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## COMMISSION REPORT

on the administration during 1990 of the system of compensation for loss of export earnings for the least-developed countries not signatory to the Third ACP-EEC Convention

## I. Introduction

1. By its Regulation (EEC) n° 428/87 of 9 February 1987, the Council set up a system of compensation for loss of export earnings for least-developed countries not signatory to the Third ACP-EEC Convention<sup>(1)</sup>. This Regulation was followed by Council Regulation (EEC) n° 429/87 of 9 February 1987, laying down detailed rules for the implementation of the preceding Regulation <sup>(1)</sup>.
2. Article 10 of the first Regulation referred to above stipulates that "The Commission shall report annually to the European Parliament and the Council on the administration of the system during the preceding year".
3. The present report refers to the administration of the system during the year 1990, and deals with
  - the implementation of the system,
  - the results of the 1989 application year,
  - the budgetary aspects,
  - the intended use, or the use already made of the transfers, respectively.

## II. Implementation of the system

4. In order to discuss problems of statistical cooperation (referred to in last year's report) and to answer the questions brought up by the local authorities, a Stabex mission to Nepal, Bangladesh and Laos was carried out in March/April 1990.
5. In the case of Nepal and Bangladesh, this mission seems to have proved useful and profitable for both sides, contrary to what can be said about Laos. It appears indeed unlikely that this country will benefit from the Stabex scheme in the near future, as the basic conditions for statistical cooperation are non-existent for the present time.
6. With regard to actual utilization of Stabex funds, rather significant delays in the implementation of projects had to be noted, particularly in Nepal and in Haiti. These delays can mainly be attributed to political circumstances in the different countries.

However, in the case of Nepal (and in accordance with the stipulations of article 16.3.a) of Regulation n° 429/87) the Commission felt compelled to suspend temporarily the disbursement of the Stabex transfers for application year 1989.

7. In July 1990, the Commission proposed to the Council a regulation amending the list of beneficiary states of the LDC-ALA Stabex system (Annex II to Regulation (EEC) n° 429/87). The aim of this proposal is to remove Haiti from the list of eligible countries, as the Republic of Haiti has acceded to the Fourth ACP-EEC Convention and will thus benefit from the ACP Stabex scheme as of application year 1990 (financial year 1991).

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(1) Official Journal n° L 43 dated February 13, 1987.

### III. Results of application year 1989

8. Out of the eight countries which are eligible under the system, only two, i.e. Nepal and Bangladesh, submitted within the required time limits transfer requests for application year 1989. The Arab Republic of Yemen - after unification with the People's Democratic Republic of Yemen, now named Republic of Yemen - did not introduce any request, whereas Haiti presented two requests - for coffee and tea - on 12 July 1990. The deadline of 31 March having not been respected, these two requests had to be rejected.
9. The eligible transfer requests concern the following products :

<u>Requesting State</u>	<u>Product</u>
Nepal	Hides and skins Lentils
Bangladesh	Tea Jute Shrimps Hides and skins

10. During assessment, two of these requests, originating from Bangladesh, were found to be ineligible, viz. :

<u>Product</u>	<u>Reason for non-eligibility</u>
Shrimps	No loss at the level of exports to all destinations (art. 9.2 of Regulation n° 429/87).
Hides and skins	No loss at all, neither on exports to all destinations, nor on those to EEC destinations.

11. The four other requests led to a total amount of justified transfers of 3,306,906 ecus, which were allotted in the following way :

<u>Beneficiary State</u>	<u>Product</u>	<u>Amount of transfer</u>
Nepal	Hides and Skins	557.983 ecus
"	Lentils	112.699 "
Bangladesh	Tea	2.344.746 "
"	Jute	291.648 "

### IV. Budgetary aspects

12. The resources provided for at article 937 of the 1990 budget consisted of 10 million ecus, each, for commitment and for payment credits.
13. These resources thus allowed not only total commitment and payment of Stabex transfers 1990, but also disbursement of 1989 Stabex transfers in favour of Haiti, without having to request additional credits.
14. As the Commission had been unable to obtain detailed information and a firm commitment from the Haitian authorities concerning the

use to which the Stabex funds would be put, the two transfers in favour of Haiti for application year 1988 had not been paid in 1989. Disbursement finally took place in September 1990.

- 15. Stabex transfers 1990 in favour of Bangladesh were disbursed in September. If the Nepalese authorities comply with the rules of the regulations, transfers will be made before the end of December 1990.

V. Utilization envisaged by beneficiary countries of 1990 Stabex transfers

- 16. Nepal intends to have studies made on the two sectors concerned, i.e. hides and skins, and lentils, from which it expects recommendations for programs relating to professional training, improvement of the production and the products themselves, as well as to technical modernisation. For the lentils' sector, it is furthermore planned to hold a national seminar in order to identify viable projects.
- 17. The authorities of Bangladesh committed themselves to utilize the Stabex funds 1990 for projects and actions already identified and defined in the jute and the tea sector as agreed upon by the responsible Ministries and the local CEC Delegation.

VI. Utilization of transfers paid for the application years 1986, 1987 and 1988

- 18. Implementation of Stabex funded projects and activities in the jute and tea sectors in Bangladesh continued during the past year although slower than planned.

Lengthy and complex procedures on the side of the beneficiary (e.g. for approval of workplans and budgets, appointment of consultants, procurement of equipment and awarding of work contracts) and the need to involve several agencies (often outside the sector) are the main causes for the delays.

Jute sector

The jute sector has received following transfers so far:

	(mio ECU)	(mio Taka)
1987 (for 1986)	6.74 x 37.6 =	253.42
1988 (for 1987)	3.09 x 38.2 =	118.04
1989 (for 1988)	3.11 x 37.9 =	117.87
1990 (for 1989)	0.29 x 47.0 =	13.63
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	13.23	502.96 + 26.4 (interest) = 529.4

These transfers are financing following projects. Budget estimates are given between brackets in millions of Taka. Total amount budgeted (617.2 mio Taka) exceeds available funds (529.4 mio Taka) slightly (approximately 16%). Implementation of quick disbursing projects receive priority. Budget adjustments are likely during implementation. Slight over-programming is therefore unlikely to cause problems.

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1. Supply of jute seeds/fertilizer to farmers affected by 1988 floods/cyclone (16.2)	Project completed. Total disbursement 16.2 million Taka
2. Improvement in the quality of gunny bags for export grade packing (0.5)	Test production ongoing
3. Use of jute for development of alternative flexible bulk packaging for tea (21.4)	Development of sample bags; procurement of raw materials and equipment for test production runs ongoing
4. Development and market promotion of geo-jute (21.9)	Production capacity established; raw materials procured; test production, field trials, demonstration ongoing
5. Development of decorative fabrics (40.0)	Production unit being established
6. Improvement of the quality of jute pulp in Sylhet paper and pulp mill (71.4)	Tender for turnkey contract floated in July 1990. Contract award imminent.
7. Improved retting practices (52.3)	Consultants appointed; survey work ongoing; field implementation started July 1990
8. Integrated jute production and Marketing Project (IJPAMP) (140.0)	Project document being finalised
9. FS for Rangpur Pulp and Paper Mill (10.7)	Completed
10. Study for rationalisation of jute mills (75.0)	Tenders floated. Consultants being appointed. Studies help to prepare ground
11. Study for rationalisation of Bangladesh jute cooperation (9.5)	for major World Bank loan to jute sector
12. Strengthening and expansion of training facilities (15.0)	Ongoing
13. Strengthening of Bangladesh Jute Research Institute (16.3)	"
14. Marketing support to industry sub-sector (52.2)	"
15. Strengthening planning and strategy cell in Ministry of Jute (60.4)	"
16. Jute handicrafts (11.0)	Pending (under negotiation)
17. Audit of Stabex funded projects (3.4)	Ongoing

Tea sector

The tea sector has received following transfers so far:

	(mio ECU)	(mio Taka)
1987 (for 1986)	2.06 x 37.6 =	77.46
1988 (for 1987)	1.85 x 32.8 =	70.67
1989 (for 1988)	nil	-
1990 (for 1989)	2.34 x 47.0 =	110.00*
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	6.25	258.13 (+ interest P.M.)

The status on the use of 1987 and 1988 transfers can be summarized as follows:

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|---|---|
| 1. Expansion of Irrigation facilities in tea estates (38.5)               | Consultants appointed for construction of dam/water reservoir<br>Tender for irrigation equipment launched |
| 2. Development of education facilities in tea estate area (14.8)          | Survey and designs completed. Tender for construction ongoing   |
| 3. Preventive health for tea estate labourers and families (16.0)         | Procurement and tender for construction of creches ongoing  |
| 4. Upgrading of roads and bridges in the tea area (46.0)                  | Ongoing; several roads/bridges completed  |
| 5. Wireless telecommunication facilities for tea gardens in Sylhet (27.2) | Ongoing - through Telegraph & Telecom Board of Bangladesh   |

\* Use of transfers is being programmed within the context of existing Stabex funded activities and projects in the tea sector

19 In Nepal, Stabex funds deriving from the transfer for application year 1986 have been used in the leather sector for imports of machinery and equipment, for training purposes and for the creation of a revolving fund destined to facilitate imports of spare-parts and small accessories.

The transfer for application year 1987 was paid end 1988 ; part of it has been used in the meantime for replenishment of the revolving fund.

At the end of 1989, at the request of the Commission, a study was carried out which contains recommendations for better use of funds. This study was transmitted to Nepalese authorities in February 1990.

The delays in implementing the recommendations and in using the remaining 1987 resources (hides & skins' transfer) as well as the funds derived from 1988 transfers (hides & skins, and lentils) may, in all likelihood, be attributed to recent political events in this country.

20. In June 1990 only, the authorities of Haiti and the Commission have come to an agreement regarding utilization of Stabex funds originating from the transfers for application year 1987.

According to this agreement, these funds will be used for a programme destined to improve the production and marketing of coffee and cocoa, as well as for the reconstruction of the secondary road from Baptiste to Belladère in the coffee and cocoa plantations' area. The first project is meant as a support to cooperatives and producers' organizations and intends to upgrade farmers' skills with regard to production and marketing techniques for the two products concerned. The main reason for the construction of the road from Belladère to Baptiste is to make the district of and around Baptiste less isolated, thus allowing farmers to sell their production in the nearest commercial centers.

Stabex funds deriving from transfers for application year 1988 will be used for the construction of secondary roads in the Southern part of the Haitian peninsula.

This project aims at making a global population of about 77000 inhabitants less isolated in a mostly agricultural and, at present, very destitute area.

21. The Stabex transfer 1987 in favour of the Yemen Arab Republic amounted to 379,013 ecus. Up to now, these funds have not yet been used, as foreseen, in the Regional Development Programme at Al Mahwit. This delay is due, among others, to the process of unification of the two countries (North and South) and to the structuring of a new administration.