cotton)	27%
Ethiopia (hides and skins)	27%
Benin (groundnuts)	25%
Niger (hides and skins)	20%
Sudan (hides and skins)	16%
Ethiopia (coffee)	15%
Ghana (wood)	11%
Somalia (bananas)	12%

57. The breakdown by product of STABEX transfers for 1975 (see Table 2) shows that wood in the rough clearly takes the lead with 43.4%, of the total, followed at a distance by coffee (18.4%), cotton (approximately 12.6%), raw hides and skins (11.7%) and groundnuts (9.2%); these five products account for more than 95% of total transfers.

58. At the ACP/EEC Council of Ministers meeting, the ACP States raised a number of questions which they believed would lead to an improvement in the system. The reference period of four years was felt to be insufficient for countries which had had, during this period, to face an exceptional situation (for example Niger, Guinea Bissau and Cape Verde).

59. Secondly, the ACP States were interested in obtaining cover for more products such as copper, phosphates, pyrethrum, tin, rubber, vanilla, gum arabic, cloves and cattle on the hoof. It should, however, be pointed out that the resources available are not unlimited. However, at the meeting

of the Joint Committee in Luxembourg in June 1977, certain ACP States again stressed the need to increase the product coverage. In particular, Surinam proposed the addition of rice to the list of products covered by STABEX, in view of the very pressing needs of that country.

60. Thirdly, the ACP States wished to participate closely in the establishment of the method of calculating the exchange rates applicable to the transfer agreements.

61. Fourthly, they suggested that the derogation provided for in Article 17(4) of the Convention which allows exports to destinations other than the Community be taken into account, to be extended to ACP States which are in a situation comparable to those which already benefit from this derogation. In this connection the ACP States proposed Cape Verde in addition to Tonga, Western Samoa and Chad, which had already appeared in their written proposal (Conference Note No.5) to the Council.

62. The Community view was that it was too early to change the STABEX system after only one year of operation¹ and that the list of products covered, representing a delicate compromise, should not be changed. However, at the meeting in Fiji, these points were brought up again by the ACP countries, and certain changes were agreed. To a large extent the EEC was able to meet the wishes of the ACP. To the twelve products or groups of products already covered by the STABEX system the following were added: vanilla, cloves, pyrethrum, wool, mohair, gum arabic and ylang-ylang.

63. The Council was also able to extend to Western Samoa, Tonga, the Seychelles, the Comoro State and Lesotho the derogation provided for in Article 17(4) of the Lomé Convention which enables exports irrespective of destination to be considered eligible for the STABEX system. This decision was taken in view of the special geographical and economic situations of these countries and the particular structure of their trade. The Council agreed that a similar decision will be taken for Cape Verde when that country's accession to the Convention becomes fully effective.

64. As far as the reference period is concerned, the Council noted that where, in individual cases, exceptional events give rise to abnormal results in the application of the period of reference on which financial transfers are based, the Community will seek, with the ACP States concerned, a solution to these difficulties through as favourable as possible an interpretation of the existing provisions of the Convention.

¹Article 17(3) of the Convention specifically states that changes to the list may be decided upon "not sooner than 12 months following entry into force of the Convention".

65. In respect of the request by the ACP States that certain mineral products and rubber should be included in the STABEX system the Council adopted a resolution providing for close consultation on the occasion of international negotiations aimed at achieving identification of possible solutions to the problems encountered in the supply and marketing of such commodities.

66. A number of other problems exist in connection with STABEX. Firstly, the practical details for the implementation of the system were not specified. Thus, for example, no ~~dead~~ deadline was initially set for the submission of requests for transfers¹. Nor, for example, is it clear what would happen when the total amount of admissible requests exceeds the sum available for that year even including the sum that may be brought forward².

67. The provisions concerning the method of implementing the reimbursement of transfers are based on Article 21 of the Convention and are laid down in an Exchange of Letters between the ACP State concerned and the Commission. Clearly, reimbursement of funds is essential if the least developed ACP States are not to suffer.

¹The Committee of Ambassadors has recently decided that the deadline for requests should be 31 March 1977.

²Under Article 18(4) of the Convention, provision is made for the Council, on the basis of a report submitted to it by the Commission, to reduce the amount of the transfers to be made under the stabilization system.

CHAPTER III - SUGAR

68. Protocol No.3 on sugar has been applied since 1 February 1975. It was thus the first of all the texts of the Lomé Convention to enter into force.

69. The agreement provides for the ACP exporting countries to supply, and the Community to purchase and import approximately 1.3 million tons of sugar with the guarantee of a minimum price. This undertaking is given for an indefinite period, but there is a legal possibility of withdrawal by either side after five years and subject to two years' notice.

70. The quota in terms of metric tons of white sugar is divided among the ACP States as follows:

Barbados	49,300	Malawai	20,000
Fiji	163,600	Mauritius	487,200
Guyana	157,700	P. R. Congo	10,000
Jamaica	118,300	Swaziland	116,400
Kenya	5,000	Tanzania	10,000
Madagascar	10,000	Trinidad and Tobago	69,000
		Uganda	5,000

71. If, for reasons of force majeure, an ACP fails to deliver the agreed quantity during the delivery period, the Community can grant this state an additional period of delivery if it so wishes. If, on the other hand, the ACP does not want to opt for the additional period, the undelivered quantity can be reallocated among the 13 sugar exporters. If the agreed quantity is not delivered by any country for other reasons (such as diversion of exports to higher priced markets) the quota of the 'short-falling' state and the total ACP quota is reduced by that amount.

72. The price to be guaranteed is to "be negotiated annually within the price range obtaining in the Community, taking into account all relevant economic factors and shall be decided at the latest by 1 May". (Protocol 3, Article 5(4)). This guarantee covers sugar which it is not possible to market on satisfactory terms at prices freely negotiated between buyer and seller. The guaranteed price for the period ending 30 June, 1976 was set at 25.53 u.a. per 100 kg. (although by a special arrangement agreed on at the same time between the ACP suppliers and the government of the United Kingdom, the United Kingdom refiners paid the ACP producers a market price almost twice this for their sugar).

73. Negotiations for the sugar year of 1 July 1976 - 30 June 1977 were exceedingly difficult. The price for raw sugar was fixed at 26.7 u.a./100 kg. CIF, and the price for white sugar was fixed at 34.14 u.a./100 kg. CIF. The raw sugar price represents an increase of 4.5% on the previous guaranteed price of 25.53 u.a./100 kg.

74. A number of issues were raised during these negotiations, and the ACP States mentioned some of these at the Ministerial meeting in July. In particular, they requested an interpretation of Article 5, para.4 of Protocol 3, which deals with the range within which the guaranteed price is to be negotiated. The ACP States contended that the floor price fixed for Community raw beet sugar for 1976/77 should be taken as a minimum of that range; the Community maintained that this price did not refer to unrefined cane sugar. They also wished to discuss further a system of compensation for storage costs, and they suggested that in future, negotiations should start earlier each year. It was agreed that the sugar question should be discussed again at the "mini-Summit" in October.

75. At that meeting, the Community recognized the importance and vital role of sugar for the economy of a number of ACP States. It stated its willingness to approach the provisions of the sugar protocol from a new angle, and, under this new approach, the comparison would be made at the level of the guaranteed price applicable to raw cane sugar and the intervention price for raw beet sugar, whereas during negotiations on the guaranteed price for the 1976/1977 marketing year, the ACP guaranteed price had been derived from the Community price for white sugar. The ACP States, while reserving their position on the proposal, asked for an illustration of how this system would work. This was subsequently supplied by the Community to the ACP States. The idea behind the new method was that the price provisions of the protocol should be applied in such a way that the return guaranteed to the ACP States under the protocol for their deliveries of raw sugar to the Community was comparable to the net return guaranteed to producers of raw beet sugar in the Community. It was hoped that the problem of the storage levy could be tackled in the same spirit.

76. After due examination at their meeting in Barbados in January 1977, the ACP States informed the Community that the information which they had received did not reflect the assurances given at the "mini-Summit". They accordingly maintained their reservation on the entire problem of fixing a guaranteed price.

At Fiji, the Council noted that the prices for 1977/78 should be agreed before May next but that the Community had not yet been able to open negotiations because it had not yet established its own internal prices.

On Friday 13 May 1977, the negotiations between the EEC and the ACP states for a guaranteed price for ACP sugar finished in Brussels with an agreement of 27.25 u.a. per 100 kg c.i.f. of unrefined sugar, applicable retroactively from 1 May 1977 to 30 June 1978. In the case of white sugar, the guaranteed price is 33.83 u.a. per 100 kg c.i.f. The ACP states will in practice, as has been the case in the past, benefit from a slightly higher price, as a result of a market premium which the

refiners normally pay. It is expected that, due to this, the real market price which ACP unrefined sugar will fetch in the EEC will not be less than 28.20 u.a. per 100 kg. In the case of white sugar, the same agreement makes it likely that the ACP will realise a price of 35.60 u.a. per 100 kg. ACP sugar will be subject to special arrangements for self-balancing of contributions and refunding of storage costs.

77. The decline in the world price of sugar is partly cyclical and partly due to the fact that US imports are falling gradually on account of isoglucose production. In 1974, when sugar prices reached record levels, the United States began to look for a less expensive substitute which was also valid for use in industry. In that last six months the United States produced one million tonnes of isoglucose. In two years' time this figure could be three million tonnes. This is a serious threat to the world sugar market since the United States accounts for almost 30% of world trade.

78. The other major problem with which the ACP countries were concerned was the definition of force majeure and the way in which decisions were taken on the validity of reasons for non-delivery. A few countries did not deliver their guaranteed quantities, of which only two, namely Fiji and Mauritius, in the opinion of the European Commission could provide a valid justification. In the case of Fiji, the quota of 163,600 tonnes was therefore maintained, despite the non-delivery of 25,701 tonnes. In the case of Mauritius, the European Commission recognized the occurrence of a cyclone in February which destroyed one-third of the crop, and granted it an additional delivery period which expired on 1 October. The amount in question was not inconsiderable: 66,000 tonnes not delivered in the normal quota of 487,000 tonnes. Mauritius subsequently fulfilled its obligations.

79. In the case of certain other countries, the overall commitment by the EEC to buy sugar from the ACP countries was reduced by the following quantities by decision of the Commission: the entire quota of 10,000 tonnes for the Congo, 5,000 tonnes for Kenya, 2,000 tonnes for Uganda. Surinam also forfeited almost its entire quota of 4,000 tonnes. The application of Article 7 of Protocol 3, and specifically the provisions on force majeure were discussed at the level of the ACP/EEC Sub-Committee on Sugar. Finally, the question was placed on the agenda of the Fiji meeting, where the ACP countries re-emphasized the gravity of the effect of the decision on the countries in question, and it was finally agreed that the Community would reinstate for these countries their original export entitlement. This, the Community emphasized, was done as an action of an autonomous political nature which would not be retroactive and which would not call into question the validity of the Commission's original decision. The

Community accepted the ACP States' argument that this was the first year of application of the sugar protocol, and that it was possible that some ACP States may have had difficulties in applying these provisions. The Community however stated that this particularly important concession should not constitute a precedent.

80. The third point raised at Fiji was the wish of two ACP States (Zambia and Liberia) to accede to the sugar protocol. The Council took note of this wish and agreed that the cases should be examined.

CHAPTER IV - INDUSTRIAL COOPERATION

81. This part of the Convention is of direct and greatest interest to those ACP countries which are relatively more advanced. Often these countries have benefited from the rising value of commodities and have not inconsiderable financial resources. Nigeria is a prime example.

82. The proposals set out in the Convention under this heading include action in infrastructure, training, technology and research, information, trade cooperation, contacts between businessmen, financing mechanisms, the establishment and development of small and medium-size industrial firms.

83. Progress to date has been in the institutional field. Article 35 proposes the establishment of a Committee on Industrial Cooperation, to be supervised by the Committee of Ambassadors. The ACP/EEC Council of Ministers in July approved the composition of this Committee and its rules of operation. It was to be made up of 15 ACP representatives and 11 from the EEC.

84. The Convention also proposes the establishment of a Centre for Industrial Development which will be installed in the Maison des ACP near Brussels. The purpose of this body is to provide information, carry out feasibility studies, organize and facilitate contacts, and to identify the opportunities for training and research.

The Committee on Industrial Cooperation

85. The Committee on Industrial Development held its first meeting on 20 December 1976 and appointed Mr Roger THEISEN as Director of the Centre with Mr Isaac ADEDAYO AKINRELE as Deputy Director. At its second meeting on 15 February 1977, the Committee adopted its Rules of Procedure and dealt with other administrative matters in order to ensure that the Centre became fully operational without undue delay.

The Committee on Industrial Cooperation also received a Community proposal concerning the consultation of Economic and Social Partners provided for in Article 10 of Decision no.1/76 of the Council of Ministers. The intention is that the Social Partners will be consulted on the Committee on Industrial Cooperation, which will give them a voice vis-à-vis the Committee of Ambassadors, and through them, the Council of Ministers.

86. It will be remembered that paragraph 13 of the resolution adopted in Luxembourg on 3 June 1976 by the ACP/EEC Consultative Assembly instructs the Joint Committee, pursuant to Article 80(5) of the Convention of Lomé,

to submit to it as soon as possible proposals for consulting organizations representative of the economic and social sectors. This will provide the framework for a dialogue at the political level.

87. The Committee also agreed to lay before the Committee of Ambassadors a request by the ACP States to increase the number of seats on the Committee from 15 to 17. This matter was referred to the Council of Ministers at Fiji which agreed to the request.

The Centre for Industrial Development

88. There have been problems concerning the participation by economic operators in what is a public body. These problems were about which sectors should be represented on the Centre's Advisory Council (the task of this Council is to get industrialists and financiers to participate in the activities of the Centre).

89. The ACP States approved the list of eight candidates put up by the EEC as members of the Advisory Council, but requested that they should be allowed two extra members so that the total number on the Advisory Council would be increased from twelve to fourteen. This matter was referred to the Council of Ministers, which, at Fiji, agreed to the request.

90. As regards the activities of the Centre, the Director submitted to the Committee on Industrial Cooperation documents setting out initial guidelines. However, it was pointed out that since not all members of the Advisory Council had as yet been appointed, it would be inappropriate to adopt the work programme and draft budget. The ACP States re-emphasized the importance for some of them of the industrial cooperation section of the Convention, and the importance they attached to the Centre becoming operational as soon as possible. In general, they felt that the guidelines proposed by the Director of the Centre were acceptable.

91. The Committee on Industrial Cooperation met for a third time on 21 March 1977 dealing largely with administrative matters but also agreed that the Advisory Council of the Centre should meet as soon as possible.

92. In summary, therefore, it can be said that the groundwork for industrial cooperation has been thoroughly laid. It only remains to see whether this preparatory work will now be translated into effective action upon which certain of the ACP States are extremely dependent.

CHAPTER V - FINANCIAL AND TECHNICAL COOPERATION

93. Funds available under the terms of financial and technical cooperation could not be officially disbursed until the Convention came fully into force. Financial aid amounts to 3,559.50 million u.a. (115.40 million u.a. of which is to be spent for the overseas countries and territories (OCTs) and will be paid out over a period of four years i.e. April 1, 1976 to March 1, 1980. Over 3,150 million u.a. are to be provided for in the European Development Fund and another 400 million u.a. are made available by the EIB. These amounts are financed by contributions from the Member States as follows: Belgium (6.25%), Germany (25.95%), France (25.95%), Italy (12%), Luxembourg (0.20%), the Netherlands (7.95%), the UK (18.70%), Denmark (2.4%) and Ireland (0.60%). This aid breaks down as follows:

In million u.a.	ACP States	O.C.T.	TOTAL
EDF : TOTAL	<u>3054.10</u>	<u>105.40</u>	<u>3159.50</u>
Grants (non-reimbursable)	2137	37	2174
Special loans	440.10	29.40	469.50
Risk capital	97	4	101
Stabex	380	20	400
		(+15 reserve)	(+15)
<u>EIB : TOTAL</u>	<u>390</u>	<u>10</u>	<u>400</u>
<u>TOTAL</u>	<u>3444.10</u>	<u>115.40</u>	<u>3559.50</u>

These figures take account of new accessions, as a result of which the breakdown of funds has changed somewhat from the original allocation. A transfer of funds has been effected from OCT to ACP as a result of the independence of Surinam, Seychelles and the Comoro State, and funds have been added as a result of the accession of Sao Tomé and Príncipe, Cape Verde, and Papua New Guinea. The new figures reflect the fact that the French Overseas Departments will be receiving EDF aid for an initial period only. This decision was taken in the framework of extension of the EAGGF guarantee section to these Departments.

94. Under the Convention, special attention to specific needs is to be given to the least-developed ACP States listed in Article 48 of the Convention (and subsequently amended to take account of the new accessions).

Analysis of the first year

95. Article 41 of the Convention stipulates that the ACP/EEC Council of Ministers shall examine once a year a report by the Commission and the European Investment Bank on the management of financial and technical cooperation. This report was received by the Council at Fiji, but apparently not discussed in detail. The report provides an overview of actions taken within this Title of the Convention during its first year.

96. At 31 December 1976, 445.8 million u.a. had been committed out of the total of 3390 m.u.a., i.e. 13% of the total. It should however be remembered that the period under consideration lasted only 9 months, and that, particularly for the new partner states, there was bound to be a 'running in' period. It will be noticed that the proportion committed in Special Loans is low, and it is to be hoped that this important method of financing will be used more in the future.

97. In accordance with Article 51 of the Convention, programming missions began in the second half of 1975. During 1976 missions continued and all 46 ACP States have now been visited. It has been possible to establish, on the basis of priorities and proposals of each state, an indicative programme which has enabled each state to have a clear idea of the amount of aid which it will be receiving during the period covered by the Convention.

98. To enable the Commission to implement the provisions relating to EDF aid, the Convention makes provision for the Commission to be represented in each ACP State by a delegate, accepted by the state concerned. This delegate is responsible for the supervision of EDF operations "from the financial and technical angles" (Protocol 2, Article 31(6)). The delegate is also the Commission's representative in that state and may help the ACP State in the preparation of their proposals. He is thus an important part of the mechanism of providing aid.

99. The salaries of these delegates are paid from the resources of the EDF. To date, 41 delegations have been appointed; the remaining states are covered by regional arrangements.

100. The Commission has also sent out staff to collaborate with these delegates, to form multi-disciplinary teams of economic advisers, agricultural experts, engineers, architects, administrative and financial staff. A vast operation (as the report calls it) involving the transfer of staff already established and the recruitment of new staff has made it possible to place experienced staff alongside new recruits in order to provide the ACP States with maximum assistance in speeding up implementation of the Lomé Convention.

101. As can be seen from the Tables annexed to the document the productive sector (excluding STABEX and exceptional aid), took 64% of the funds committed in 1976, which is in line with the trend emerging from the examination of the indicative programmes as a whole. This sector included industrialisation as well as rural production. Nearly 20% of all programmable Community aid was earmarked for economic infrastructure, such as roads and bridges, upon which the economic development of every country depends. Social development received 3.7% of the total amount of aid which is a figure unnaturally small because of the amount of time needed to prepare the dossiers for infrastructure projects and to draw up the programmes of scholarships, training grants and specific training. In future years, this proportion is therefore likely to be greater. The remainder of aid went in trade promotion which received 1.9 million units of account, exceptional aid (47.7 million units of account), STABEX (72.1 million units of account) and other (6.5 million units of account).

102. It may be useful to look in more detail at certain areas of special interest:

Micro Projects

103. In order to respond concretely to the needs of local communities with regard to development, the Lomé Convention lays down that the EDF may participate, as an experiment, in the financing of micro projects, mainly in rural areas. A sum of 20 m.u.a. in the form of grants may be used to cover these commitments. In order to qualify for aid from the EDF, the proposed micro project must meet some very precise requirements; details of these are spelt out in Articles 14 to 17 of Chapter 7 of Protocol No. 2 on the application of financial and technical cooperation.

104. At this stage it is still too early to make a judgment on this experiment. Nevertheless, it has been said that in some cases the fringe costs associated with the evaluation and implementation of micro projects (whose cost to the EDF must not exceed 75,000 units of account) have been excessive in relation to the value of the project as a whole. Moreover, the implementation of these projects has been slow.

105. The first annual programme was launched in December 1976 with a grant of 270,000 u.a. to Cameroon. It is essentially rural in location and in type of schemes (25 projects are involved). Of the total cost, the local communities are providing 50%, the state 19% and the EDF the remaining 31%.

Regional Cooperation

106. Regional cooperation has been a special problem. The original deadline for receiving requests was extended from June 30 to October 30 due to delays in the ACP States resulting from the need for agreement among the ACP States on the projects to be presented. The total number of requests subsequently received exceeded by two or three times the amount available and criteria for selecting projects had then to be discussed and agreed.

107. Although it is a principle of the EDF that requests for aid should come from ACP countries themselves, nevertheless there is a feeling that as far as requests for regional aid are concerned, this system has not operated very well. Firstly, it penalises regions composed of poorer ACP countries, whose bureaucracies are not equipped to produce regional schemes. Secondly, one explanation which was advanced as to why the requests for Regional aid so exceed the amount available is that some ACP States may have been transferring projects to that category in the hope of increasing aid allocated to them as countries. Projects must, of course, complement each other and complement the national plans of the countries concerned. Therefore, there is perhaps a case for the Commission and the ACP countries jointly developing an overall policy for regional aid which could operate more satisfactorily than the present scheme.

108. Agreement was reached only at the end of March 1977 on a list of regional cooperation projects making up a programme of 207.8 million units of account. The sum provided for the duration of the Lomé Convention for regional projects is in the region of 330 million units of account (10% of the resources available). The projects should accelerate cooperation within the ACP regions, accelerate their diversifications, create wider markets and maximise the use of resources and services in the ACP States. The Commission has been at pains to ensure that the projects selected are of a regional character. The first allocation is made up of 187.8 million units of account for the projects planned (Africa 147.8, Caribbean 30, Pacific 10) and 20 million for operations of interest to the whole ACP group (trade promotion, activities of the industrial development centre, research, technical assistance, etc.). This is only an indicative programme; the specific projects will have to be submitted for approval to the Financial Committee. The programme involves 41 of the ACP countries and two non-ACP countries, Mozambique (for a civil aviation telecommunications link between Beira and Nairobi), and Namibia (for a training programme at the Namibia Institute in Zambia). The programme totals 85 projects with a total cost of 827.5 million units of account. The EEC intention is that its own commitment should encourage other donors. The following is the distribution of the projects by sector:

- transport infrastructure	82 million units of account (48.9% of the total)
- productive sector	39 million units of account (23.2%)
- trade promotion and industrial cooperation	18 million units of account (10.7%)
- training and technical assistance	12.9 million units of account (7.7%)
- pre-investment studies	8.4 million units of account (4.5%)
- other projects	7.5 million units of account (4.5%)

To date, only one regional project proposal has been the object of a financing decision.

Exceptional Aid

109. Under Article 59 of the Convention, the Community granted over 47 m.u.a. in exceptional aid in 1976 (out of a total available of 50 m.u.a.). The purpose of this aid was to enable the recipients to deal with difficult situations resulting from natural disasters or from conflicts. In the case of Lesotho, for example, the exceptional aid was related to the closure of the border with Transkei. The value of this provision seems to have proved itself.

However, it should be pointed out that the total fixed for the duration of the Convention is 150 m.u.a., so that if expenditure continues at this rate, there will be a serious problem ahead.

The Council's decisions at Fiji

110. At the meeting in Fiji, the Council of Ministers adopted a resolution giving guidelines for the management of Financial and Technical cooperation in the next months. The text of the resolution comprises, in addition to indications for the management bodies a recommendation for the setting up of an ACP/EEC Sub-Committee with the specific task of examining the special problems confronting the least-developed, landlocked and island countries. This idea stemmed from a proposal by the ACP States for a Joint Committee for less-developed countries.

111. The Council meeting at Fiji also agreed to undertake the arrangements necessary in order to ensure that the ACP Secretary-General had available to him the necessary experts to examine and prepare all the dossiers covering the application of the Convention. By the nature of the Convention, which is a contractual agreement there are bound to be a large number of technical and complex questions. This poses a great problem for a grouping of countries which will shortly number 52, and clearly adequate technical staff on both sides are essential.

112. In certain other sectors of financial and technical cooperation, the Council of Ministers entrusted the ACP/EEC Committee of Ambassadors with the task of adopting the necessary decisions. This relates in particular to the fiscal régime to be applied in recipient countries. If aid for projects is taxed, the total aid to the country is not affected, but the balance between project and general aid is altered, less being available for specific projects. In some countries, taxation on aid forms a quite considerable part of the annual budget. The implications of this are that the economic planning of that country will also be affected.

113. The Council of Ministers was also (because of the complexity and delicacy of the discussions on the subject) not able to deal with the lack of common tendering procedure between Member States and ACP States¹. Without a common tendering procedure, competition for contracts is hindered. It should however be remembered that transitional arrangements have been provided for in this sector in the terms of joint declarations (Annexes IX and X to the Lomé Convention). The Council delegated this matter to the Committee of Ambassadors, with instructions to speed up work on it.

Conclusions

114. Despite what is without doubt an enormously complex tasks, there is no doubt that this section of the Convention has got off to a good start. As at 25 March 1977, which is the end of the first year's application of the Lomé Convention, 566 million u.a. have been committed under the EDF and 74.4 million u.a. under the resources managed by the EIB². This is certainly a satisfactory achievement.

¹ Article 22 of Protocol No. 2 states that the "general provisions and conditions applicable to the placing and performance of public works contracts financed by the Fund shall be the subject of common rules adopted, on a proposal by the Commission, by a decision of the Council of Ministers at its second meeting following the date of entry into force of the Convention".

² See Table 3 for details of commitments to date.

CHAPTER VI - THE INSTITUTIONS OF THE CONVENTION

115. The running of the Convention is the job of three institutions specially created under Article 69 of the Convention. Further, the Commission plays an important role in formulating policy and preparing its execution.

The three specially created institutions are:

- The ACP/EEC Council of Ministers: this is the decision-making body of the Convention, made up of, on the one hand, members of the EEC Council of Ministers and the European Commission and, on the other hand, a Minister from each ACP country. The Presidency is held on a six-month rota basis by an ACP country from April 1 each year and from October 1 by a member of the EEC Council of Ministers. The Council's first meeting was on July 14/15 1976 in Brussels; its second on April 13/14 1977 at Fiji, and the third meeting is scheduled for March 13/14 1978 in Brussels.

116. The Interim Committee, which existed until 31 March 1976, was composed of the Permanent Representatives of the Member States, a Commission representative and a representative of the European Investment Bank to cover matters concerning the Bank. On the ACP side there were the 46 ACP Ambassadors accredited to the Community.

117. The Committee's tasks were to commence the implementation of the provisions concerning:

- trade cooperation, including administrative cooperation on rules of origin;
- industrial cooperation;
- the Protocol on ACP sugar;
- implementation of statistical and administrative cooperation regarding the system for stabilising export earnings;
- preparation of the draft Rules of Procedure of the Council of Ministers and the Committee of Ambassadors;
- arrangements for the consultations on presentation of the Convention to GATT.

A joint secretariat exists in Brussels, consisting of the EEC Council Secretariat and the Secretariat of the ACP countries, which came formally into being following the Agreement of Georgetown in June 1975. An ACP Secretary-General was appointed towards the end of 1976.

- The ACP/EEC Committee of Ambassadors: this institution is to help the Council to carry out its duties. It supervises the work of the committees, sub-committees and special groups set up to deal with each aspect of the ACP/EEC relations. It is composed of the Ambassadors of the ACP States and the nine accredited to the EEC. Before 1 April 1976 these same people formed an interim committee to carry out these tasks. Its meetings enabled the two sides to prepare for the full implementation of the Convention and to deal with individual problems which arose within the framework of the interim trade régime.

- The ACP/EEC Consultative Assembly: whose first session took place on June 1 - June 3 in Luxembourg is made up of an equal number of members of the European Parliament and representatives nominated by the ACP States. The Assembly, which meets once a year, gives its opinion and adopts resolutions on subjects falling within the province of the Convention. A preparatory meeting was held in November 1975 and finalised a draft regulation which in particular laid down the composition of the Assembly: two representatives from each ACP State and an equal number of European parliamentarians, originally making a total of 184 members, but with the accession of the three former overseas countries and territories, 196 members. With the admission of the three new applicant states, there will be a total of 208 members. (52 ACP States.)

118. Prior to full application of the Convention, the Interim Committee adopted a number of provisions in the institutional field, including its Rules of Procedure, and the setting up of Sub-Committees in the fields of trade cooperation, stabilisation of export earnings, sugar and financial and technical cooperation.¹ In addition, it finalised the draft Rules of Procedure of the Council of Ministers and Committee of Ambassadors, which were adopted by the first meeting of the ACP/EEC Council of Ministers held in Brussels on 14 and 15 July.

119. The discussions of the Council of Ministers and the Committee of Ambassadors were prepared for in the committees and sub-committees set up either under the Lomé Convention or by the Rules of Procedure of the ACP/EEC Committee of Ambassadors.

120. The Committee on Industrial Cooperation held three meetings, on 20 December 1976, 15 February 1977 and 28 March 1977. The Customs Cooperation Committee met on 9 July and 17 December 1976 and again on 22 March 1977. The Sub-Committee on Trade Cooperation met on 16 June 1976, 19 November 1976 and 22 March 1977. The Sub-Committee on Sugar met on 15 November and 10 December 1976 and again on 16 March 1977, and the Sub-Committee on Financial and Technical Cooperation met on 7 July 1976 and 16 March 1977. The Permanent Joint Group on Bananas met on 28 October 1975 and on 15 March 1977.

¹ These complemented the Committees established under the Convention i.e. for Customs Cooperation, Bananas and Industrial Cooperation.

121. As regards questions relating to Stabex, in addition to the meetings of the relevant ACP/EEC Sub-Committee (24 February 1976 and 14 March 1977), close contact has been maintained between the Council and the Commission on the one hand and the ACP States on the other, in particular within the Committee of Ambassadors and during discussions at ministerial level.

122. To supplement these considerable meetings and consultations, it was agreed, as an exception, at the Council meeting of July 1976, at which a number of problems remained outstanding, that these topics be discussed at a meeting with the President of the Council of ACP Ministers, accompanied by members of this Council and the President of the Council of the European Communities, with the appropriate member of the Commission. This meeting took place on 20 October 1976 in Brussels and has been dubbed the "mini-Summit". It permitted the clarification of both parties' viewpoints on a number of outstanding issues.

123. Since the application of the Lomé Convention could raise multifarious problems which would have to be resolved in the interval between the ordinary annual meetings of the Council of Ministers, the Council decided to delegate certain of its powers to the Committee of Ambassadors in accordance with Article 75. This decision (Decision No. 11/76 of 15 July 1976) was of considerable benefit in enabling the Convention to be applied more flexibly. Special provision is made for matters to be sent up to the Council which the Committee of Ambassadors could not resolve but this has not happened during the period of the Council's latest report.

124. The Council also confirmed the provisions adopted during the interim period as regards relations with the ACP/EEC Consultative Assembly and the Joint Committee. It took note at its first meeting of the resolution adopted by the Consultative Assembly at its inaugural meeting in Luxembourg from 1-3 June 1976, with particular reference to the items concerning the Council of Ministers. It instructed the Committee of Ambassadors to make a detailed examination of this resolution and to propose what action should be taken on it. The Committee of Ambassadors was also charged with drawing up replies to the written or oral questions which might be put by the Consultative Assembly to the Council of Ministers. At the Council meeting in Fiji, the Council "took note with interest"¹ of the resolution of the Assembly of June 1976 and of the final declaration of the Joint Committee of December 1976, on many points of which action had already been taken.

¹ Source: Press Release See PE 48.660

125. In particular, the Consultative Assembly in its resolution in June 1976 invited the Council of Ministers to apply Article 74(6) of the Convention which stipulates that the Council of Ministers may make all the arrangements that are appropriate for ensuring the maintenance of effective contacts, consultations and cooperation between the economic and social sectors of the Member States and of the ACP States.

CHAPTER VII - ACCESSIONS TO THE LOMÉ CONVENTION

126. Before the Convention entered into force the Republic of Cape Verde, Sao-Tomé and Principe, Papua New Guinea, the Comoro State, and the Republic of Surinam applied for accession. Surinam also asked for permission to take part as an observer in the institutions set up under the Convention pending its actual accession. The Seychelles also subsequently applied for admission.

127. At the ACP-EEC Council of Ministers meeting in July the Council welcomed the prospect of enlargement of the Convention and, in accordance with Article 89 approved the accession to the Lomé Convention of the Republic of Surinam, the Republic of Seychelles and the Comoro State. Since these countries were former dependent Overseas Territories of EEC Member States, they have automatic right to membership.

128. Having deposited their instruments of accession with the General Secretariat of the Council of the European Communities, the Republic of Surinam, the Republic of Seychelles and the Comoro State acceded to the Convention on 16 July, 27 August and 13 September 1976, respectively. At the Council meeting in Fiji, it was decided to add the Comoro State and the Seychelles to the list of least-developed states mentioned in Article 48 of the Convention.

129. The three new members of the Lomé Convention are to be warmly welcomed.

130. On 28 March 1977 Accession Agreements were signed with the Republic of Cape Verde, Papua New Guinea and the Democratic Republic of Sao Tomé and Principe. The accession of the three new states to the Lomé Convention will become effective after ratification of the agreements. These states will then enjoy the same rights and be subject to the same obligations, under the Convention as the other ACP States.

131. With regard to inclusion in the list of states mentioned in Article 48 of the Convention, the Council adopted a Declaration of Intent to the effect that when they definitely accede to the Convention, Sao Tomé and Principe and Cape Verde should be included on that list. The Council took note that studies were still under way within the Community regarding the requests by Surinam and Papua New Guinea under this heading.

132. Pending the completion of the procedures of ratification, which it is to be hoped will be completed with all speed, those provisions of the Convention which relate to trade will be implemented autonomously as from 1 May 1977. The Community has also asked the Commission and the EIB to start immediately on preparatory work required to give full effect to the financial provisions as from the moment on which accession becomes effective.

133. The total number of signatories to the Lomé Convention will thus rise to 52 ACP States.

CHAPTER VIII - CONCLUSIONS

134. This report has not attempted to conceal areas where progress has been slow, or where difficulties have existed. But within the perspective of the overall framework of the Convention, it has to be said that a great deal has been achieved. The autonomous application of the trade provisions at an early date, giving virtually free access to EEC markets, the smooth application of a wholly new and revolutionary scheme for stabilizing export earnings, the satisfactory overall level of commitments under Financial and Technical Cooperation (despite problems within the total), the use made of exceptional aid, the satisfactory (if rather slow) start made under the heading of industrial cooperation - these and other items can be highlighted as having contributed to a successful first year of Lomé.

135. However, certain "lessons for the future" are already emerging. Firstly, the success of the Convention depends on the continuation of goodwill by both sides. The difficulties that have already arisen such as over the nature of consultations and those that will undoubtedly arise, can only be settled by the continuing and pervasive desire to continue to make the Convention work, by the "spirit of Lomé" as it has been called, rather than by recourse to its arbitration-type procedure.

136. Secondly, both sides have shown a degree of flexibility which has enabled them to solve otherwise intractable problems. The meeting of the two Presidents in October, outside the terms of the Convention, and intended to be an exceptional event, is an example of this flexibility. So too is the readiness of the Community to find a solution to the question of forfeiture of the quotas of certain ACP sugar exporting States. It is important that this flexibility be maintained.

137. Finally, it is important that the Convention should not be "taken over" by technocrats. Nor must the ACP-EEC Council of Ministers be allowed to become simply the instrument which sets the final seal on the implementation of the provisions of the Convention. It is, as the President of the ACP-EEC Council stressed at Fiji, and as this report has noted, the decision-making body of the Convention, whose decisions the technocrats must implement in letter as well as in spirit.

138. Thus, it should perhaps occupy itself more with the general guidelines of policy, and leave technical matters to be resolved at the level of the Committee of Ambassadors or in negotiations at other levels. The Council is a political institution, not a technocratic one, and its political guidance is essential if the Convention is to continue to develop successfully.

STABEXTransfers made for 1975

Recipient ACP State	Product	Amount of transfer in EUA
Benin ¹	Groundnuts	464,330
	Coffee	1,174,883
	Cotton	4,299,556
	Oilcake	1,191,079
Burundi ¹	Cotton	965,602
	Raw hides	520,053
Cameroon	Wood in the rough	3,601,423
Central African Republic ¹	Coffee	353,108
Congo	Wood in the rough	7,361,677
Ethiopia ¹	Coffee	9,339,683
	Raw hides	5,080,364
Fiji	Copra oil	615,140
Ghana	Wood in the rough	5,176,408
Ivory Coast	Wood in the rough	15,000,000
Mali	Cotton	648,503
Niger ¹	Groundnuts	5,441,294
	Raw hides	507,747
Somalia ¹	Fresh bananas	1,296,907
	Raw hides	635,238
Sudan ¹	Raw hides	1,658,579
Tanzania ¹	Cotton	1,887,082
Togo ¹	Coffee	2,680,324
Uganda ¹	Cotton	1,748,932
Upper Volta ¹	Groundnuts	685,239
	Cotton	175,936
Western Samoa ¹	Cocoa	276,978
Total		72,786,065

¹These are among the least developed ACP States and will therefore be receiving non-repayable transfers

STABEXBreakdown by product of Stabex transfers for 1975

Product	Amount in EUA	%
Groundnuts	6,590,863	9.18
Bananas	1,296,907	1.81
Wood in the rough	31,139,508	43.38
Cocoa	276,978	0.39
Coffee	13,547,990	18.38
Cotton	9,725,611	12.64
Copra oil	615,140	0.86
Raw hides and skins	8,401,981	11.70
Oilcake	1,191,079	1.66
	72,786,065	100.00

ANNEX 3 (Continued)

LOAN CONVENTION

BREAKDOWN BY SECTOR OF FINANCING COMMITTED IN 31/3/1977
(MILLION ECU)

	DEVELOPMENT PRODUCTION		ECONOMIC INFRASTRUCTURE		SOCIAL DEVELOPMENT		TRADE PROMOTION		EXCEPTIONAL AID		STABEX		OTHER		TOTAL			
	AMOUNT INVEST.	AMOUNT RURAL PROD.	AMOUNT TOURISM	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%		
1. AID ADMINISTERED BY THE COMMISSION (1)	80,617	136,719	-	73	100,985	100	44,369	100	9,189	100	49,040	100	73,083	100	35,616	100	530,618	87
1.1 NON-FPA TABLE AID	43,567	129,932		58	95,139	94	40,619	92	9,189	100	49,040	100			36,616	100	404,122	66
- PROGRAMMABLE GRANTS (OF WHICH MICRO-PROJECTS)	43,567	129,932		58	95,139	94	40,619	92	9,189	100					36,616	100	355,032	58
- EXCEPTIONAL AID		(270)									49,040	100					49,040	8
1.2 SPECIAL LOANS	37,030	6,787		15	5,846	6	3,750	8					73,083	100			53,413	9
1.3 STABEX													73,083	100			73,083	12
2. AID ADMINISTERED BY EIB (2)	79,557	-	1,913	27	-												81,470	13
2.1 LOANS FROM EIB RESOURCES	49,000		1,650	17													50,650	8
2.2 INTEREST RATE SUBSIDIES	7,829		263	3													8,092	1
2.3 RISK CAPITAL	22,728		-	7													22,728	4
3. GRAND TOTAL	150,174	136,719	1,913	49	100,985	16	44,369	7	9,189	2	49,040	8	73,083	12	36,616	6	612,058	100
OF WHICH:		298,806																
- FROM EIB RESOURCES (1, 2.2, 2.3)	111,174	136,719	263	83	100,985	100	44,369	100	9,189	100	49,040	100	73,083	100	36,616	100	561,438	92
- FROM EIB RESOURCES (2.1)	49,000		1,650	17													50,650	8

(1) RECORDED COMMITMENTS UP TO DATE OF FINANCING DECISIONS OF THE COMMISSION
(2) RECORDED COMMITMENTS UP TO DATE OF SIGNATURE OF CONTRACTS

SPECIAL LOANS TO 31.03.1977
(LOME CONVENTION)

(Millions Eua)

RECIPIENT COUNTRY & PROJECT	Amount of Loan	Interest %	Duration (years)	Grace Period (years)
<u>CAMEROON</u>				
- extension of the port of Douala...	2,000	1	40	10
- additional financing for the Dibombari agro-industrial complex	2,500	1	25	10
<u>CONGO</u>				
- realignment of the CFCO	3,846	1	40	10
<u>JAMAICA</u>				
- supply of equipment and technical assistance for the construction of small dams and irrigation works	2,700	1	40	10
- plantation of 2,000 acres of bananas	3,067	1	40	10
<u>CHAD</u>				
- establishment of an agro-industrial complex at Banda	7,550	1	40	10
<u>GHANA</u>				
- construction of dam at KPONG	8,980	1	40	10
<u>SENEGAL</u>				
- west water drainage in the Bay of SOUMBEDIOUNE	3,750	1	40	10
<u>TRINIDAD & TOBAGO</u>				
- production of timber	1,020	1	40	10
<u>REGIONAL PROJECT</u>				
- clinker factory of CIMA0 (Ivory Coast, Ghana, Togo)	18,000	1	40	10
	53,413			

SUBSIDIZED LOANS AND RISK CAPITAL COMMITTED BY THE EIB

(Situation at 31 March 1977)

A. BREAKDOWN BY COUNTRY

(M Eua)

COUNTRY	Loans from the EIB's own resources ³		Risk capital from EDF resources		Total	
	Amount	%	Amount	%	Amount	%
CAMEROON	13.50	26.7	2.30	10.1	15.80	21.5
CHAD	--	--	7.50	33.0	7.50	10.2
GHANA	10.00	19.6	--	--	10.00	13.6
IVORY COAST	9.15	18.1	--	--	9.15	12.5
KENYA	2.00	4.0	--	--	2.00	2.7
MAURITIUS	2.00	4.0	--	--	2.00	2.7
TANZANIA	--	--	2.50	11.0	2.50	3.4
UPPER VOLTA	--	--	4.43	19.5	4.43	6.1
REGIONAL PROJECTS ¹	14.00	27.6	6.00	26.4	20.00	27.3
TOTAL	50.65	100.0	22.73	100.0	73.38	100.0
BLOCKED APPROPRIATIONS ²	--	--	1.00	--	1.00	--
GRAND TOTAL	50.65	--	23.73	--	74.38	--

B. BREAKDOWN BY SECTOR

SECTOR	Loans from EIB's own resources ³		Risk capital from EDF resources		Total	
	Amount	%	Amount	%	Amount	%
GLOBAL LOANS	2.00	4.0	2.50	11.0	4.50	6.1
ENERGY	25.50	50.3	--	--	25.50	34.8
AGRO-INDUSTRIAL COMPLEXES & FOOD INDUSTRIES	7.50	14.8	14.23	62.6	21.73	29.6
MANUFACTURING INDUSTRY	14.00	27.6	6.00	26.4	20.00	27.3
TOURISM	1.65	3.3	--	--	1.65	2.2
TOTAL	50.65	100.0	22.73	100.0	73.38	100.0

The CIMA0 project (ordinary loan of 14.0 million Eua to the CIMA0 company and three risk capital contributions of 2.0 million Eua each, accorded to Togo, Ghana and Ivory Coast respectively) has been entered provisionally in the "regional projects" category pending final approval of the arrangements for implementing the provisions of the Lomé Convention relating to regional cooperation.

Overall commitment authorisation for the financing by risk capital of specific studies referred to in Article 51 of the EDF Financial Regulation. At 31 December 1976 no allocation had been signed.

Combined with a 3% interest rate subsidy from EDF resources.