

COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

REPORT

on the operation during 1975 of the system set up by the Decision on
the association of the OCT with the EEC for stabilizing
export earnings

Editor's note: The text covers operations for both the ACP and OCT.

COM(77) 274 final.

INTRODUCTION

1. According to Article 27 of the Internal Agreement on the financing and administration of Community aid the Commission is required to draw up each year a comprehensive report for the Member States on the operation of the export earnings stabilization system and the use made by the ACP States of the funds transferred, indicating in particular the effect of the system on the economic development of the recipient countries and on the development of external trade.

2. This report deals with the application of the system in respect of 1981 to the States signatory to the Lomé Convention and with the operations involving former OCT which, having acceded to the Lomé Convention, nevertheless continue - in so far as the export earnings stabilization system is concerned - to be covered by the appropriation allocated to the OCT by the Decision of 16 December 1980 on the association of the overseas countries and territories with the European Economic Community.

3. On the whole the machinery of cooperation described in earlier reports has continued to operate satisfactorily and therefore no detailed comments are called for.

4. In 1981 two difficulties were encountered in administering Stabex: one of a general nature caused by the fact that there were insufficient funds to meet in their entirety the transfer requests presented by the ACP States, and the other of a technical nature, concerning the exchange rates used in calculating the transfers.

Insufficient funds

5. For the second year running, total losses sustained by the ACP States on their export earnings were well above the amount allocated for export earnings stabilization. After appraisal, total requests came to 453 107 231 ECU, while the European Community had undertaken in the second Lomé Convention to compensate for losses up to an annual ceiling of 112.1 m ECU for 1981.

6. In view of the extent of the difficulties encountered by the ACP States, the Community presented to the ACP-EEC Council meeting in Libreville an exceptional proposal for additional finance to be provided outside the system. At the same time the amounts owed to the system by certain ACP States for the first two years of the first Lomé Convention under Article 21 of that Convention were, following examination on a case-by-case basis, set off against the transfer entitlements of those States.

7. Overall, the main feature of 1981 seems to have been the enthusiasm shown by the ACP States and the Community for the export earnings stabilization system. Stabex, thanks to the efforts and cooperation of all the parties concerned, has continued to operate correctly in accordance with the terms of the Convention. Moreover, the extra money exceptionally made available increased the system's economic effectiveness during this period of strain on the markets.

8. The fact remains that the resource shortfall was even more acute than for the year of application 1980. A breakdown of the transfers shows that the bulk of the ACP States' losses was due to the continuing deterioration of the market for two commodities (coffee and cocoa),

despite the existence of world agreements in both cases. In addition to the considerable fall in prices in 1980 and 1981, there was also the fact that for one year of the reference period (1977-80) the results were particularly favourable for the coffee- and cocoa-exporting states, which has had a considerable impact on the size of the transfers (see Commission report to the Council for 1980 - COM(81)592, section 40).

9. Since the commodity agreements failed to keep prices either up (1977-78) or down, the deterioration of the market situation was fully reflected in export earnings and led the ACP States concerned to make heavy demands on Stabex. The latter then found itself faced with a heightened risk which it was unable to cover fully. In such a situation an insurance company would increase its premiums and/or reduce the benefits payable. In the case of Stabex these two options were restricted to a reduction in the transfers.

10. Since Stabex comes into play as a secondary mechanism, as a last resort following market regulation by commodity agreements, it is imperative - if the cost of the system is not to be prohibitive (to the detriment of other instruments of cooperation) - to increase the number of commodity agreements and make them more effective.

11. On the whole, the development recorded in 1981 clearly showed the possibilities and the limits of the Stabex system. The fact that the Community was led to go beyond its contractual obligations certainly reduced the size of the problem in 1981 ; but it also prompted consideration for the future of the system. This, despite the fact that, by its structure, in particular the moving reference average and the disappearance of the exceptional years, should make the problem of inadequate funding less acute for the final years of the second Lomé Convention's life.

In such special circumstances, disbursements were made at the end of September, the ACP Group having managed to confer together and reach agreement on the allocation at the beginning of August, which is not bad considering the inevitable difficulties inherent in any negotiations on a highly specific, complex problem involving so many interested parties.

The exchange rate problem

12. The sudden rise in the value of the US dollar had repercussions on the amount of transfers expressed in ECU for those States whose currencies are closely linked to the dollar, as the method used to convert requests into ECU since the system started, with a slight technical improvement after the first year, takes account of fluctuations in the ACP currencies in relation to the ECU. It provides additional compensation in the event of depreciation of the ACP currency, with of course a corresponding adjustment should the ACP currency appreciate, as happened in 1981 in the case of currencies linked to the dollar.

13. The procedure used by the Commission was described in a memo transmitted to the ACP States on 16 December 1977. The effects on the transfer amounts were explicitly described in the report summarizing Stabex operations under the first Convention (Sec(81)1104, appendix, note 2).

14. At a meeting of the ACP-EEC Stabex Subcommittee it was agreed to appraise all 1981 requests by means of the method that had always been used and to have the matter studied by an independent group of experts.

15. This matter will be taken up again in this report, in which the Commission will examine on the one hand the activities of the ACP-EEC institutions and the development of the system and, on the other, the application of the texts and the results obtained. The third part will be concerned with the effect of the system on the economic development of the recipient states.

PART ONE: THE ACTIVITIES OF THE ACP-EEC INSTITUTIONS AND THE DEVELOPMENT OF THE SYSTEM

Chapter 1: The activities of the institutions

¹The ACP-EEC Council of Ministers

At its meeting held on 13 and 14 May in Libreville the ACP-EEC Council of Ministers had four Stabex items on its agenda.

16. Firstly, there was the fact that the funds were inadequate: in view of the extent of the difficulties encountered by the ACP States in 1981 with regard to their export earnings the Community exceptionally proposed in Libreville additional (non-Stabex) financing of 70 753 710 ECU, of which 40 m ECU was to be taken from interest on EDF assets and was to be used for financing development projects suitable for rapid implementation and 30 753 710 ECU was to come from repayments of special loans to be added to the original Stabex disbursement.

In return for this effort by the Community the ACP-EEC Council of Ministers decided that the situation of those ACP States which owed money to the system in respect of 1975 and 1976 and had not paid off their debts in full during the five-year observation period provided for in the first Lomé Convention should be studied on a case-by-case basis so that the debts of those making a request¹ in respect of 1981 could be set off against the amount of their request.

17. By Decision No 6/82 of 14 May 1982 the Council of Ministers instructed the Committee of Ambassadors to take, by the end of June 1982, decisions under Article 34 enabling 20% of the 1982 instalment to be used in advance for the purposes of transfers for 1981 (paragraph 1) and cutting the amount of the transfers (paragraph 2).

18. Implementation of the decisions taken by the ACP-EEC Council in Libreville therefore had the effect of:

- reducing the amount of the transfer entitlements to 427 320 422 ECU,
- mobilizing a total of 182 853 710 ECU for financing the transfers,
- thereby attaining an overall cover rate of 42.8%,
- fixing the total amount transferable under Stabex or on similar terms at 142 853 710 ECU.

¹Similarly, it was agreed with the two ACP States owing money to the system but which had not requested transfers in respect of 1981 that the debts in question would be extended for a year and that the amount owed by an ACP State which, in Lomé II, had been entered on the list of least developed ACP States, should be cancelled.

19. Secondly, it was decided that the problem raised by Ethiopia regarding the method of applying exchange rates would be settled before the Committee of Ambassadors' decision in accordance with Article 34.

20. The matter of including new products was broached as the second Lomé Convention had now been in application for a year, the period laid down by Article 26 after which new products could be included. It was decided (Decision No 4/82) to include nutmeg and mace and sheanut kernels.

21. On a proposal from the Commission the ACP-EEC Council of Ministers also took a decision (No 3/82) to apply the Article 27 provisions regarding inter-ACP trade to Dominica.

22. Lastly, the Committee of Ambassadors was instructed, in keeping with the letter and spirit of the Convention, to make a detailed examination of the Stabex system in preparation for the discussions to be held at the special session of the Council of Ministers convened for that purpose.

(2) The ACP-EEC Stabex Subcommittee and the ACP-EEC Committee of Ambassadors

23. The ACP-EEC Stabex Subcommittee met on 7 June 1982, principally to discuss the problem raised by applying to Ethiopia in respect of coffee the usual method for converting the amount of the requests into ECU. It was decided that the 1981 transfers would be calculated by applying the method that had always been used.

A committee of independent experts should meet to study the pros and cons of the various possible methods. In the light of their study the Commission could possibly consider adopting another method, provided that it was applied indiscriminately to all transfers.

24. By written procedure on 5 August 1982 the ACP-EEC Committee of Ambassadors decided, on the basis of a report prepared in accordance with Article 34 and transmitted to its chairmen on 16 June 1982, to allocate the total available amount of 182 853 710 ECU in accordance with the following principles:

- (a) ACP States with total transfer entitlements of less than 1 m ECU were not to be affected by the reduction;
- (b) for all other transfers the reduction was to be such that the rate payment to be applied to transfers to the least developed applicant states was to be 11% above the rate of payment to be applied in other cases;
- (c) where, however, the reduction cut an ACP State's claims to less than 653 391 ECU (i.e. the highest amount in the group of transfers of less than 1 m ECU), its entitlement was to be rounded up to that amount, on the understanding that the funds needed for that operation would be drawn from the other transfers.

25. On the basis of those principles the overall rates of payment were calculated as follows:

- 46.5% for the least developed ACP States,
- 41.9% for the other ACP States,
- 100.0% for ACP States with a transfer entitlement of less than 1 m ECU.

(3) The Parliamentary organs of the Lomé Convention

26. The ACP-EEC Joint Committee met in Strasbourg from 23 to 25 September 1981 and the ACP-EEC Consultative Assembly in Luxembourg from 28 to 30 September 1981. The following resolution was adopted regarding Stabex: [the Assembly:]

"Recognizes that Stabex, as an instrument designed to reduce the effect of price fluctuations, serves to allow ACP countries to plan ahead with a certain degree of security regarding the income they can derive from the exports of products covered by the system;

Notes that the need for coverage of a wider range of products has been admitted by the provisions of the new Convention and that there is scope for further expansion of the list;

Is gravely concerned, however, that the resources made available for Stabex under the new Convention have proved to be quite inadequate;

Calls therefore for the prompt provision of additional resources, which is necessary if the system is adequately to fulfil the purpose for which it was designed;

Reiterates its request to the Commission to present a report assessing the impact of Stabex on the development of the economies of the ACP countries and, given the importance of this assessment, urges that this detailed study should be carried out by external consultants selected with the approval of the ACP countries.

Insists on the necessity for the conclusion of world commodity agreements in order to assure remunerative and stable prices in order to alleviate too rapid a depletion of Stabex ..."

(4) The European Parliament

27. Parliament devoted particular attention to the difficulties encountered by Stabex in 1981. Following meetings of the Development Committee and the plenary session of 12 May 1982 a letter was sent to Mr Pisani and a number of resolutions adopted¹. A point was made of sending these documents to the ACP Group.

Parliament stressed the highly political nature of the problem of the shortage of funds and of the solutions which might be adopted.

27. Four members of the European Parliament asked written questions regarding the system, namely Mr Cousté (WQ No 1949/81), Mr Pearce (WQ No 423/82), Mr Van Miert (WQ No 129/82) and Mr Beyer de Ryke (WQ No 666/82). The replies to these questions will be published in the Official Journals by the end of 1982.

5. The Court of Auditors

29. For 1981 the Court of Auditors conducted its investigations on the occasion of various visits. Its findings are contained in the corresponding mission reports.

¹EP 78.615/Rev.

Chapter 2: Development of the system

30. 1981 marked the first year of application in which account was taken of trade between Greece and the ACP States. The statistical cooperation instituted for both Community imports and ACP States' exports absorbed this new aspect without any problem.

31. While the ACP-EEC Council of Ministers meeting in Libreville decided to continue its examination of the possibility of including tobacco and citrus fruits in the list of Stabex products, two new products (nutmeg and mace, and sheanuts kernels) were added to the list, the first year of application being 1981, in respect of which two requests were submitted.

Two further requests for the inclusion of new products (plywood and paper pulp) have been submitted by the ACP States and are currently being studied by the Commission.

32. In 1980 Dominica requested the Commission and the ACP Group to apply to it Article 27 of the Second Lomé Convention. The ACP-EEC Council meeting in Libreville decided, on a proposal from the Commission, to apply this clause to Dominica, enabling it to take into account trade with the Community plus inter-ACP trade for the purposes of calculating its export earnings.

PART TWO: APPLICATION OF THE TEXTS AND RESULTS THEREOF

Chapter One: Application of the texts

33. For year of application 1981 the Commission received a total of 49 transfer requests from 32 States signatory to the Second Lomé Convention. A further two transfer requests were presented by two OCT coming under the Decision of 16 December 1980, which had become independent and acceded to the Second Lomé Convention but continued to be covered by that Decision for the purposes of Stabex. These were the only two requests received by the Commission in connection with that Decision.

(1) Requests turned down on the basis of Articles 38, 25, 29 and 37

34. The 13 requests that were turned down may be divided into two groups:

- (i) Requests which were inadmissible by virtue of Article 38 (no loss of total export earnings for the product in question). In 1981 three requests were involved:

Upper Volta (hides, skins and leather)
Mali (cotton)
Tanzania (raw sisal)

- (ii) Requests in respect of which at least one of the eligibility criteria (Articles 25, 29 and 37) had not been met. The following ten requests were involved:

Niger (niebe): not included in the list of products covered
Benin (cocoa): failure to exceed dependence threshold

| | | |
|--------------------------|---|--|
| Ethiopia (beans) | } | no loss for request expressed in national currency or converted into ECU or fluctuation thresholds not attained |
| Kiribati (copra) | | |
| Uganda (coffee) | | |
| Togo (coffee and cocoa) | | |
| Upper Volta (groundnuts) | | |
| Tonga (coconuts) | | |

Since the request converted into ECU failed to show any loss of earnings the request from Belize, covered by the OCT Decision of 16 December 1980, also had to be turned down.

(2) Application of Article 39(3)

35. In the case of the remaining 36 transfer requests, concerning 26 ACP States, it was necessary to hold consultations with the applicants in the following cases.

The examination of 17 requests concerning 14 ACP States showed that there were considerable changes in the trend of production and total exports of the products in question.

On the basis of Article 39(3) of the second Convention, consultations were held in the following cases:

- (i) Decrease in the ratio of total exports to production of the product:
 - Benin (palm oil): 27.4% reduction in the transfer basis
 - Benin (palm nut and kernel oil): 17% reduction in the transfer basis
 - Senegal (groundnut products): 16.5% reduction in the transfer basis.

- (ii) Decrease in the Community's share of total exports of the product in question:
 - Central African Republic (coffee): 16.1% reduction in the transfer basis
 - Ivory Coast (coffee): 4.3% reduction in the transfer basis
 - Gambia (oilcake): 41.3% reduction in the transfer basis
 - Mali (sheanut kernels): 13.1% reduction in the transfer basis
 - Kenya (coffee): 10.1% reduction in the transfer basis
 - Papua New Guinea (coffee): 13.3% reduction in the transfer basis
 - Papua New Guinea (Cocoa): 10.3% reduction in the transfer basis
 - Papua New Guinea (copra): 9.9% reduction in the transfer basis
 - Sudan (cotton): 3.6% reduction in the transfer basis.

- (iii) Increase in local consumption or storage:
 - Ghana (cocoa products): 19.37% reduction in the transfer basis
 - Sudan (cotton): 10.5% reduction in the transfer basis.

- (iv) In four cases the transfer entitlement was, on the basis of Article 46(3), reduced to losses sustained in respect of all destinations:
 - Fiji (coconut oil)
 - Malawi (tea)
 - Sierra Leone (palm nut and kernel products)
 - Somalia (bananas).

(3) Payment of advances in accordance with Article 40(3)

36. In 1980 and 1981 11 advances were paid. These advances, set against the transfers, involved groundnut products in the case of two West African states because of persistent bad weather and two coffee-exporting states. Two Pacific islands also received advances for copra and cocoa products.

37. Advances amounted to 31 615 000 ECU, broken down as follows:

(a) Commission Decision of 16 October 1981:

| | |
|------------------------------|------------|
| Gambia (groundnuts) | 1 250 000 |
| Gambia (groundnut oil) | 750 000 |
| Senegal (groundnut products) | 18 000 000 |
| Samoa (cocoa beans) | 685 000 |
| Samoa (copra) | 430 000 |
| Uganda (coffee) | 2 000 000 |

(b) Commission Decision of 13 November 1981:

| | |
|---------------------|---------|
| Gambia (groundnuts) | 600 000 |
| (groundnut oil) | 500 000 |
| (groundnut oilcake) | 400 000 |

(c) Commission Decision of 9 December 1981:

| | |
|-------------------------|---------|
| Solomon Islands (copra) | 400 000 |
|-------------------------|---------|

(d) Commission Decision of 10 February 1982:

| | |
|----------------|-----------|
| Kenya (coffee) | 7 500 000 |
|----------------|-----------|

38. With regard to reconstitution of the resources, the Commission, acting in accordance with Article 21(3) of the Lomé Convention and the practical procedures contained in the letters exchanged on the occasion of each transfer, carried out the necessary investigations regarding transfers made in respect of the period 1976 to 1979 to countries committed to contributing to the replenishment of the system's resources but which had not discharged their obligations by paying funds back into the system. It was found that the conditions laid down by the Convention for setting in motion the replenishment process were not met in a single case on the basis of the 1981 results.

39. In the case of transfers made as loans in respect of year of application 1980, in accordance with Article 43(2) of the Second Lomé Convention and the practical procedures contained in the letters exchanged on the occasion of each transfer, the Commission carried out the necessary investigations. On the basis of the data currently available for 1981, it was found that the conditions laid down for setting the replenishment process in motion were not met.

40. In the case of transfers made as loans for years of application 1975 and 1976, in respect of which the conditions laid down in Article 21(3) were not met over a period of five years, a decision was taken by the ACP-EEC Council of Ministers at Libreville under Article 21(4) in connection with the problem of the shortage of funds.

41. Following a case-by-case examination it was agreed that:

(i) in the case of five states which had made a transfer request in respect of 1981 the amounts they owed would be set against the amount of their request, subject to which the debt would be cancelled. The states in question were:

| | |
|-----------------------------------|----------------|
| - Ivory Coast (wood in the rough) | 15 000 000 ECU |
| - Cameroon (wood in the rough) | 3 601 423 ECU |
| - Fiji (coconut oil) | 246 435 ECU |
| - Madagascar (sisal) | 1 762 943 ECU |
| - Ghana (wood in the rough) | 5 176 408 ECU |

(ii) in the case of two states which owed money to the system but which had not submitted requests for 1981, the debts in question would be extended for one year

| | |
|-----------------------------|---------------|
| - Congo (wood in the rough) | 7 361 677 ECU |
| - Gabon (wood in the rough) | 6 703 311 ECU |

(iii) in the case of Sierra Leone, which was included in the list of least developed ACP States in the Second Lomé Convention, the debt was cancelled.

4. Application of Article 34 and of the exceptional arrangements made at Libreville

42. When the ACP-EEC Council of Ministers met in Libreville on 13 and 14 May the order of magnitude of total requests in respect of 1981 was already known to be well in excess of the amount of the annual instalment. The Community therefore proposed that an advance drawing of 20% be made on the 1982 instalment and that a number of other measures also be taken.

43. Following Decision No 8/82, taken by the ACP-EEC Council of Ministers on 5 August 1982, regarding the advance use of part of the 1982 instalment, the resources available for 1981 amount to:

| | |
|------------------------------|------------------------|
| - Annual instalment for 1981 | 89 750 000 ECU |
| - 20% of the 1982 instalment | 22 350 000 ECU |
| Total | <u>112 100 000 ECU</u> |

If these available resources are compared with the total amount of justified requests (453 107 631 ECU) there is a shortfall of 341 007 631 ECU.

44. Article 34(2) of the Second Lomé Convention stipulates that, in such a situation, the ACP-EEC Council of Ministers may, on the basis of a Commission report, reduce the transfers to be made.

45. The decisions taken at Libreville meant that the following operations would be carried out before applying Article 34(2):

(i) The sum of 30.8 m ECU would be added to the normal annual instalment of 112.1 m ECU. The former amount comes from repayments by the ACP States of special loans and risk capital provided under the Yaoundé Conventions and the first Lomé Convention. The money is being or will be paid directly in cash into Stabex by the Member States and therefore disbursement use and reconstitution of resources in those cases where such an arrangement applies, are exactly the same as if this sum were part of the normal contractual appropriation. The cash amount available will therefore be 112.1 + 30.8 = 142.9 m ECU.

- (ii) An additional amount of 40 m ECU would be made available the system for financing, in accordance with the Convention and by means of grants, projects which could be implemented rapidly in the ACP States, which would have to present valid transfer requests. The provision of financing for these projects - which would be in addition to the EDF indicative programmes - would thus enable the countries in question to receive a given proportion of the approved transfers, in respect of the proportion not paid in cash, as project financing. That part of the 40 m ECU which each ACP State that requested a Stabex transfer will obtain will therefore be equivalent to payment of the transfer and will help (partly) meet that state's request, even if the amount in question is not paid under Stabex conditions proper.
- (iii) Action would be taken, on the basis of a case-by-case examination, on the sums owed to the system in respect of years of application 1975 and 1976 by five ACP States (Ivory Coast/wood 1975, Ghana/wood 1975, Madagascar/sisal 1976, Fiji/coconut oil 1976 (balance), Cameroon/wood 1975), by individually setting off those debts against the amounts of their requests for year of application 1981 after appraisal of the latter.

The Council instructed the ACP-EEC Committee of Ambassadors to implement these measures (cf. paragraph 2).

46. The 341 412 ECU transfer to Vanuatu, which is an OCT within the meaning of this Decision, does not present any financing problems. The available resources are calculated as follows :

| | |
|---|----------------------|
| Annual instalment | 1 800 000 ECU |
| Carryover of the unused portion of the 1980 annual instalment | 1 287 888 ECU |
| Total | <u>3 087 888 ECU</u> |

There are therefore sufficient resources available to pay Vanuatu's transfer entitlement (341 412 ECU) in full. This disbursement was made entirely under Stabex.

(6) Advance for Uganda

47. A 2 m ECU advance was paid to Uganda by decision of 16 October 1981. The subsequent trend of its coffee exports and of fluctuations in its currency revealed, however, that there was no annual transfer entitlement. Uganda was informed of its obligation to repay the amount in question, either immediately or by setting it off against the first subsequent transfer.

Chaper 2: Results

(1) Overall results

48. A. Results of the 1981 operation by ACP State

(i) Total disbursements, including sums to be disbursed in the form of project finance (112 100 000 + 30 753 710 + 40 000 000 = 182 853 710)

| STATES | PRODUCTS | |
|----------------------|-----------------------------|------------|
| BENIN | COTTON NOT CARDED OR COMBED | 130,169 |
| " | PALM OIL | 254,585 |
| " | PALM NUT AND KERNEL OIL | 544,668 |
| CAMEROON | COCOA PRODUCTS | 10,349,448 |
| " | RAW OR ROASTED COFFEE | 6,988,461 |
| CENTRAL AFRICAN REP. | RAW OR ROASTED COFFEE | 1,536,796 |
| IVORY COAST | RAW OR ROASTED COFFEE | 35,329,724 |
| BOHINIA | COCONUT PRODUCTS | 582,143 |
| ETHIOPIA | RAW OR ROASTED COFFEE | 268,792 |
| FIJI | COCONUT OIL | 653,391 |
| GAMBIA | GROUNDNUTS SHELLD OR NOT | 2,225,089 |
| " | GROUNDNUT OIL | 1,440,360 |
| " | OIL-PAKE | 529,741 |
| GHANA | COCOA PRODUCTS | 32,776,692 |
| GUINEA | NUTEC AND NACE | 197,531 |
| KENYA | RAW OR ROASTED COFFEE | 21,054,231 |
| LESOTHO | HOHATD | 354,533 |
| HAWAIIAN ISLANDS | RAW OR ROASTED COFFEE | 3,440,826 |
| KALINGA | TEA | 653,391 |
| KALINGA | SHEANUT KERNEL | 653,391 |
| PAPUA NEW GUINEA | RAW OR ROASTED COFFEE | 9,421,513 |
| " | COCOA BEANS | 5,738,012 |
| " | COCOA | 1,385,695 |
| " | COCONUT OIL | 1,169,130 |
| RUANDA | RAW OR ROASTED COFFEE | 653,391 |

| | | |
|-------------------|-----------------------------|-------------|
| SOLOMON ISLANDS | COPRA | 723,321 |
| WESTERN SAMOA | COCOA BEANS | 1,170,846 |
| " | COPRA | 1,035,401 |
| SAO TOME PRINCIPE | COCOA BEANS | 994,895 |
| SENEGAL | GROUNDNUT PRODUCTS | 26,272,999 |
| SIERRA LEONE | PALM KERNEL PRODUCTS | 1,082,263 |
| " | COCOA BEANS | 53,351 |
| SOMALIA | FRESH BANANAS | 949,211 |
| SUDAN | COTTON NOT GARDEN OR COMBED | 10,879,030 |
| TANZANIA | RAW OR ROASTED COFFEE | 624,174 |
| THAI | COPRA | 56,606 |
| TOTAL | | 102,853,710 |

49. (ii) Disbursements on terms similar to Stabex disbursements
(112 100 000 + 30 753 710 = 142 853 710).

| STATES | PRODUCTS | |
|----------------------|-----------------------------|-------------|
| BEIN | COTTON NOT GARDEN OR COMBED | 101,694 |
| " | PALM OIL | 129,893 |
| " | PALM NUT AND KERNEL OIL | 425,520 |
| CAMEROON | COCOA PRODUCTS | 9,684,683 |
| " | RAW OR ROASTED COFFEE | 5,459,706 |
| CENTRAL AFRICAN REP. | RAW OR ROASTED COFFEE | 1,200,616 |
| IVORY COAST | RAW OR ROASTED COFFEE | 27,401,201 |
| DOMINICA | COCONUT PRODUCTS | 392,297 |
| ETHIOPIA | RAW OR ROASTED COFFEE | 756,794 |
| FIDI | COCONUT OIL | 510,459 |
| GAMBIA | GROUNDNUTS SHELLED OR NOT | 1,738,342 |
| " | GROUNDNUT OIL | 1,125,275 |
| " | OIL-CAKE | 413,858 |
| GHANA | COCOA PRODUCTS | 25,606,655 |
| GRENADA | NUTMEG AND MACE | 154,320 |
| KENYA | RAW OR ROASTED COFFEE | 16,448,532 |
| LESOTHO | MUGHAIR | 276,977 |
| MADAGASCAR | RAW OR ROASTED COFFEE | 2,688,131 |
| MALAY | TEA | 510,459 |
| MAURITIUS | GROUNDNUT KERNEL | 510,459 |
| PAPOA NEW GUINEA | RAW OR ROASTED COFFEE | 7,360,518 |
| " | COCOA BEANS | 4,382,798 |
| " | COPRA | 1,082,569 |
| " | COCONUT OIL | 986,347 |
| RWANDA | RAW OR ROASTED COFFEE | 510,459 |
| SOLOMON ISLANDS | COPRA | 565,092 |
| WESTERN SAMOA | COCOA BEANS | 214,719 |
| " | COPRA | 803,903 |
| SAO TOME PRINCIPE | COCOA BEANS | 777,258 |
| SENEGAL | GROUNDNUT PRODUCTS | 20,525,673 |
| SIERRA LEONE | PALM KERNEL PRODUCTS | 845,514 |
| " | COCOA BEANS | 41,690 |
| SOMALIA | FRESH BANANAS | 743,567 |
| SUDAN | COTTON NOT GARDEN OR COMBED | 9,499,198 |
| TANZANIA | RAW OR ROASTED COFFEE | 542,321 |
| THAI | COPRA | 46,223 |
| TOTAL | | 142,853,710 |

50. (iii) Disbursements in the form of project finance.

| STATES | PRODUCTS | |
|----------------------|-----------------------------|------------|
| BENIN | COTTON NOT CARDED OR COMBED | 28,475 |
| " | PALM OIL | 55,692 |
| " | PALM NUT AND KERNEL OIL | 119,248 |
| CAMEROON | COCOA PRODUCTS | 2,243,765 |
| " | RAW OR ROASTED COFFEE | 1,528,755 |
| CENTRAL AFRICAN REP. | RAW OR ROASTED COFFEE | 336,190 |
| IVORY COAST | RAW OR ROASTED COFFEE | 7,728,523 |
| DOMINICA | COCONUT PRODUCTS | 102,846 |
| ETHIOPIA | RAW OR ROASTED COFFEE | 211,908 |
| FILIP | COCONUT OIL | 162,232 |
| GAMBIA | GROUNDNUTS SHELLED OR NOT | 484,747 |
| " | GROUNDNUT OIL | 315,085 |
| " | OIL-CAKE | 115,883 |
| GHANA | COCOA PRODUCTS | 7,170,037 |
| GUINEA | WHEAT AND MAIZE | 43,211 |
| KENYA | RAW OR ROASTED COFFEE | 4,695,690 |
| LESOTHO | WHEAT | 77,554 |
| MADAGASCAR | RAW OR ROASTED COFFEE | 752,695 |
| MALAWI | TEA | 142,932 |
| MALI | SHEANUT KERNEL | 142,932 |
| PAPUA NEW GUINEA | RAW OR ROASTED COFFEE | 2,060,895 |
| " | COCOA BEANS | 1,255,214 |
| " | COCOA | 303,126 |
| " | COCONUT OIL | 253,783 |
| REUNION | RAW OR ROASTED COFFEE | 142,932 |
| SOUTHERN ISLANDS | COCOA | 158,229 |
| WESTERN SAMOA | COCOA BEANS | 254,127 |
| " | COCOA | 224,498 |
| SAR-LOPE PRINCIPLE | COCOA BEANS | 217,637 |
| SENEGAL | GROUNDNUT PRODUCTS | 5,747,320 |
| SIERRA LEONE | PALM KERNEL PRODUCTS | 236,749 |
| " | COCOA BEANS | 11,671 |
| SIERRA LEONE | FRESH BANANAS | 207,666 |
| SUDAN | COTTON NOT CARDED OR COMBED | 2,379,832 |
| TANZANIA | RAW OR ROASTED COFFEE | 151,853 |
| TIVOLI | COCOA | 12,333 |
| TOTAL | | 40,000,000 |

51. B. Disbursement from the OCT appropriation of 16 December 1980

VANUATU COCOA BEANS 341 412

(2) Results by country

52. Of the 142 853 710 ECU disbursed under Stabex to the ACP States signatory to the Second Lomé Convention, 22 606 897 ECU (15.8%) of the transfers involved the least developed ACP States, which are exempted under Article 46(1)(c) from contributing towards replenishment of the system's resources. The other ACP States' share amounts to 120 246 813 ECU (84.2%).

(3) Results by product

53. The results by product were as follows (not including Venezuela, which is covered by the OCT appropriation).

| PRODUCTS | AMOUNT IN ECU | % |
|------------------------------|----------------------|--------|
| Coffee | 62.568.278 | 43,80 |
| Cocoa products | 39.907.793 | 27,94 |
| Groundnut products | 23.803.148 | 16,66 |
| Cotton, not carded or combed | 8.600.892 | 6,02 |
| Copra products | <u>/ 2.500.787 /</u> | |
| Coconut products | <u>/ 1.809.103 /</u> | |
| <hr/> | | |
| Total copra products | 4.309.890 | 3,02 |
| Palm kernel products | 1.271.034 | 0,89 |
| Bananas | 741.567 | 0,52 |
| Tea | 510.459 | 0,36 |
| Sheanut kernels | 510.459 | 0,36 |
| Mohair | 276.977 | 0,19 |
| Palm oil | 198.893 | 0,14 |
| Nutmeg and mace | 154.320 | 0,11 |
| <hr/> | | |
| TOTAL | 142.853.710 | 100,00 |

Two products suffered from poor market conditions and accounted on their own for 71.73% of disbursements, the other transfers being entirely due to unfavourable local circumstances.

PART THREE: ECONOMIC IMPACT OF TRANSFERS AND USE BY THE ACP STATES

(1) The balance sheet for Lomé I

54. The results are now available of the evaluation carried out on a representative sample of Lomé I transfers covering 54% of the amounts transferred. While acknowledging the positive impact of the transfers they have the advantage of highlighting, with regard to a system such as Stabex, the difficulties peculiar to the developing countries and propose a number of guidelines worth bearing in mind in the negotiations for the next cooperation agreement.

(2) Prior indications of probable use and reports on actual use made of the 1981 transfers

55. The Commission is collecting the reports on the use made of the transfers for the first year of application of the Second Lomé Convention and will transmit them to the Council, reserving the right to add certain comments on the application of the articles.

56. The Commission was given, within the time limits specified by the Second Lomé Convention, indications as to the probable use to be made of the 1981 transfers. It has not been considered worthwhile reproducing them here, unlike in last year's report, where it was interesting to show how this new aspect of the ACP-EEC cooperation machinery needed for the application of Stabex operated.

(3) Economic impact of the 1981 transfers

57. The transfers made represent, in relation to the recipient countries' export earnings, a contribution whose relative size varies according to the losses sustained, the importance of the product(s) in question as a proportion of the country's overall exports and the structure of the exports (the Community's share of total exports).

In a number of cases this contribution reaches remarkable proportions. Thus disbursements account for the following share of total export earnings (all products, all destinations, 1980, measured in ECU):

| | |
|----------|---------|
| Gambia: | 13.87% |
| Samoa: | 18.07% |
| Senegal: | 57.92%. |

58. The impact of the transfers made can of course be seen even more clearly when disbursements in respect of a given product are related to export earnings (all destinations) from that product (1981). For example, the following percentages were obtained:

| | |
|-----------------------------------|----------|
| Gambia - groundnuts: | 33.20% |
| groundnut oil: | 27.07% |
| oil-cake: | 41.39% |
| Samoa - cocoa: | 117.32% |
| copra: | 28.38% |
| Senegal + groundnut products: | 117.18% |
| Sierra Leone - oil palm products: | 38.47% |
| Tuvalu - Copra: | 217.72%. |

These data confirm the extent of the substitute flows, in relation to the sectors in question, provided by the system, and hence of the guarantee provided for the ACP States' export earnings, particularly those of the least developed ACP States.

Basis of transfers after appraisal and before setting-off procedure

| STATES | PRODUCTS | |
|----------------------|-----------------------------|-------------|
| BENIN | COTTON NOT CARDED OR COMBED | 279,910 |
| " | PALM OIL | 547,448 |
| " | PALM NUT AND KERNEL OIL | 1,171,228 |
| CAMEROON | COCOA PRODUCTS | 24,700,600 |
| " | RAW OR ROASTED COFFEE | 20,282,105 |
| CENTRAL AFRICAN REP. | RAW OR ROASTED COFFEE | 3,304,651 |
| IVORY COAST | RAW OR ROASTED COFFEE | 99,328,138 |
| DOMINICA | COCONUT PRODUCTS | 502,143 |
| ETHIOPIA | RAW OR ROASTED COFFEE | 2,083,050 |
| FIJI | COCONUT OIL | 1,598,254 |
| GAMBIA | GROUNDNUTS SHELLD OR NOT | 4,784,721 |
| " | GROUNDNUT OIL | 3,097,279 |
| " | OIL-CAKE | 1,139,129 |
| GHANA | COCOA PRODUCTS | 83,410,740 |
| GRENADA | NUTHEG AND MACE | 197,531 |
| KENYA | RAW OR ROASTED COFFEE | 50,254,119 |
| LESOTHO | MOHAIK | 354,533 |
| MADAGASCAR | RAW OR ROASTED COFFEE | 2,975,813 |
| MALAWI | TEA | 653,391 |
| HAITI | SHEANUT KERNEL | 1,247,938 |
| PAPUA NEW GUINEA | RAW OR ROASTED COFFEE | 22,488,108 |
| " | COCOA BEANS | 13,696,000 |
| " | COPRA | 3,357,501 |
| " | COCONUT OIL | 2,769,103 |
| RUANDA | RAW OR ROASTED COFFEE | 1,354,327 |
| SOLOMON ISLANDS | COPRA | 1,555,393 |
| WESTERN SAMOA | COCOA BEANS | 2,517,729 |
| " | COPRA | 2,226,476 |
| SAO TOME PRINCIPE | COCOA BEANS | 2,139,373 |
| SENEGAL | GROUNDNUT PRODUCTS | 62,710,740 |
| SIERRA LEONE | PALM KERNEL PRODUCTS | 2,327,245 |
| " | COCOA BEANS | 114,723 |
| SOMALIA | FRESH BANANAS | 2,041,137 |
| SUDAN | COTTON NOT CARDED OR COMBED | 23,393,730 |
| TANZANIA | RAW OR ROASTED COFFEE | 1,492,717 |
| TOVALU | COPRA | 56,606 |
| TOTAL | | 453,107,631 |

STABEX PAYMENTS - YEAR OF APPLICATION 1981

| STATES | PRODUCTS | STABEX PAYMENTS | BREAKDOWN OF THE 40 m ECU | TOTAL |
|----------------------|-----------------------------|-----------------|---------------------------|-------------|
| CAPEVERDE | COCOA PRODUCTS | 2,034,683 | 2,263,765 | 10,348,448 |
| " | RAW OR ROASTED COFFEE | 5,452,706 | 1,528,755 | 6,988,461 |
| JARVIS COAST | RAW OR ROASTED COFFEE | 27,601,201 | 7,728,523 | 35,329,724 |
| FIDJ | COCONUT OIL | 510,459 | 142,932 | 653,391 |
| GHANA | COCOA PRODUCTS | 29,606,655 | 7,170,037 | 32,778,692 |
| KENYA | RAW OR ROASTED COFFEE | 16,448,532 | 4,605,692 | 21,054,231 |
| MADAGASCAR | RAW OR ROASTED COFFEE | 2,688,131 | 752,625 | 3,440,825 |
| PAPUA NEW GUINEA | RAW OR ROASTED COFFEE | 7,369,518 | 2,060,995 | 9,421,513 |
| " | COCOA BEANS | 4,482,798 | 1,255,214 | 5,739,012 |
| " | COPRA | 1,082,549 | 303,126 | 1,385,695 |
| " | COCONUT OIL | 995,347 | 253,783 | 1,160,130 |
| SENEGAL | GROUNDNUT PRODUCTS | 20,525,673 | 5,747,326 | 26,272,999 |
| BENIN | COTTON NOT CARDED OR COMBED | 191,694 | 28,475 | 130,169 |
| " | PALM OIL | 198,893 | 55,692 | 254,585 |
| " | PALM NUT AND KERNEL OIL | 425,520 | 112,148 | 544,668 |
| CENTRAL AFRICAN REP. | RAW OR ROASTED COFFEE | 1,202,616 | 336,180 | 1,536,796 |
| DOMINICA | COCONUT PRODUCTS | 322,297 | 109,846 | 502,143 |
| ETHIOPIA | RAW OR ROASTED COFFEE | 756,794 | 211,908 | 968,702 |
| GAMBIA | GROUNDNUTS SHELLED OR NOT | 1,738,342 | 486,747 | 2,225,089 |
| " | GROUNDNUT OIL | 1,125,275 | 315,095 | 1,440,360 |
| " | OIL-CAKE | 413,858 | 115,983 | 529,741 |
| GRENADA | NUTMEG AND MACE | 154,320 | 43,211 | 197,531 |
| LESOTHO | MOHAIK | 276,977 | 77,556 | 354,533 |
| MALAWI | TEA | 510,459 | 142,932 | 653,391 |
| MALI | SHEANUT KERNEL | 510,459 | 142,932 | 653,391 |
| PLANDA | RAW OR ROASTED COFFEE | 510,459 | 142,932 | 653,391 |
| SOLMON ISLANDS | COPRA | 565,092 | 158,222 | 723,321 |
| WESTERN SARCA | COCOA BEANS | 914,719 | 256,127 | 1,170,846 |
| " | COPRA | 808,993 | 224,498 | 1,035,401 |
| SAO TOME PRINCIPE | COCOA BEANS | 777,258 | 217,637 | 994,895 |
| SIERRA LEONE | PALM KERNEL PRODUCTS | 845,514 | 236,749 | 1,082,263 |
| " | COCOA BEANS | 41,680 | 11,671 | 53,351 |
| SOMALIA | FRESH BANANAS | 741,567 | 207,644 | 949,211 |
| SUDAN | COTTON NOT CARDED OR COMBED | 3,499,198 | 2,372,832 | 10,872,030 |
| TANZANIA | RAW OR ROASTED COFFEE | 542,321 | 151,853 | 694,174 |
| TUVALU | COPRA | 44,223 | 12,383 | 56,606 |
| TOTAL PAYMENTS | | 142,853,710 | 40,000,000 | 182,853,710 |

Breakdown by state of the 40 m ECU for project finance

| | |
|----------------------|------------|
| BENIN | 203,315 |
| CAMEROON | 3,792,520 |
| CENTRAL AFRICAN REP. | 336,190 |
| IVORY COAST | 7,723,523 |
| DOMINICA | 109,846 |
| ETHIOPIA | 211,908 |
| FIDI | 142,932 |
| GAMBIA | 917,715 |
| GHANA | 7,170,037 |
| GRENADA | 43,211 |
| KENYA | 4,605,699 |
| LESOTHO | 77,356 |
| MADAGASCAR | 752,695 |
| MALAWI | 142,932 |
| MALE | 142,932 |
| PAPUA NEW GUINEA | 3,873,119 |
| RWANDA | 142,932 |
| SOLOMON ISLANDS | 159,229 |
| WESTERN SAMOA | 482,625 |
| SAO TOME PRINCIPE | 217,637 |
| SENEGAL | 5,747,324 |
| SIERRA LEONE | 248,420 |
| SUDANIA | 207,644 |
| SIODAN | 2,379,832 |
| TANZANIA | 151,853 |
| TUVALU | 12,393 |
| TOTAL | 40,000,000 |

List of drawings since 1 January 1981 under the International Monetary Fund's compensatory payments system

| COUNTRY | MILLION SDR | LAST MONTH OF RELEVANT 12-MONTH PERIOD | MONTH OF DRAWING |
|-------------------------------------|-------------|--|------------------|
| Chad (1) X (2) | 7,10 | 12/80 | 1/81 |
| Central African Republic (1) XX (2) | 9,00 | 12/80 | 1/81 |
| Dominica (1) XX (2) | 1,95 | 12/80 | 2/81 |
| Grenada (1) X (2) | 2,10 | 12/80 | 4/81 |
| St Vincent (1) X (2) | 1,30 | 12/80 | 3/81 |
| St Lucia (1) X (2) | 2,70 | 3/81 | 4/81 |
| Equatorial Guinea (2) | 4,70 | 10/80 | 4/81 |
| Mauritius | 10,50 | 5/81 | 4/81 |
| Samoa (1) XXX (2) | 2,00 | 6/81 | 4/81 |
| Sudan (1) XX (2) | 31,60 | 12/80 | 4/81 |
| Jamaica (1) X | 37,00 | 12/80 | 4/81 |
| Ethiopia (1) X (2) | 18,00 | 6/81 | 5/81 |
| Tanzania (1) XX (2) | 15,90 | 6/81 | 6/81 |
| Uganda (2) | 15,00 | 6/81 | 6/81 |
| Gambia (1) XXXXXX (2) | 9,00 | 6/81 | 6/81 |
| Senegal (1) XXX | 42,00 | 6/81 | 9/81 |
| Guinea Bissau (1) XX (2) | 1,85 | 3/81 | 9/81 |
| Ivory Coast (1) XX | 114,00 | 12/81 | 9/81 |
| Malawi (1) XX (2) | 12,00 | 6/81 | 9/81 |
| Zambia | 59,30 | 6/81 | 10/81 |
| Papua New Guinea (1) XXXX | 45,00 | 6/81 | 11/81 |
| Fiji (1) XX | 13,50 | 3/82 | 2/82 |
| Zaire | 106,9 | 12/81 | 3/82 |

(1) ACP States which have received transfers corresponding to the number of X's for the calendar years in question (1980 and 1981).

(2) ACP States not required to contribute to the replenishment of resources.