

COMMISSION OF THE EUROPEAN COMMUNITIES

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Brussels, 11 January 1982

COMMISSION COMMUNICATION TO THE COUNCIL
ON THE IMPLEMENTATION OF COMMUNITY AID
TO THE ACP STATES AND THE OCT AND OD SITUATION
AT 31 DECEMBER 1980

COM(81) 825 final

This report constitutes the second communication presented by the Commission to the Council in accordance with Article 25 (4) of the Internal Agreement on the financing and administration of Community aid. (First Lomé Convention and 1976 OCT Decision). It follows on from the communication presented on 24 April 1980 (1) on the implementation of Community aid to the ACP States and the OCT and OD situation at 31 December 1978.

This report covers 1979 and 1980 and, like its predecessor, reviews the successive stages in the implementation operations financed by the Community. However, it does not merely up-date earlier information, as the Commission felt that where striking developments needed to be assessed it was useful to draw comparisons with the 1976-68 period or produce an overall survey of certain activities right from the entry into force of the fourth EDF.

The Commission would like to point out once again that in order to avoid duplication, this communication is designed to provide the Council with information on points not already covered in the reports transmitted by the Commission to the ACP-EEC Council of Ministers under Article 41 of the First Lomé Convention or to the Council itself under Article 29 of the 1976 OCT Decision.

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(1) Com (80) 107 final

A. FINANCING AGREEMENTS

1. During the two years covered by this report 252 financing agreements totalling 666 800 000 ECU were signed. Of this total, 25 agreements involving 24 600 000 ECU concerned the OCT.

In the light of these figures a total of 556 financing agreements have been signed since the entry into force of the fourth EDF representing aggregate commitments totalling 1 600 million ECU.

2. From this date it envisages that ten financing agreements are signed per month, although this figure is only an average for the fourth EDF as a whole, as the situation has recently changed. About nine agreements were signed per month between 1976 and 1978, whereas the average was closer to eleven in 1979 and 1980.

This progress is all the more significant in that it has been accompanied by an increasingly widespread use of the written procedure formula, which, it will be remembered, consists of forwarding the document, already signed by the appropriate Member of the Commission, to the competent authority of the ACP State (normally the Ambassador in Brussels).

During the period under review there have been no formal ceremonies organized at Commission headquarters attended by the ambassadors of a number of recipient states and only five agreements have been signed in Brussels on the occasion of the visit of the Head of State or Minister of an ACP State; similarly, agreements signed in ACP States on the occasion of visits by the Member of the Commission responsible for development have not exceeded 15. The normal written procedure has therefore been applied extensively, which shows that it has been assimilated by all ACP States, the newcomers as well as the former "associates" who have been familiar with this procedure for several years.

This being so, there are still a number of situations where the delay in signing agreements is unusually long, particularly in the following cases:

a) Island countries, most of which do not have ambassadors in Brussels, run into difficulties because of their communications problems, and this is a major cause of delay. This problem, which experience has recently brought to light, will be given the Commission's particular attention in the future, where appropriate in the context of such specific measures as may be justified for these countries.

b) As financing agreements relating to regional projects affect several countries, it generally takes longer for them to be signed. This problem is alleviated to a large extent when the ACP States concerned empower a regional institution (e.g. the Secretary-General of the Mano River Union for projects implemented under the aegis of this organization

linking Liberia and Sierra Leone) to sign agreements in their stead. However, this facility is not always available and there has been a case where it has taken five months for six states to sign an agreement one after the other ("Aflatoxin" project) and an instance where an ACP State has kept an agreement from November 1979 to July 1980 before signing it, holding up the normal course of the project at its partner's expense. Fortunately, these are extreme cases and the great majority of financing agreements are now signed within three to four weeks of the financing decision.

B. FINANCING CONTRACTS (SPECIAL LOANS)

1. The First Lomé Convention entrusted responsibility for drawing up and negotiating financing contracts to the Commission, with the European Investment Bank being placed in charge of recovering the loans.

At 31 December 1980, the Community had entered into commitments totalling 412 629 000 ECU for special loans vis-à-vis the associated states, territories and departments. By the same date 109 of the 114 financing agreements making these commitments official had been signed.

As regards the financing contracts relating to these commitments, 80 contracts totalling 299 658 000 ECU had been signed, and another 24 had been drawn up by the Commission but had not yet been signed.

2. As has been the case in the past, these figures show that whereas the drawing-up and signing of financing agreements do not generally present any problem, the lead time from the financing decision to the signing of a loan contract is longer, although in most cases financing agreements and draft financing contracts are drawn up at the same time.

The main reason for this difference is the greater complexity of both the financing contracts themselves and the procedure prior to their signature.

By introducing general and normally non-negotiable conditions into the contracts, it was possible to cut down on a great deal of the clerical work involved and confine discussion to the special conditions. Moreover, the fact that borrowers were gradually able to familiarize themselves with our texts and procedures in their first contract made the negotiation of subsequent contracts easier. An increasing number of contracts have been finalized without negotiators having to come to Brussels as the Commission Delegate, duly briefed, has been instructed to discuss the contract on the spot, the departments reserving for themselves only the negotiation of complex financing operations.

Nevertheless, a certain amount of inertia is often apparent on the part of the national authorities, not only during the finalization of the contracts, but also with regard to the simple formality of signing texts which the two parties have already agreed on.

C. TENDERING PROCEDURES

1. Without entering into all the details of the number, value and pace of international invitations to tender, as all these aspects are dealt with regularly in the reports drawn up by the Commission pursuant to Article 41 of the first Lomé Convention and Article 29 of the 1976 OCT Decision, the following two points should be made.

- compared with the period 1976-78, the number of invitations to tender issued in 1979 was 30% up and there was a 23% decrease in the aggregate value. These figures reflect the trend whereby, with the fourth EDF fully operational, more invitations to tender were being issued, but in general for smaller individual amounts. This trend is explained in many cases by the fact that after a period mainly devoted to the construction of large-scale infrastructure, there follows a period where complementary works are carried out and related equipment is supplied.

- this trend is even more noticeable if one looks at the special arrangements derogating from the tendering procedure (contracts by mutual agreement, execution by the public works departments) where there was an increase in both number (91%) and value (41%). Here too, there was an increase in the number of small-scale operations (190 000 ECU per operation on average, as against 260 000 ECU for the previous period). Moreover, the marked increase in exceptional procedures means that account has been taken of the ACP States' desire to make more use of these essentially local procedures for awarding contracts. Although it is the Commission's opinion that there should not be excessive laxity in this respect, it also feels that these relaxations can be justified provided that there is continued vigilance to ensure that there is competition between firms in the event of restricted invitations to tender or mutual agreement contracts.

2. Most of the Commission's efforts as regards competitive tendering procedures during the period under review were geared to informing the people concerned. This action stems from a joint discussion with the Member States initiated at the end of 1979 in view of the fact that certain nationalities were accounting for very few of the contracts.

The outcome of this exercise, which was written up in detail in a report from the Commission to the Council in accordance with Article 43 of the Financial Regulation applicable to the fourth EDF (1), led the Commission to implement a number of measures at the end of 1980. These included:

(1) Com (80) 911 final of 9 January 1981.

a) The publication in "The Courier" of a new section entitled "operational summary of EEC-financed development schemes", aimed at giving a progress report on the projects before they reach implementation, by producing information from the earliest stage (identification and updating it as and when the successive stages in the life of the project are reached. In this way the firms concerned can follow the progress of a project long before the notice of invitation to tender is published in the Official Journal of the Communities.

b) the publication of notices of invitation to tender in the review "Development Forum", which is published fortnightly by the United Nations, so as to reach a wider public than the circle of subscribers to the Official Journal among those familiar with projects financed by the World Bank, the Asian Development Bank, and so on.

c) the preparation of a Commission circular aimed at drawing the attention of its Delegates to the need to improve local conditions of competition, particularly in the case of mutual agreement contracts where access should be more readily available to all firms from the Member States and not just those represented on the spot.

D. RESULTS OF COMPETITIVE TENDERING PROCEDURES

The annexed table summarizes the results in aggregate figures, of contracts actually awarded at 31 December 1980, and compares percentages with those relating to December 1978.

1. In 1979-80 there was a significant increase in contracts awarded, with a 124% rise in the value of contracts in general compared with the 1976-78 period and a particularly marked increase (195%) in supply contracts.

2. As regards the general breakdown, it should be pointed out that, unlike the first years of operation of the fourth EDF, there was a trend towards a much more dominant position for the ACP-OCT (at 31 December 1979 their share had in fact passed the 30% mark), while the best placed Member State (France) fell back and the share of the other three Member States which make the largest contribution to the Fund settled at between 8% and 12%.

a) The share achieved by the ACP-OCT can be attributed to the very marked increase in works contracts awarded to these countries (more than 42% of the total), which shows that the accelerated procedure, which was designed as a preferential mechanism, is indeed operating very much in their favour. On the other hand, there has been a steep decline in the proportion of supplies originating in the ACP-OCT, which is mainly because the equipment required is more complex.

b) there was quite a clear fall in France and Germany's shares compared with the end of 1978. In the case of Germany this decrease affected all types of operations, while France succeeded in recovering some of its share of service contracts.

c) the United Kingdom was the country which made the best progress overall compared with the preceding period (+1.83%). This is attributable to greater participation in works contracts and a sizeable increase in technical cooperation contracts.

d) Italy, which came fourth in the overall results at 31 December 1978 moved up to third place thanks to a spectacular leap in supply contracts (+ 12.36%). This is a particularly good example of how competitiveness has an important effect on the results of tendering procedures.

e) the gap between Belgium and the Netherlands narrowed, with a practically identical percentage variation (Belgium: - 1.06%; Netherlands: + 1%). The different trends were particularly noticeable in respect of works contracts, where Dutch firms made relative progress (particularly in 1979). On the supplies side, however, Belgium and the Netherlands recorded similar improvements.

f) as regards Denmark, Ireland and Luxembourg, where, apart from technical cooperation contracts, the results were practically nil at 31 December 1978, there was a slight improvement in supply contracts and Denmark was the only country in this group to record a success in the area of works contracts. It was in order to take the unfavourable situation of these three countries into account that - as mentioned earlier - the Commission agreed to recommend a certain number of measures to its Delegates with a view to improving the conditions of competition, particularly in mutual agreement contracts.

g) during the period 1979-80 there was an increase in the share taken by third countries, the details of which were examined in the 1980 Report produced by the Commission in accordance with Article 41 of the First Lomé Convention. Suffice it to say here that this was because Article 56(3) of the Convention was applied more often, particularly to Zimbabwe, which was a third country under the First Lomé Convention.

E. CONTRACTS

1. At 31 December 1980, primary commitments (financing decisions) for all the ACP States and the OCT amounted to 2 731 million ECU, an increase of 65% during the period 1979-80.

On the same date, secondary commitments (contracts concluded) entered into under those decisions amounted to 2 031 million ECU for a total of 3 817 operations. This shows a 106% increase in value compared with 31 December 1978 and a sixfold increase in the number of operations. This bears out what was said in the section on tendering procedures with regard to the size of the operations financed.

The most marked improvement, however, concerns disbursements, which reached 1 455 million ECU at 31 December 1980, a 154% increase compared with 31 December 1978.

a) examination of these overall figures shows that the secondary commitments - primary commitments ratio was 74.4% at 31 December 1980, as against 59.6% at 31 December 1978.

If, however, the examination is restricted to secondary commitments for actual "projects", excluding operations giving rise to a single secondary commitment (Stabex transfers, risk-capital operations and interest rate subsidies) the secondary commitments - primary commitments ratio falls to 54.4% (as against 44.3% at 31 December 1978).

Nevertheless, there has been some progress, which can be seen along the whole of the "primary commitments/secondary commitments/disbursements" pipeline:

- disbursements (1 455 million ECU) represented 53.3% of total (primary commitments (2 731 million ECU) as against 34.6% at 31 December 1978 - this considerable improvement is due to the significant increase in the level of disbursements referred to above.

If, however, the amounts giving rise to the rapid mobilization (interest-rate subsidies, Stabex), that is 452 million ECU, are deducted from the overall figure, this lowers the percentage to 36.8% (25.2% as at 31 December 1978).

- according to the two methods of assessment given above, disbursements represent 71.6% and 49.4% respectively of secondary commitments (2 031 million ECU) (58% and 45.5% at 31 December 1978).

b) a breakdown by recipient country shows that for all the ACP countries, with the exception of Madagascar (49.1%) (1), the secondary commitment - primary commitment ratio is more than 50%. Some countries (Barbados, Ivory Coast, Dominica, Gabon, Guyana, Mali, Rwanda and Senegal) exceed a 90% rate, but the rate is generally between 70% and 80%.

The case of the Ivory Coast is a particularly good example of a country's capacity for implementing aid when it is familiar with EDF procedures. The secondary commitments figure was less than 10% at 31 December 1978, because of a hold up in financing decisions, but had risen to 94% by 31 December 1980.

It should be pointed out, however, that although the situation is satisfactory for the ACP States, the same cannot be said for the OCT/OD, some of which still have very low secondary commitment rate (Guadeloupe 13.13%; Reunion 10.13%; Wallis and Futuna Islands 1.50%).

c) as regards the provisions aimed at accelerating the execution of certain types of operation akin to programme aid, there are no particular observations to be added to those set out in the previous report with respect to emergency aid and Stabex operations - where the rate of execution is satisfactory.

The secondary - primary commitments ratio improved considerably for microprojects, increasing from 66.5% at 31 December 1978 to 87.9% at 31 December 1980. On the other hand, the disbursements - secondary commitments ratio was slightly worse, decreasing from 61.3% to 57%. Both phenomena can be put down by the very rapid growth in secondary commitments and the fact that, as has already been explained, there is an inevitable time lag between the mobilization of advance payments once the estimates are committed and the payment of the balance.

There has also been a significant improvement in the secondary commitments - primary commitments ratio for trade promotion programmes - from 37.7% to 66.3% in two years.

(1) The slight delay in the case of this country was caused by a hold up in a financing decision on an important road project, so that it was some time before the invitations to tender could be issued.

2. Cost overruns in project implementation are a constant source of concern to the Commission as they affect a number of projects both in agriculture and infrastructure. It is difficult to control this problem - which also arises in the industrialized countries because when costs are being estimated it is impossible to predict price trends and certain prices can fluctuate very erratically.

However, this explanation should not mask other causes of overspending such as: underestimating of costs, erroneous studies and, especially, overrunning of schedules.

If it is to solve these problems, the Commission is faced with a dilemma. Either it takes a reasonable margin (15% to 20%) of the estimated cost to cope with contingencies, running the risk of being overwhelmed by a sudden price explosion, or it makes provision for a wider margin, which means that funds which could be used elsewhere are "frozen".

The Commission, and the EDF Committee for that matter, usually choose the first solution, which obviously means that appropriations may have to be adjusted, seeking the best possible solution with the ACP authorities concerned on a case by case basis, even if the programme has to be pared as a result.

F. DISBURSEMENTS AND DISBURSEMENT PROCEDURES

(in million ECU)

1. Fourth EDF expenditure entered for the period 1 April 1976 to 31 December 1980 (as shown in the balance sheet for financial year 1980) amounts to

1 455

It is necessary to add to this amount the following "payments to be regularized" chargeable to the fourth EDF:

- advance to the EAC	16	
- advance for award holders	15	
- expenditure entered as "provisional", which will not become "final" until approved in accordance with Article 12 of the Financial Regulation	33	64
		<u>64</u>

At 31 December 1980 overall expenditure therefore amounts to

1 519

Until 1978 there was quite a considerable difference between annual expenditure and commitments, but in 1979 and 1980 this gap narrowed satisfactorily: (in million ECU)

	<u>Funds earmarked</u>	<u>Funds allocated</u>	<u>Disbursements</u>
1976-77	1 090	450	313
1978	564	535	299
1979	569	528	423
1980	507	518	484
	<u>2 730</u>	<u>2 031</u>	<u>1 519</u>

This improvement is due to a better grasp of EDF procedures by the ACP authorities, particularly the new ones, and also effective action on the part of the Commission Delegates, whose diligence accelerates procedures considerably.

2. The First Lomé Convention introduced the principle of opening a paying agent account in each ACP State for local payments within the State. Up to now 56 accounts denominated in a European currency have been opened - 19 in pounds sterling, 17 in German marks, 15 in French francs, 3 in Belgian francs and 2 in Dutch guilders. With two exceptions, these accounts have been opened with central banks.

Having a large number of accounts instead of the four accounts previously held has obviously added considerably to the work of cash management. Nevertheless, this system is now working satisfactorily, apart from a few shortcomings due to the peripheral location of certain small states and the absence of permanent subdelegations. Those subdelegations are now being set up.

The Commission is under no obligation to open accounts in the OCT/OD in order to make payments there in local currency and so continues to make such payments via its paying agents in Europe - the Bank of England, the Centrale de Coopération Economique and the Algemeene Bank Nederland.

3. Attention should be drawn to the benefit drawn by associated States not belonging to a monetary zone with a convertible central currency from the payments effected for the requirements of EDF projects in local currency. These payments are financed by a transfer of convertible currencies to the exchange stabilization fund of the recipient state. They account for about 43% of EDF disbursements in general and make quite a significant contribution to the balance of payments of the recipient countries as the expenditure in local currency has not involved any previous expenditure in foreign currency.

In theory, the prospect of this net revenue in foreign currency should encourage states to execute projects as quickly as possible. Unfortunately this is not the easiest way and some states would prefer an operation not provided for by EDF rules whereby money would be provided via the advance mobilization of EDF foreign currency assets to cover the financing of local expenditure under current or future projects.

4. In view of the balance of payments problems facing a growing number of ACP States, the Commission has to keep a close watch on how governments use the currency assets obtained from the EDF and the European Investment Bank. Difficulties arise for two reasons:

- a. the national bodies responsible for projects financed by special loans sometimes come up against administrative difficulties which are in fact due to the banking authorities, unwillingness to allow external payments to be made with foreign exchange which had been provided by the Commission or the EIB specifically for this purpose;
- b. in the case of cofinancing, where the recipient state has external payment obligations, certain states are tempted to use shortage of foreign exchange as an excuse for a hold-up in the execution of such projects, even although the amount of convertible currency transferred to the exchange stabilization fund, under the procedure described above, is very often more than the country's share in the external payments necessitated by the projects.

The solution put forward by the Commission, which was accepted, albeit with some reticence, by the states concerned, involved opening an external account in the name of the national body responsible for the execution of the project into which the following payments are made:

- directly by the Commission and the EIB, the foreign currency intended specifically for the financing of the project.
- in accordance with the cofinancing requirements and as and when transfers are made to the Central Bank, convertible currency to cover local payments made by the paying agent.

The actual availability of foreign currency resources is a factor which the Commission should bear in mind in future when examining financing proposals which stipulate that the recipient state is to cover some of the cost payable in foreign currencies from its own resources.

5. As manager of the cash assets provided by the Member States, the Commission is always up against the problem of exchange risks. It must ensure that the Member States' contributions, which are paid in their own currencies at the exchange rates obtaining on the date on which the contributions fall due, retain this value in relation to the ECU until such time as they are used as the commitments which the Community entered into vis-à-vis the ACP States are in ECU.

To some extent this exchange risk is outside the Commission's control:

- 1) as in the past, some Member States do not pay their contributions on the due date, so that when the Commission finally receives them their exchange value has already fallen;
- 2) a proportion of the cash assets are spread over 56 accounts opened in the ACP States in order to cover the anticipated local payments in each of these countries. Hence, even if it were technically possible, the Commission cannot juggle with these accounts to balance expenditure between the various currencies of the Member States and thus maintain their value in ECU.

Hence, the Commission has no other option but to restrict its activities to the assets in its special accounts and its bank accounts in Europe. It has pursued its policy of opening accounts in ECU, and there are now in operation in Belgium, Germany, France and Italy. It is soon to start negotiations with Lloyds Bank on the opening of an ECU account in the United Kingdom too.

It has also continued to manage European accounts in national currencies in such a way as to ensure a balanced utilization of the various currencies.

At the end of 1978, aggregate exchange losses totalled 7.7 million ECU on called contributions of 921 million ECU and 9.6 million ECU at the end of 1979 on 1 420 million ECU, but by the end of 1980 they had fallen to 1.3 million ECU on called contributions of 2 107 million ECU. These losses are equivalent to 0.84%, 0.68% and 0.06% respectively of called contributions.

This satisfactory development is due to:

- more punctual payment of contributions by certain Member States
- the spectacular rise of the pound sterling
- a measured supply of funds to the accounts opened in the ACP States, made possible by the constant supply of information on forecast payments in local currency
- the opening of accounts denominated in ECU in three Member States whose currencies have been falling.

G - CONTROL AND INSPECTIONI Commission Delegationsa) Developments in the status of the EAC

The proposal for a regulation relating to the creation of a European Agency for Cooperation (1) transmitted by the Commission to the Council in 1978 was examined in depth by the Council's ACP/FIN Working Party.

Discussions centred on how and at what level Member States would participate in supervising the Agency's activities and the details of this participation. In January 1980 the Permanent Representatives Committee, which had received an interim report on the situation from the ACP/FIN Working Party, adopted the following position:

- it instructed the ACP/FIN Working Party to continue examining the Commission's proposal to create an agency under Community public law and work out the measures to be taken in the short term and medium term;
- it also asked the Commission to begin a detailed study to find out what measures should be taken if agency staff were to be integrated eventually in the Commission departments. This would involve examining the amendments to be made to the staff regulations of Community officials and, possibly, drawing up special regulations for staff in external offices. As soon as these studies were completed, the Permanent Representatives Committee would instruct the relevant working parties, in particular the Working Party on the Staff Regulations, to examine them.
In response to this request the Commission has set up an ad hoc group of experts within its departments to carry out this study.

b) Commission Delegations1. Staff recruitment and management

The number of Delegations has remained at 42, as in a number of cases one Delegate is accredited to several ACP States; to comply with the wishes expressed by the ACP States the Commission had nevertheless come round to the idea of having the Delegate responsible for several ACP States represented on the spot in each case. This policy was formalised in the Second Lomé Convention which makes express provision - in Article 123 - for the appointment in each ACP State of a deputy resident to represent the accredited Delegate when the latter is not resident on the spot.

(1) COM(78) 93 final of 9 March 1978 amended by COM(78) 667 final of 19 December 1978.

Pursuant to the above Article, subdelegations were opened at the end of 1979 in Grenada, Sao Tome and Principe and Djibouti, and in 1980 a sub-delegation, established in the Republic of Cape Verde (1).

The number of expatriate staff in the Delegations remained the same in 1978 and 1979 (224) and increased to 235 in 1980. The movements of all expatriate staff (recruitment - transfers) were rationalised and streamlined to a large extent when a single committee dealing with delegation staff was set up in 1979.

2. Management of equipment

- as regards buildings, since it was becoming increasingly difficult to obtain offices and accommodation for the Delegations in the ACP States, the Association decided to purchase buildings. Accordingly, and on the basis of a financing proposal agreed to by the EDF Committee, the Commission authorized an overall commitment of 4 million ECU (2) on 23 July 1980 to cover the purchase of buildings for Delegations in the ACP countries, if this proved to be necessary three such operations were undertaken in 1980, in Rwanda, Cape Verde and Equatorial Guinea.
- the protection of staff and their families, and the equipment and vehicles placed at their disposal, was another serious point of concern in 1980; the political events in certain countries (Chad and Uganda) made a number of measures necessary (installation of grills, alarm systems) aimed at providing staff and their families with a reasonable amount of protection, similar to security for staff in Member States' embassies.

3. Expenditure

In comparison with the estimates which were published previously the following table gives the amount of real expenditure per annum for the ACP and OCT from 1976 to 1980 and also gives an idea of the cost of fourth EDF Delegations (in ECU).

(1) A subdelegation had already been opened in the Comoros in 1977.
 (2) From the unexpended balance of fourth EDF funds earmarked for the delegations' administrative and running costs.

	<u>ACP</u>	<u>OCT</u>	<u>TOTAL</u>
Amounts blocked	94 607	3 782	98 389
	<hr/>	<hr/>	<hr/>
Real expenditure 1976	13.486	843	14 329
1977	21 176	423	21 599
1978	22 364	657	23 021
1979	25 450	346	25 796
1980	4 848	1 993	6 841
	<hr/>	<hr/>	<hr/>
	87 324	4 262	91 586
Commitment for the purchase of buildings	4 000	-	4 000
	<hr/>	<hr/>	<hr/>
	91 324	4 262	95 586
	<hr/>	<hr/>	<hr/>

2. Financial control

a) Activities of the seconded financial controller

This decentralization measure which was initiated in 1977, was stepped up in 1980. It has continued to produce beneficial results insofar as all dossiers not exceeding 60 000 ECU may be endorsed directly by the financial controller seconded within DG VIII. New measures have been prepared for 1981.

b) On-the-spot inspection

The main object of missions undertaken abroad by the Financial Controller in conjunction with the financial departments of the Directorate-General for Development is to check that commitments made and the resulting project implementation are in conformity with the provisions of financing agreements. These missions visited the following countries:

- in 1979 : Ivory Coast, Gabon, Malawi, Mauritius, Barbados, Saint Vincent, St. Lucia, Jamaica and Zaire.
- in 1980 : Ethiopia, Mauritania, Senegal, Tanzania, Botswana and Lesotho.

This means that 25 countries have been visited since 1977 for inspection purposes.

Further control missions are scheduled for 1981.

c) Inspection based on records

This procedure, which requires prior endorsement by the Financial Controller, was extended in 1979 to authorizations made in local currency by authorizing officers before being entered finally in the EDF accounts. It is no longer restricted to expenditure authorizations to be made in foreign currency via the EDF accounting officer. It has been maintained for all commitment proposals concerning contracts.

3. Court of Auditors

During the two years under review the collaboration between the Commission and the Court of Auditors which had begun in 1978 was further extended. The Court was keen to step up its on-the-spot inspection of projects and programmes financed by the EDF, and undertook missions to the following countries:

- in 1979 - Mali, Senegal, Cameroon, Madagascar, Niger and Upper Volta.
- in 1980 - Netherlands Antilles, French Guiana, Suriname, Kenya, Somalia, Togo, Benin and Zaire.

H. CLOSURE OF OPERATIONS

The number of operations closed under the fourth EDF at 31 December 1980 stood at 118, that is about 10% of all operations undertaken, not including Stabex transfer operations. This situation can be considered normal in the light of experience with the previous EDFs. The operations closed represent about 334 million ECU.

BREAKDOWN of works contracts by nationality of contractors
of supply contracts by origin of goods
of technical cooperation contracts by nationality of contractors

Fourth EDF - Situation at 31 December 1980

in 000 ECU

Nationality of firms	Works contracts			Supply contracts			Technical cooperation contracts			All contracts		
	amount	% at 31.12.80	% at 31.12.78	amount	% at 31.12.80	% at 31.12.78	amount	% at 31.12.80	% at 31.12.78	amount	% at 31.12.80	% at 31.12.78
Germany	37 927	5,58	9,30	50 720	21,01	25,07	45 763	19,08	21,75	1 4410	11,58	14,46
Belgium	47 366	6,97	8,11	11 133	4,61	2,90	20 860	8,70	10,94	3 359	6,84	7,90
France	173 154	25,48	29,62	50 959	21,11	25,14	48 761	20,33	15,48	272 874	23,50	15,87
Italy	69 660	10,25	11,92	44 442	18,41	6,05	26 569	11,07	12,11	140 671	12,12	11,04
Luxembourg	-	-	-	21	0,01	-	3 703	1,54	2,37	3 724	0,32	0,51
Netherlands	26 680	3,93	2,24	10 300	4,27	2,59	18 123	7,55	9,15	55 103	4,75	3,78
Denmark	2 309	0,34	-	613	0,25	0,05	5 910	2,46	3,14	8 832	0,76	0,68
United Kingdom	25 925	3,81	2,51	36 441	15,10	16,65	33 610	14,01	10,39	95 976	8,27	6,44
Ireland	-	-	-	38	0,02	-	3 550	1,43	1,40	3 588	0,31	0,30
ACP/OCT	287 329	42,28	36,30	22 177	9,19	14,71	21 805	11,26	13,27	341 311	29,40	27,94
Third countries	9 256	1,36	-	14 526	6,02	6,84	1 239	0,52	-	25 021	2,15	1,08
Total	679 606	100	100	241 370	100	100	239 893	100	100	1 160 869	100	100
	58,54 %			20,79 %			20,67 %			100 %		