

COMMISSION OF THE EUROPEAN COMMUNITIES

SEC(90) 821 final

Brussels, 7 May 1990

COMMISSION REPORT

on the operation during 1989 of the
export earnings stabilization system set up
by the third Lomé Convention

I. Introduction

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

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

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

2. This report covers the activities of the ACP-EEC institutions, the administration of the system (the transfers made for the 1988 application year and the replenishment of resources) during 1989, and the utilization and economic impact of transfers.

II. Activities of the ACP-EEC institutions

3. The operation of Stabex was discussed at the 14th session of the Council of Ministers (Brussels, 2 June) and the 28th and 29th meetings of the Committee of Ambassadors (Brussels, 18 May and 28 July).

4. The following matters were examined at these meetings:

(a) the shortfall in Stabex funds for application years 1980, 1981 and 1987;

(b) the request made by certain ACP States that they be allowed to benefit from the "all destinations" derogation;

(c) inclusion of new products in Stabex: squid, octopus and cuttlefish; live cattle, sheep and goats;

(d) replenishment of the resources transferred under Lomé I;

(e) 1988 application year.

5. The gap between the ACP States' and the Community's positions on the first two points did not get any narrower in 1989. In order to settle the disagreement between the two sides on whether the ACP States could still claim from Stabex for the years in which there were not enough funds to cover all the transfer requests, the Council of Ministers requested the Commission to prepare a report on the matter.

The Council of Ministers was not able to take decisions on the inclusion of new products in Stabex and the replenishment of transfers under Lomé I because the examination of these matters by the Community had not been completed.

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

The subject was first raised at the meeting of the ACP-EEC Council of Ministers; the Commission announced that total transfer requests exceeded resources and called upon the Council to take appropriate action.

7. The Council instructed the ACP-EEC Committee of Ambassadors to study the matter on the basis of a report prepared by the Commission.

The report was sent to the Council at the end of June; on 28 July, the Committee of Ambassadors met in Brussels. The measures adopted at this meeting (see point 13) enabled the Commission to take a decision on the transfers before the end of July in accordance with the time schedule laid down in Article 168(3) of the Convention.

III. Transfers for the 1988 application year

8. The Commission received a total of 83 transfer requests for the 1988 application year, presented by 33 ACP States.

After appraisal, 36 requests were deemed inadmissible; the remaining 47, from 25 countries, gave rise to a transfer entitlement.

9. The system's resources under Article 164 of the Lomé Convention amounted to ECU 190 350 000, made up as follows:

- annual 1988 allocation less 25% (early withdrawal 1987 application year)	ECU 138 750 000
- withdrawal from 1989 allocation	ECU 46 250 000
- amount of interest at 15 July 1989 under Article 153(2) (including estimated interest July 1989)	ECU 5 350 000

10. Rejected transfer requests

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

<u>ACP State</u>	<u>Product</u>
Comoros	copra
Guinea-Bissau	shrimps
"	cottonseed
"	oilcake
Equatorial Guinea	coffee
Mauritius	tea
Mozambique	tea
"	sisal
Sudan	groundnuts
Uganda	tea

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

<u>ACP State</u>	<u>Product</u>
Comoros	vanilla
"	essential oils
Gambia	oilcake
Ghana	cocoa
"	cocoa butter
Guinea-Bissau	groundnuts
"	cotton
"	palm products
"	wood in the rough
"	and sawn wood
"	cashew nuts
Mozambique	cotton
"	copra
"	cashew nuts
Uganda	coffee
"	cotton
Tanzania	coffee
"	cotton
"	tea
"	sisal
"	cashew nuts
Sudan	groundnuts
"	cotton
"	hides and skins
"	gum arabic
"	sesame seeds
Zimbabwe	coffee

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

11. Results of consultations (Article 164 of the Convention)

The total for the 47 transfer bases finally amounted to ECU 808 647 770.

In many cases, examination of a product's export and production trends in an applicant ACP State revealed significant changes. In some instances, the Commission asked for consultations with the State concerned. As a result, it was found necessary to reduce 17 transfer bases, in two cases (Tuvalu - copra and Benin - cotton) for two separate reasons:

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

ACP State	Product	Amount in ECU	% of transfer basis
Benin	oilcake	160 170	29.73
Centr. Afr. Republic	wood in the rough	1 078 487	43.36
Papua New Guinea	copra	1 129 103	22.24 ¹
Solomon Islands	wood in the rough	195 385	24.26
Tuvalu	copra	43 678	36.05
Vanuatu	cocoa	117 172	26.96
Vanuatu	copra	1 599 581	28.52

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

ACP State	Product	Amount in ECU	% of transfer basis
Benin	cotton	3 894 142	20.18
Comoros	cloves	564 680	20.90
Côte d'Ivoire	cocoa	30 274 204	17.67
Lesotho	mohair	374 711	24.57
Senegal	groundnut oil	2 774 000	51.44 ²
Chad	cotton	1 941 537	11.43
Tonga	cocoanuts	45 958	17.83
Tonga	cocoanut oil	351 636	20.45
Tuvalu	copra	30 970	25.56

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

ACP State	Product	Amount in ECU	% of transfer basis
Benin	cotton	2 587 686	13.41
Papua New Guinea	palm nut and kernel oil	103 415	12.86 ³

1 8.11% of the transfer basis including copra and copra oil (copra products).

2 45.56% of the transfer basis covering groundnut oil and groundnuts (groundnut products).

3 0.46% of the transfer basis covering palm nuts and palm oil (palm products).

After consultations, transfer bases were reduced in all by ECU 42 266 513 to ECU 761 381 257.

12. Owing to the shortfall in Stabex resources (see point 9) in relation to the transfer bases calculated, the bases have been reduced in accordance with Article 155(3) of the Convention. The outcome of the application of these provisions is as follows:

(i) the reduction has not been applied to the 19 transfer bases which concern the least developed ACP countries and which amount to less than ECU 2 million. The countries concerned are the following: Benin, Burundi, the Central African Republic, Gambia, Grenada, Rwanda, the Solomon Islands, Tonga, Tuvalu, Vanuatu, Samoa.

(ii) in the other cases, the reductions have been calculated as a percentage of the reference levels: 6% for the ACP States which do not belong to the categories of least developed, landlocked or island countries (Cameroon, Côte d'Ivoire, Gabon, Kenya, Senegal), and 1.5% for the other countries.

(iii) the reductions calculated for the requests from Gabon and Senegal were limited to 40% of the transfer bases, in accordance with Article 155(3)(c).

The total amount of the reductions under Article 155 which, apart from Gabon and Senegal, represented from 1.47% to 29.30% of the transfer bases is therefore ECU 130 164 488. The transfer bases have been reduced to ECU 631 216 802.

14. The total amount of the transfer bases still exceeded the system's resources and, pursuant to Article 155(4) of the Convention, the Commission, in its decision of 28 June 1989, authorized Mr Marin to send the ACP-EEC Council of Ministers the report on the financial situation and the probable development of the system and to seek solutions for this situation.

On the basis of this report, and as authorized by the 14th session of the ACP-EEC Council of Ministers meeting in Mauritius, the ACP-EEC Committee of Ambassadors met on 28 July 1989 to assess the situation and examine possible remedies within the terms of the Convention.

The Committee of Ambassadors agreed that both parties should join in boosting Stabex resources for 1988 by another ECU 125 million, made up as follows:

- remaining balances and interest from Lomé I and Lomé II	ECU 30 million
- part of the reserve for Lomé III interest rate subsidies	ECU 40 million
part of the Lomé III Sysmin allocation	ECU 50 million

The Committee of Ambassadors also agreed that this amount should be distributed in proportion to the admissible requests.

14. The resources made available in this way for Stabex (ECU 315.35 million) represented 49.6% of the transfer bases. Their proportional allocation, approved, with regard to the ordinary Stabex resources, by the Commission on 18 July and by the Committee of Ambassadors, resulted in a uniform supplementary reduction of 50.04%.

15. The result of the operations described in points 11-14 is shown in the following tables:

- Table 1: calculation of the transfer bases, including reductions pursuant to Article 155(3).
- Table 2: transfer amounts⁴

⁴ The distinction between the amounts paid from ordinary Stabex resources and additional Stabex resources is made only as an indication since these amounts are disbursed in exactly the same way.

TABLE 1
Calculation of Stabex transfer bases for the 1988 application year

Country	Product	Transfer bases (TB)	TB after reductions Art. 164	Reductions 6%/1,5% R.L. (Art. 115(3)a)	Art. 155(3) applied	%TB	TB after reductions Art. 115(3)
Benin	Cotton	19 297 035	12 815 207	428 617	428 617	3,34	12 386 590
Benin	Palm products	1 493 321	1 493 321	81 941	-	-	1 493 321
Benin	Oilcake	538 700	378 530	16 814	-	-	378 530
Benin	Cottonseed	75 622	75 622	33 428	-	-	75 622
Burundi	Tea	1 085 406	1 085 406	98 470	-	-	1 085 406
Burundi	Cotton	356 418	356 418	18 846	-	-	356 418
Cameroon	Cocoa products	85 344 441	85 344 441	16 919 102	16 919 102	19,82	68 425 339
Cameroon	Coffee	94 149 040	94 149 040	12 966 725	12 966 725	13,77	81 182 315
Centr. Afr. Rep.	Coffee	8 219 588	8 219 588	418 125	418 125	5,09	7 801 463
Centr. Afr. Rep.	Cotton	7 225 226	7 225 226	146 109	146 109	2,02	7 079 117
Centr. Afr. Rep.	Wood in the rough	2 487 285	1 408 798	65 079	-	-	1 408 798
Centr. Afr. Rep.	Sawn wood	331 184	331 184	60 649	-	-	331 184
Comoros	Cloves	2 701 816	2 137 136	59 529	59 529	2,79	2 077 607
Côte d'Ivoire	Cocoa	1 771 331 090	1 411 056 886	41 335 221	41 335 221	29,30	99 721 665
Côte d'Ivoire	Coffee	1 56 901 611	1 56 901 611	26 157 182	26 157 182	16,67	130 744 429
Ethiopia	Coffee	17 504 150	17 504 150	4 329 997	4 329 997	24,74	13 174 153
Gabon	Wood in the rough	10 435 072	10 435 072	5 171 661	4 174 029	40,00	6 261 043
Gambia	Groundnuts	2 334 157	2 334 157	34 326	34 326	1,47	2 299 831
Gambia	Groundnut oil	956 973	956 973	94 132	-	-	956 973
Grenada	Cocoa	1 689 901	1 689 901	72 773	-	-	1 689 901
Eq. Guinea	Cocoa	4 391 054	4 391 054	208 629	208 629	4,75	4 182 425
Kenya	Coffee	51 707 612	51 707 612	13 431 274	13 431 274	25,98	38 276 338
Lesotho	Mohair	2 900 242	2 525 531	75 526	75 526	2,99	2 450 005
Malawi	Tea	15 716 589	15 716 589	867 631	867 631	5,52	14 848 958
Mali	Cotton	10 656 884	10 656 884	1 230 000	1 230 000	11,54	9 426 884
Papua New Guinea	Cocoa	5 723 997	5 723 997	555 000	555 000	9,70	5 168 997
Papua New Guinea	Copra products	13 914 584	12 785 481	479 747	479 747	3,75	12 305 734
Papua New Guinea	Palm products	22 402 778	22 299 363	849 112	849 112	3,81	21 450 251
Rwanda	Coffee	30 215 381	30 215 381	1 721 382	1 721 382	5,70	28 493 999
Rwanda	Hides and skins	1 600 784	1 600 784	88 086	-	-	1 600 784
Rwanda	Tea	5 073 023	5 073 023	320 817	320 817	6,32	4 752 206
Rwanda	Pyrethrum	563 735	563 735	25 988	-	-	563 735
Senegal	Groundnut products	6 088 347	3 314 349	4 117 762	1 325 740	40,00	1 988 609
Solomon Is.	Copra	6 052 792	6 052 792	227 686	227 686	3,76	5 825 106
Solomon Is.	Palm oil	1 307 636	1 307 636	128 495	-	-	1 307 636
Solomon Is.	Wood in the rough	805 379	609 994	317 080	-	-	609 994
Chad	Cotton	16 986 327	15 044 790	1 001 684	1 001 684	6,65	14 043 106
Togo	Cocoa	11 641 161	11 641 161	251 048	251 048	2,16	11 390 113
Togo	Coffee	4 125 860	4 125 860	342 906	342 906	8,31	3 782 954
Tonga	Coconuts	257 759	211 801	7 821	-	-	211 801
Tonga	Copra oil	1 719 493	1 367 857	38 494	-	-	1 367 857
Tonga	Bananas	386 851	386 851	12 693	-	-	386 851
Tuvalu	Copra	121 160	46 512	1 782	-	-	46 512
Vanuatu	Cocoa	434 615	317 443	16 385	-	-	317 443
Vanuatu	Copra	5 608 628	4 309 047	189 633	189 633	4,73	3 819 414
Samoa	Cocoa	976 736	976 736	18 923	-	-	976 736
Samoa	Copra oil	2 810 327	2 810 327	117 678	117 678	4,19	2 692 649
TOTAL		808 647 770	761 381 257	135 151 988	130 164 455	17,10	631 216 802

TABLE 2
Stabex transfers 1988 application year (ECU)

Country	Product	Transfers from Stabex Resources	Transfers from additional Resources	Total
Benin	Cotton	3 735 305	2 452 919	6 188 224
Benin	Palm products	450 326	295 723	746 049
Benin	Oilcake	114 150	74 960	189 110
Benin	Cottonseed	22 805	14 975	37 780
Burundi	Tea	327 315	214 943	542 258
Burundi	Cotton	107 482	70 582	178 064
Cameroon	Cocoa products	20 634 374	13 550 285	34 184 659
Cameroon	Coffee	24 481 373	16 076 552	40 557 925
Centr. Afr. Rep.	Coffee	2 352 612	1 544 925	3 897 537
Centr. Afr. Rep.	Cotton	2 134 781	1 401 879	3 536 660
Centr. Afr. Rep.	Wood in the rough	424 838	278 985	703 823
Centr. Afr. Rep.	Sawn wood	99 872	65 584	165 456
Comoros	Cloves	626 524	411 429	1 037 953
Côte d'Ivoire	Cocoa	30 072 107	19 747 903	49 820 010
Côte d'Ivoire	Coffee	39 427 345	25 891 348	65 318 693
Ethiopia	Coffee	3 972 803	2 608 880	6 581 683
Gabon	Wood in the rough	1 888 083	1 239 876	3 127 959
Gambia	Groundnuts	693 538	455 436	1 148 974
Gambia	Groundnut oil	288 585	189 510	478 095
Grenada	Cocoa	509 607	334 651	844 258
Eq. Guinea	Cocoa	1 261 254	828 247	2 089 501
Kenya	Coffee	11 542 628	7 579 871	19 122 499
Lesotho	Mohair	738 825	485 175	1 224 000
Malawi	Tea	4 477 858	2 940 542	7 418 400
Mali	Cotton	2 842 775	1 866 808	4 709 583
Papua New Guinea	Cocoa	1 558 765	1 023 618	2 582 383
Papua New Guinea	Copra products	3 710 922	2 436 907	6 147 829
Papua New Guinea	Palm products	6 468 546	4 247 798	10 716 344
Rwanda	Coffee	8 592 662	5 642 673	14 235 335
Rwanda	Hides and skins	482 733	317 004	799 737
Rwanda	Tea	1 433 077	941 080	2 374 157
Rwanda	Pyrethrum	170 000	111 637	281 637
Senegal	Groundnut products	599 686	393 805	993 491
Solomon Islands	Copra	1 756 621	1 153 547	2 910 168
Solomon Islands	Palm oil	394 331	258 951	653 282
Solomon Islands	Wood in the rough	183 950	120 797	304 747
Chad	Cotton	4 234 845	2 780 959	7 015 804
Togo	Cocoa	3 434 807	2 255 587	5 690 394
Togo	Coffee	1 140 789	749 139	1 889 928
Tonga	Coconuts	63 871	41 943	105 814
Tonga	Copra oil	412 492	270 877	683 369
Tonga	Bananas	116 659	76 608	193 267
Tuvalu	Copra	14 026	9 211	23 237
Vanuatu	Cocoa	95 728	62 863	158 591
Vanuatu	Copra	1 151 784	756 359	1 908 143
Samoa	Cocoa	294 545	193 423	487 968
Samoa	Copra oil	811 996	533 226	1 345 222
TOTAL		190 350 000	125 000 000	315 350 000

16. Aggregate results for each recipient country for the year and product concerned are as follows:

Stabex transfers by recipient country

Country	Amount in ECU	% of total
<i>Côte d'Ivoire</i>	115 138 703	36,51
<i>Cameroon</i>	74 742 584	23,70
<i>Papua New Guinea</i>	19 446 556	6,17
<i>Kenya</i>	19 122 499	6,06
<i>Rwanda</i>	17 690 866	5,61
<i>Centr. African Rep.</i>	8 303 476	2,63
<i>Togo</i>	7 580 322	2,40
<i>Malawi</i>	7 418 400	2,35
<i>Benin</i>	7 161 163	2,27
<i>Chad</i>	7 015 804	2,22
<i>Ethiopia</i>	6 581 683	2,09
<i>Mali</i>	4 709 583	1,49
<i>Solomon Islands</i>	3 868 197	1,23
<i>Gabon</i>	3 127 959	0,99
<i>Eq. Guinea</i>	2 089 501	0,66
<i>Vanuatu</i>	2 066 734	0,66
<i>Samoa</i>	1 833 190	0,58
<i>Gambia</i>	1 627 069	0,52
<i>Lesotho</i>	1 224 000	0,39
<i>Comoros</i>	1 037 953	0,33
<i>Senegal</i>	993 491	0,32
<i>Tonga</i>	982 450	0,31
<i>Grenada</i>	844 258	0,27
<i>Burundi</i>	720 322	0,23
<i>Tuvalu</i>	23 237	0,01
<i>Total</i>	315 350 000	100,00

Stabex transfers by product

Product/product group	Amount in ECU	% of total
Coffee	151 603 600	48,07
Cocoa products	95 857 764	30,40
Cotton	21 628 335	6,86
Coconut/copra products	13 123 782	4,16
Palm products	12 115 675	3,84
Tea	10 334 815	3,28
Wood	4 301 985	1,36
Groundnut products	2 620 560	0,83
Mohair	1 224 000	0,39
Cloves	1 037 953	0,33
Hides and skins	799 737	0,25
Pyrethrum	281 637	0,09
Bananas	193 267	0,06
Oilcake	189 110	0,06
Cottonseeds	37 780	0,01
<i>Total</i>	315 350 000	100,00

As for the 1987 application year, the main beneficiary countries were the Côte d'Ivoire and Cameroon. Both these countries received over 60% of the total amount of the transfers, an even higher percentage than last year (almost 40%).

The transfers were once again made for products for which the price levels were much lower than in preceding years: particularly coffee and cocoa (over three-quarters of the transfers) but also cotton, tea and oleaginous products in general (8.91%).

It should be noted in this connection that the prices for cotton, tea and oleaginous products were higher in 1988 than the previous year but they nevertheless remained significantly below their average level during the reference period, despite some sharp rises. Coffee is a special case. The price of arabica, exported mainly by the East African countries, followed a similar pattern (rise in 1988 compared with 1987). By contrast, robusta, the main exporters of which are the Côte d'Ivoire and Cameroon, showed a very marked fall in price in 1987, and this decline continued in 1988.

17. Although the amounts transferred represented only a proportion of the loss of earnings recorded in 1988, they nonetheless contributed significantly to the export revenues of ACP States. Thus total transfers amounted to some 20% of export earnings from all products for countries such as Rwanda and Samoa and 12% for Benin.

The additional revenue provided by Stabex is particularly significant when measured in relative terms - i.e. compared with the revenue derived from the export of a given product. In several cases, transfers approached or even exceeded 1988 export earnings:

<u>ACP State</u>	<u>Product</u>	<u>Transfer/1988 earnings (%)</u>
Benin	cotton	34
"	oilcake	32
Burundi	cotton	27
Central African Republic	cotton	53
Comoros	cloves	79
Lesotho	mohair	73
Solomon Islands	copra	46
Togo	cocoa	31
Tonga	coconuts and coconut oil	74
"	bananas	45
Vanuatu	copra	25
Samoa	cocoa	258
"	copra oil	43

These high ratios are partly explained by the fact that export levels for some products are fairly low and fluctuate considerably from one year to another. Thus, when low market prices are accompanied by specific sectoral

difficulties, the drop in exports may be substantial, resulting in relatively high transfers.

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

<u>ACP State</u>	<u>Product</u>	<u>Transfer/1988 earnings (%)</u>
Cameroon	cocoa products	17
Cameroon	coffee	25
Côte d'Ivoire	coffee	20
Malawi	tea	28
Papua New Guinea	palm products	32
Rwanda	coffee	46

IV. Replenishment of resources

18. The Commission continued its investigation of the repayment conditions for transfers under the second Lomé Convention (from 1981 to 1987) and the first two years of Lomé III (1986-88).

The conditions were not met for any of the transfers. As regards transfers to Fiji in respect of exports of copra oil in 1980 and 1981 (ECU 842 296 and ECU 510 549 respectively) and the transfer to Ghana in respect of exports of cocoa products in 1981 (ECU 25 606 655), the period during which the repayment conditions can be determined is over. The decision on the possible repayment of these transfers is now a matter for the ACP-EEC authorities, pursuant to Article 44 of Lomé II. The Commission will shortly transfer to the Council the communication on this dossier.

V. Utilization of transfers

19. In the report on the operation of Stabex in 1988, the Commission presented an evaluation of the various aspects of the use by the ACP States of the resources transferred for the first few years of the third Lomé Convention.⁵

The matters examined in this report were:

(i) the operations for which the transfers were used by the recipient countries, the forms which these operations took and the institutional framework within which they were carried out;

(ii) the Commission's procedures for monitoring effective use of the funds provided under Lomé III, and the regularity and quality of the utilization reports.

⁵ See SEC(89)785 final of 31 May 1989, points 21-31.

The situation regarding the use of funds as described in the report has not changed significantly in terms of the substance of the problem. The analysis of the situation given in the 1988 annual report is therefore still applicable. This report will consequently describe only any new developments in the course of 1989.

20. Allocation of new transfers

Between the end of January 1989 and the end of January 1990, Stabex disbursements amounted to ECU 307.2 million. This amount includes transfers to 21 ACP States for 1989,⁶ and the transfer to Mozambique for 1988. A summary of the operations to which these transfers have been allocated is given below.

- (a) Benin (ECU 7 161 103). The entire amount has been paid to the Société Nationale pour la Promotion Agricole (SONAPRA) to enable it to finance the purchase of inputs (fertilizers and plant health products) for the 1990/91 cotton-growing year.
- (b) Burundi (ECU 720 322). The transfers paid at the beginning of 1990 were intended mainly to finance the purchase of fertilizers for the 1989/90 tea year and the purchase and maintenance of equipment for transporting cotton. Part of the transfer for cotton was also meant to increase Stabex resources for cotton.
- (c) Cameroon (ECU 74 742 584). Transfers for which the administrative procedures have been worked out in agreement with the Commission Delegation have been allocated to the financing of the cotton-growing year (23% of the transfer) through the Société de Développement du Coton du Cameroun (Cameroon Cotton Development Company), and to the financing of the coffee- and cocoa-growing years through the Office National de Commercialisation des Produits de base (National Commodity Marketing Board - ONCPB).
- (d) Central African Republic (ECU 8 303 476). The conditions governing allocation of transfers for coffee and cotton for 1987 have been extended (financing of the funding by the state of the shortfall affecting the marketing of the year's crops). The transfers for wood in the rough and sawn wood have been paid back to the Office National des Forêts (National Forestry Board) to support reforestation and forestry development operations.
- (e) Côte d'Ivoire (ECU 115 138 703). This amount has been paid in full to the Caisse de Stabilisation des prix des produits agricoles (Agricultural Price Stabilization Fund - CSPPA) so that it can refund some of its arrears to coffee and cocoa producers, who, by repaying their banking debts, should enable the banks to finance the 1989/90 marketing year satisfactorily.

⁶ Transfers to four other ACP States (Comoros, Lesotho, Solomon Islands, Vanuatu) have still not been made, since not enough information has been supplied on how they are to be used.

(f) Ethiopia (ECU 6 581 683). The transfer was intended for the purchase of equipment for the textile- and leather-producing units and the spice factory with the aim of promoting export diversification.

(g) Gabon (ECU 3 127 959). The transfer was intended for financing back-up structures (reafforestation teams and teams of production inspectors) and studies in the forestry sector.

(h) Gambia (ECU 1 627 069). The Stabex money was channelled into the Government's Consolidated Revenue Fund which is used to fund the Marketing Board and the Cooperative Union in order to finance their marketing and producer price support activities.

(i) Grenada (ECU 844 258). The transfer was assigned to the financing of various cocoa projects and other agricultural projects (including crop rehabilitation and diversification) and rural road projects.

(j) Equatorial Guinea (ECU 2 089 501). The transfer was intended to be used by the state to finance the cocoa sector's operating shortfall, the exemption from import duties of chemical inputs and the exemption from export duties of cocoa, and participation in the cocoa rehabilitation project.

(k) Kenya (ECU 19 122 499). The transfer was paid to the National Cereals Produce Board (NCPB) to finance the cereals reserves, and to the Marketing Stabilization Fund, also in the cereals sector.

(l) Malawi (ECU 7 418 400). Just over half the amount transferred should be used to finance various activities in the tea sector, through the Smallholder Tea Authority and the Tea Research Foundation. The remainder was allocated to general agricultural projects - extension of plantations, irrigation, promotion of new crops.

(m) Mali (ECU 4 709 583). This amount was paid to the Office de Stabilisation et de Régulation des Prix (Price Stabilization and Regulation Board - OSRP) through which the Malian Government participates in the cotton area project financed jointly with the World Bank, the Caisse Centrale de Coopération Economique (Central Economic Cooperation Fund) and French and Dutch bilateral cooperation.

(n) Mozambique (ECU 1 295 776 - transfer for the 1988 application year). The entire transfer was intended for the import of equipment, raw materials, agricultural inputs and technical assistance for the tea sector.

(o) Papua New Guinea (ECU 19 446 556). Unlike the transfers for the 1986 and 1987 application years initially allocated to the various projects partly financed by the Papua New Guinea Government, the 1988

transfers were allocated mainly to the funds for stabilizing export crops (coffee, cocoa, palm oil, copra).⁷ Provision has also been made for financing technical assistance for preparing projects.

(p) Rwanda (ECU 17 690 866). The four transfers were allocated to each of the sectors which gave rise to Stabex transfers. The coffee transfer was allocated to the "Fonds d'Egalisation" (Compensation Fund), which acts as a stabilization fund; the transfer for tea will finance the import of agricultural inputs, the extension of plantations, training and the strengthening of the institutional structures of the Office du thé (Tea Board); the transfers for hides and skins and pyrethrum will increase the resources available for financing various projects in the two sectors (notably the strengthening of the production and marketing structures).

(q) Senegal (ECU 993 491). Like the preceding transfers, the 1988 transfer should be paid to the Fonds de Garantie des Prix de l'Arachide (Groundnut Price Guarantee Fund) in order to contribute to the reimbursement of carry-over credit.

(r) Chad (ECU 7 015 804). The transfer was allocated to Cotonchad's working capital for the purchase of cotton from producers and the purchase of agricultural inputs for the 1990/91 marketing year.

(s) Togo (ECU 7 580 322). The transfers were paid to the Office des Produits Agricoles du Togo (Togo Agricultural Produce Board - OPAT) to subsidize imports for the 1988/89 marketing year (most of the transfers) and the 1987/88 marketing year, and to offset the operating losses in the 1987/88 marketing year (for coffee).

(t) Tonga (ECU 982 450). Of the amount transferred 60% was allocated to the programme for developing the Vava'u islands; the components of this programme include the development of production and marketing structures and the intensification of export crop production. The balance of the transfer is to be used to strengthen the structures for marketing export products.

(u) Tuvalu (ECU 23 237). Like the 1986 and 1987 transfers, the sums paid are for financing the stabilization of producer prices.

(v) Samoa (ECU 1 833 190). The two transfers were allocated to various operations which had already been financed by previous transfers: aid and producer price stabilization, crop protection, rehabilitation, agricultural extension services and research, seed production, and the import of equipment.

21. Changes in the allocation of transfers for the 1986-87 application years

In certain cases, the allocation of transfers paid during the previous years has been changed. The main changes are as follows:

⁷ See also point 21.

(a) Benin

Transfers for the 1986-87 application years (in all, ECU 6 956 220), initially allocated to oil palm, coffee-cocoa and cotton projects, have been used to repay the banking debts of the public-sector undertakings in the cotton sector (SONAPRA) and the oil palm sector (SONIOOG). This operation should help upgrade the cotton sector, this being one of the priority tasks under the programme for adjusting Beninese agriculture.

(b) Niger

The 1986 transfer for hides and skins (ECU 736 814) intended to finance operations in the sector which gave rise to the transfer has been provisionally allocated to the "Plan d'action tourisme" (tourism action plan) in the Agadez region. The transfer is at present being used to guarantee medium-term bank loans for private operators (hotels and travel agencies), but the sum involved will subsequently be returned to its initial destination.

(c) Papua New Guinea

Part of the funds transferred for 1986 and 1987 (in all, ECU 52 098 744) has been used to supplement the resources of the cocoa and copra stabilization fund (in the same way as the transfers for the 1988 application year). Certain changes have also been made to the list of agricultural development projects financed by another part of the funds.

22. Transfer utilization reports

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

As at the end of 1989, the Commission had still not received some transfer utilization reports for the 1987 application year. The following reports are due: Burkina Faso, Comoros, Ethiopia, Equatorial Guinea (transfer for coffee), Kenya, Kiribati, Madagascar, Senegal, Sudan, Togo. The Commission has informed these states that if there are additional delays in the presentation of the information on the use of the funds, it may suspend the application of the decisions on possible transfers for 1989 (procedure set out in Article 171(3)).

Two other ACP countries had still not presented reports on the transfers paid for the 1985 and 1986 application years. These are Guinea Bissau and Tanzania. The Commission was unable to apply in these two cases the procedure set out in Article 171(3) of the Convention because neither country was eligible for Stabex transfers for 1987 and 1988.

In addition, some transfer utilization reports relating to the second ACP-EEC Convention have still not been transmitted by the recipient States

despite regular reminders from the Commission. As at the end of 1989, a number of countries had still not sent the Commission any report whatsoever on the utilization of transfers arising from the 1982-84 application years and the allocation of the remaining Stabex balance under Lomé II:

<u>Application year</u>	<u>ACP State</u>	<u>Product</u>
1982	Comoros	Copra
"	Sao Tome and Principe	Cocoa
1983	Sudan	Groundnuts
"	Tanzania	Sisal, cashew nuts
1984	Burundi	Cotton
"	Cape Verde	Bananas
"	Comoros	Cloves, vanilla
"	Tanzania	Sisal, cashew nuts
Lomé II balance	Burundi	
"	Côte d'Ivoire	
"	Kenya	
"	Madagascar	
"	Somalia	
"	Tanzania	
"	Chad	

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

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

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