

ACP - EEC CONVENTION OF LOME

**REPORT
OF THE
ACP - EEC COUNCIL OF MINISTERS**

(1 April 1976 — 29 February 1980)

pursuant to Articles 74 and 80
of the Convention of Lomé of 28 February 1975

**ACP - EEC CO-OPERATION
ANALYSIS - APPLICATION**

Commission reports to the ACP - EEC Council of Ministers
on the administration of financial and technical co-operation in 1978 and 1979

The Commission's reports for 1978 and 1979 have been deleted from this document. They are available separately on AEI. 1978: <http://aei.pitt.edu/4176>. 1979: <http://aei.pitt.edu/4168>. This action was taken to reduce the size of the document to improve access.

BRUSSELS 25 July 1980

CONVENTION ACP-CEE DE LOME

LE COMITE DES AMBASSADEURS

LE PRESIDENT

ACP-EEC CONVENTION OF LOME

COMMITTEE OF AMBASSADORS

THE CHAIRMAN

Brussels, 29 July 1980

Mrs Simone VEIL,
Mr Tandeng MUNA,
Co-Presidents of the ACP-EEC
Consultative Assembly
European Parliament
LUXEMBOURG
(Grand Duchy of Luxembourg)

Madam/Sir,

At its meeting in Nairobi on 8 and 9 May last, the ACP-EEC Council of Ministers examined the question of the annual report which it has to publish pursuant to Article 74(5) of the first ACP-EEC Lomé Convention and instructed the Committee of Ambassadors to finalize the draft submitted to it.

As this report has now been finally adopted, I am communicating the text thereof to the Consultative Assembly so as to enable that institution to examine it.

I should like to remind you that the Consultative Assembly has also received the Commission's reports to the ACP-EEC Council of Ministers on the management of financial and technical co-operation for 1978 and 1979 within the framework of the Lomé Convention.

Please accept, Madam/Sir, the assurance of my highest consideration.

R. CHASLE

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INTRODUCTION

1. The Act concerning the accession of Denmark, Ireland and the United Kingdom to the European Communities provides that following that enlargement the European Economic Community shall offer the independent developing Commonwealth countries mentioned the possibility of ordering their relations with it according to one of the following formulae:

- participation in the Convention of Association to follow up the Yaoundé Convention;
- the conclusion of special conventions of association;
- the conclusion of trade agreements.

Nevertheless, the Community stated in the same Act its readiness to pursue its policy of association both with regard to the Associated African and Malagasy States and with regard to the independent developing Commonwealth countries, on the understanding that the enlargement of the Community and the possible extension of the policy of association should not lead to a weakening in relations between the Community and the States party to the Yaoundé Convention.

Lastly, the Community declared having as its firm purpose the safeguarding of all the countries called upon to participate in the association whose economies depended to a considerable extent on the export of primary products, and particularly of sugar.

2. These declarations represented the logical merging of one of the fundamental guidelines given to the European Community in the Treaty of Rome (Article 3) - namely "the association of the overseas countries and territories in order to increase trade and to promote jointly economic and social development" - with the development brought about by the accession to the Community of the United Kingdom which - like Belgium, France, Italy and the Netherlands at the time when the Community was founded - had specific historical relations with overseas countries that had become independent.

3. For an initial period of five years, the association policy had been embodied in the Convention annexed to the Treaty of Rome.

This Convention was subsequently replaced by the two successive Yaoundé Conventions, establishing between the Associated African States and Madagascar and the Community economic links based, in particular, on the free movement of goods and on action by the European Development Fund to assist the associated States.

4. It was on these various elements that the negotiators of the first Lomé Convention sought to establish, through a conventional legal instrument, relations with the African, Caribbean and Pacific States which so desired; the instrument was based on access to the Community market, financial assistance and the organization of co-operation within the framework of the joint bodies responsible for implementing such co-operation.

Compared with the Yaoundé Conventions, this latter Convention also included some innovatory provisions in a number of important sectors, such as the system for the stabilization of export earnings, special provisions relating to sugar, industrial co-operation, etc.

Furthermore, certain countries which had never previously had special relations with Member States of the Community signed this Convention either in 1975 or subsequently (Ethiopia, Liberia, Guinea-Bissau, Cape Verde, Sao Tomé and Príncipe, Equatorial Guinea ...).

.../...

5. The ACP-EEC Convention signed at Lomé on 28 February 1975 is thus, as it were, the outcome of two courses of events that have deeply influenced the recent history of the European countries and the countries in Africa, the Caribbean and the Pacific which are signatories to the Convention: namely the creation and subsequent enlargement of the European Communities and the independence of hitherto dependent countries.

Lastly, it should be noted that, in spite of the international economic crisis which occurred in 1974, the negotiators of the Lomé Convention continued their work and signed an agreement which has become a reference point, if not a model, in international relations. In other words, the Convention thus concluded was the expression of tremendous political will in that it withstood the effects of an international atmosphere unfavourable to co-operation. The Lomé Convention may therefore be seen as the convergence of the economic interests of the two parties, in connection with their previous political and historical links.

6. There follows factual information on each of the States signatory to the first Lomé Convention.

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TABLE I

STATES SIGNATORY TO THE LOME CONVENTION ⁽¹⁾

A. MEMBER STATES OF THE COMMUNITY

COUNTRY	CAPITAL	AREA (km ²)	POPULATION	Per capita GNP in \$ US - 1978
Belgium	Brussels	30,513	9,870,000	9,070
Denmark	Copenhagen	43,075	5,084,000	9,920
Germany	Bonn	248,630	61,212,000	9,600
France	Paris	543,998	53,182,000	8,270
Ireland	Dublin	68,893	3,234,000	3,470
Italy	Rome	301,245	56,800,000	3,840
Grand Duchy of Luxembourg	Luxembourg	2,586	358,000	10,410
Netherlands	The Hague	33,811.23	13,971,000	8,390
United Kingdom	London	230,609	55,918,000	5,030
TOTAL		1,503,360.23	259,629,000	Average per capita GNP 5,979 EUA

⁽¹⁾ Sources: World Bank Atlas 1979
The Statesman's Year-Book 1979/1980
Eurostat

B. A C P STATES ⁽¹⁾
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COUNTRY		CAPITAL	AREA (km ²)	POPULATION (1978)	Per capita GNP in \$ US - 1978
Bahamas	(C)	Nassau	13,864	218,000	2,620
Barbados	(C)	Bridgetown	430	250,000	1,940
People's Republic of Benin	(A)	Porto Novo	112,622	3,326,000	230
Botswana	(A)	Gaborone	575,000	747,000	620
Burundi	(A)	Bujumbura	27,834	4,271,000	140
Cameroon	(A)	Yaoundé	474,000	8,065,000	460
Cape Verde	(A)	Praia	4,033	319,000	160
Chad	(A)	Ndjamena	1,284,000	4,320,000	140
Central African Republic	(A)	Bangui	625,000	1,909,000	250
Federal Islamic Republic of the Comoros	(A)	Moroni	2,236	390,000	180
People's Republic of the Congo	(A)	Brazzaville	342,000	1,460,000	540
Ivory Coast	(A)	Abidjan	322,463	7,836,000	840
Djibouti	(A)	Djibouti	23,800	320,000	450
Independant State of Dominica	(C)	Roseau	728	77,000	440
Socialist Ethiopia	(A)	Addis Ababa	1,221,900	31,011,000	120
Fiji	(P)	Suva	18,272	599,000	1,440
Gabon	(A)	Libreville	267,667	539,000	3,580
Gambia	(A)	Banjul	10,688	570,000	230

(1) Sources: World Bank Atlas 1979
 The Statesman's Year-Book 1979/1980

COUNTRY		CAPITAL	AREA (km ²)	POPULATION (1978)	Per capita GNP in \$ US - 1978
Ghana	(A)	Accra	238,305	10,972,000	390
Grenada	(C)	St George's	344	106,000	530
Guinea	(A)	Conakry	245,857	5,133,000	210
Guinea-Bissau	(A)	Bissau	36,125	762,000	200
Equatorial Guinea	(A)	Malabo	28,051	346,000	310
Guyana	(C)	Georgetown	210,000	836,000	550
Upper Volta	(A)	Ouagadougou	274,200	5,553,000	160
Jamaica	(C)	Kingston	10,991	2,131,000	1,110
Republic of Kiribati	(P)	Tarawa	5,200	56,000	690
Kenya	(A)	Nairobi	582,600	15,187,000	320
Kingdom of Lesotho	(A)	Maseru	30,340	1,279,000	280
Liberia	(A)	Monrovia	112,600	1,742,000	460
Democratic Republic of Madagascar	(A)	Antananarivo	594,180	8,298,000	250
Malawi	(A)	Lilongwe	118,484	5,780,000	180
Mali	(A)	Bamako	1,204,021	6,297,000	120
Mauritius	(A)	Port Louis	1,865	918,000	830
Islamic Republic of Mauritania	(A)	Nouakchott	1,030,700	1,545,000	270
Niger	(A)	Niamey	1,187,000	5,005,000	220
Nigeria	(A)	Lagos	923,773	81,039,000	560
Independent State of Papua New Guinea	(P)	Port Moresby	462,840	2,930,000	560

(continued 2)

A C P States

COUNTRY		CAPITAL	AREA (km ²)	POPULATION (1978)	Per capita GNP in \$ US - 1978
Rwanda	(A)	Kigali	26,330	4,514,000	180
Saint Vincent and the Grenadines	(A)	Kingstown	389	105,000	380
Republic of St Lucia	(C)	Castries	616	113,000 (1979)	540 (1976)
Western Samoa	(P)	Apia	2,842	157,000	350
Democratic Republic of São Tomé and Príncipe	(A)	São Tomé	964	85,000	490
Senegal	(A)	Dakar	197,722	5,377,000	340
Republic of Seychelles	(A)	Port Victoria	404	63,000	1,060
Sierra Leone	(A)	Freetown	73,326	3,296,000	210
Independent State of Solomon Islands	(P)	Honiara	29,785	213,000	430
Somalia	(A)	Mogadiscio	630,000	3,743,000	130
Sudan	(A)	Khartoum	2,502,000	17,390,000	320
Suriname	(C)	Paramaribo	163,265	389,000	2,110
Swaziland	(A)	Mbabane	17,400	526,000	590
Tanzania	(A)	Dar-es-Salaam	939,703	16,871,000	230
Togo	(A)	Lomé	56,000	2,350,000	320

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A C P STATES

COUNTRY		CAPITAL	AREA (km ²)	POPULATION (1978)	GNP in \$ US per capita - 1978
Tonga	(P)	Nuku'alofa	700	93,000	430
Republic of Trinidad and Tobago	(C)	Port-of-Spain	5,100	1,137,000	2,910
Sovereign State of Tuvalu	(P)	Funafuti	26	10,000	-
Republic of Uganda	(A)	Kampala	239,640	12,421,000	250
Zaire	(A)	Kinshasa	2,345,409	26,410,000	210
Zambia	(A)	Lusaka	752,500	5,295,000	480
TOTAL			53,264,759	322,700,000	

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At the signing of the Convention, the ACP States stated, through the intermediary of the Hon. SHRIDATH S. RAMPHAL, Minister for Foreign Affairs of Guyana, that they had been conscious of the relevance of the negotiations to the evolution of a "new model of relationships, operable not only between the ACP States and the Community, but universally applicable between developed and developing countries". This statement was supplemented in the same terms by the President of the Council of ACP Ministers, Mr BABACAR BA, who said that "the Lomé Convention is as valuable for what it promises as for the novelty, stability and coherence it introduces in the relations of the ACP States with the European Community. ... [It enables us] to assess the real nature of our ties [and] preeminently so as regards our determination to be recognized as equal partners, not of course in the sense of material power, but in terms of moral equality; for that is what provides a basis for mutual undertakings and makes it possible, in this unique co-operative venture, to demonstrate the fact that today imagination and generosity are vital to any solution of the major problems of our times".

.../...

1. TRADE

1.1. TRADE IN GENERAL

1.1.1. Provisions of the first Lomé Convention

1.1.1.1. The first Lomé Convention establishes the principle of free access to the Community market for products exported by the ACP States. An innovation compared with the arrangements applicable in relations between the EEC and the AASM, as defined notably in the Yaoundé Conventions, is that the Lomé Convention provides for no counter-concessions on the part of the ACP States in respect of access to their markets for Community products. One obligation is however imposed on the ACP States - that of not discriminating between the Member States of the Community and of granting the Community treatment no less favourable than the most-favoured-nation treatment, but this obligation does not apply to relations between ACP States or between one or more ACP States and developing countries.

This principle is however, somewhat modified as regards agricultural products which are covered by the Community's common agricultural policy

These agricultural products enjoy preferential treatment which takes into account the specific features of the import arrangements laid down by the market organizations introduced under the common agricultural policy. For example, they must be admitted free of customs duty where no import measures other than the said duties apply. For the other agricultural products covered by the common agricultural policy, the Community has, as a general rule, applied to the ACP States treatment more favourable than that applied to third countries benefiting from the most-favoured-nation clause. Moreover, at the request of the ACP States, this treatment has been extended to cover tomatoes also (see point 1.1.2.5.1. below).

- 1.1.1.2. The Community also waived application of quantitative restrictions other than those applicable between Member States. However, the usual restrictions regarding public morality, public security and health protection may be applied
- 1.1.1.3. Should application of the trade provisions of the Convention result in serious disturbances in the Community or jeopardize the external financial stability of the Community or of a Member State, safeguard measures may be taken.

1.1.1.4. Lastly, special procedures are designed to enable the Contracting Parties to inform and consult each other in the event of the adoption of trade measures affecting the interests of other Contracting Parties, the conclusion of a preferential agreement by the Community or the adoption of safeguard measures; these procedures also apply in the event of any request by the ACP States for extension of the arrangements to new types of agricultural production or to agricultural products not yet subject to special treatment.

1.1.2. Action within the ACP-EEC Council of Ministers

1.1.2.1. Since the subject was adequately covered by the mandatory provisions of the Convention, the ACP-EEC Council of Ministers did not have to adopt any formal decisions in order to apply this chapter. In any case, when the Convention was signed the Community informed the ACP States of the measures which it intended to take to implement the preferential treatment applicable to imports of ACP agricultural products.

However, during the period of application of the Convention the ACP-EEC Council had to examine various questions of common interest relating to ACP-EEC trade arrangements.

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1.1.2.2. Thus the ACP States on several occasions brought to the attention of the Community the unilateral manner in which the Community had interpreted and applied certain provisions of the Convention, in particular the provisions relating to prior information and consultation between the Contracting Parties. In this regard, the ACP States expressed concern at the fact that the Community had supplied them with information on the Community's offer at the GATT multilateral trade negotiations, its proposals on the generalized preferences and its draft agreements with third countries, for example, too late for effective consultations to take place. Furthermore, the ACP States expressed serious concern, on those occasions when the Community informed and consulted them, at the limited nature of the action taken by the Community to accommodate their preoccupations. On several occasions, therefore, the ACP States pointed out to the Community that the action taken by the Community was unilateral and against the letter and spirit of the Convention.

The Community pointed out that it had made a serious and sustained effort, even before the Convention had entered into force, to ensure compliance with the letter and the spirit of the Convention in the field of information and consultation. It pointed out that it had forwarded a large number of texts, such as the Community offer for tropical products in the GATT multilateral trade negotiations, the various proposals on generalized

.../...

preferences and draft agreements with third countries, etc.. The Community also stressed the practical importance of the meetings between experts from the ACP States and the Commission, the links provided by the Commission Delegates and the permanent contacts within the co-Secretariat of the ACP-EEC Council of Ministers. The Community also had occasion to refer to its initiatives on the international scene (meetings on bananas in Abidjan and Rome, 4th UNCTAD in Nairobi, International Sugar Council in London, Conference on the Law of the Sea, etc.).

The Community also urged improvements in the flow of information from the ACP States, for example as regards the forwarding of customs tariffs in accordance with the obligation imposed by Article 8 of the Lomé Convention. Some customs tariffs have still not been communicated to the ACP-EEC Council of Ministers.

- 1.1.2.3. In the Council of Ministers the ACP States expressed their concern at the damage which they feel has been caused to their exports by the advantages which the Community accorded to other States, on a bilateral or multilateral basis (GATT negotiations - generalized preferences scheme). While not challenging the principle of generalized preferences, they called for the introduction of close ACP-EEC collaboration to examine the effects of the system on the ACP States' essential products and the establishment of a system of constant surveillance so that the real effects could be determined and any necessary measures taken.

The Community stated that it was prepared at any time, if requested by the ACP States, to hold a joint examination of any difficulties created by the application of generalized preferences. At the meeting of the ACP-EEC Council of Ministers in Fiji (April 1977) a joint Working Party was created to **establish and assess the effects of generalized preferences on the exports of the ACP States.** This Working Party was in fact set up and given **its terms of reference by the ACP-EEC Committee of Ambassadors at its meeting on 23 November 1977.** The Working Party held its first meeting on 17 January 1978 and its second in March that year. It was agreed that it would continue its proceedings on the basis of statistics to be supplied by the ACP States, the Community having already communicated its statistics in June 1978.

1.1.2.4. Lastly, it should be said that although the Community, faced with certain sectoral difficulties, on several occasions pondered the need to resort to the safeguard clause, in the end it was never invoked. In the case of textiles (see 1.1.2.6. below) talks between the Community authorities and the ACP States concerned resulted in solutions which avoided the use of safeguard measures.

1.1.2.5. During the period of application of the Lomé Convention the ACP-EEC bodies were on several occasions asked to consider difficulties encountered by the ACP States regarding a number of specific agricultural products ⁽¹⁾.

⁽¹⁾ For bananas, rum and beef and veal, see points 1.2.1., 1.2.2. and 1.2.3.
For sugar, see point 2.2.

1.1.2.5.1. Firstly, the ACP States pointed out that for some products the treatment which the Community applied to countries with which it had special trade arrangements - in this case the Maghreb countries - was more favourable than that granted to the ACP States under the first Lomé Convention. For example, tomatoes produced in Senegal did not enjoy special treatment under the EEC Council Regulation on ACP agricultural products.

Further to this request, the Community decided, to take account of the situation of this product although it could be a competing product for some regions of the Community, that as from 1 March 1978 tomatoes originating in the ACP States would be imported from 15 February to 15 April at customs duties equal to 40% of the common customs tariff duties, with a maximum levy of 2 UA per 100 kg, within the limits of a Community tariff quota of 1,000 tonnes.

The figures for imports of ACP tomatoes during the years 1975 to 1978 are set out in Table II below.

.../...

TABLE II

Community imports of tomatoes from the ACP States

1975		1976		1977		1978	
t	1000 EUA	t	1000 EUA	t	1000 EUA	t	1000 EUA
504	301	769	611	756	539	1.194	882

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•••

1.1.2.5.2. The ACP-EEC Council of Ministers also had to examine certain requests concerning:

- the Community Directives relating to the aflatoxin content of groundnut oilcake,
- the compulsory incorporation of milk powder in certain types of oilcake,
- a Commission proposal concerning taxation of imported vegetable oils.

The Community agreed to finance research to find a solution to the first of these points. It cancelled the obligation referred to in the second point. As for the third point, the EEC Council did not adopt the proposal.

1.1.2.6. The ACP-EEC Council of Ministers was also asked on several occasions to consider questions relating to difficulties encountered in the textiles sector and to consultations on the matter.

In November 1977 the Community informed the ACP States, in the ACP-EEC Subcommittee on Trade Co-operation, of the approach which it was applying in this sector with a view to regulating the growth of its imports of textile products so as to avoid higher unemployment in certain regions of the Community already under great strain and enable it to restructure its industries in an orderly fashion. Accordingly, the Community felt that countries with which it had preferential agreements

and which were significant suppliers of sensitive products should agree to limitations similar to those it was imposing on third countries, account being taken of their export potential insofar as realistic assessments of market absorption allowed. While recognizing that the ACP States at that time were not significant suppliers of these products, the Community drew to their attention a list of products in which a sudden and excessive increase in imports would create a serious disturbance on a Community market already out of kilter.

On 23 October 1978 the Commission sent a communication to the Chairman of the Committee of ACP Ambassadors referring to the content of the declaration of November 1977 and stressing the importance of standing consultations with the ACP States on "sensitive" textile products and on the "thresholds" which had been approved by the Council of the Communities.

This question of textiles was the subject of further discussion at the meeting of the Committee of Ambassadors and meetings of the Subcommittee on Trade Co-operation, that on 5 March 1979 being held in the context of consultations under Article 11 of the Convention.

The Community took the view that its textiles policy, based on voluntary restraint on the part of the EEC's main suppliers, was justified by the fierce competition on the Community market. In addition, thanks to this policy the ACP States were able to benefit from the fall off in competition in the Community. Accordingly, the Community had felt it advisable to make provision for an overall ceiling for the ACP States, solely for the most sensitive textile products. This solution was preferable to safeguard measures in that application of the ceiling allowed a degree of flexibility.

The ACP States expressed strong reservations on the possibility of voluntary restraint in respect of their textile exports to the Community, arguing in particular that their balance of trade in textiles with the Community was in deficit and that imports of ACP textiles to the Community market accounted for only a small proportion (1.8%) of total textile imports. They stressed the fact that they shared no responsibility for the difficulties which the EEC was experiencing in the textiles sector. On the contrary, the textile industries of the ACP States had called on the services of European managerial and technical staff to assist their development. The ACP States therefore urged the Community to review its textiles policy vis-à-vis the ACP States.

It also emphasized the problem of the cumulative effect of exports from several third countries; this effect, together with other considerations already mentioned, had led to the inclusion of the ACP States in the system of overall ceilings for the small number of ultra-sensitive products.

Attention should also be drawn to the difficulties encountered by the ACP States in 1977 and 1978 as regards the exportation of textile products, notably from their States to the markets of two Community Member States. During the last quarter of 1979 the Community formally informed Mauritius that if it did not cut back its exports of certain textile products to certain EEC markets in 1980 by 50% the Community would be obliged to invoke the safeguard clause. The ACP States drew the Community's attention to the difficulties which would ensue from the application of such a measure and they expressed their serious concern over the way in which the Community interpreted the provisions of the Convention and the Resolutions which had been adopted.

The ACP States pointed out that the threat which the Community was also holding over exports of ACP textiles to their markets was at variance with the principle of free access laid down in the Lomé Convention, which made no provision for the imposition of quota restrictions on exports of ACP textiles to the Community. The difficulties were not resolved through consultations, as expected, but

through contacts between the parties concerned and their efforts, which enabled the ACP State concerned to maintain a reasonable level of exports to the two EEC Member States without any formal restriction on exports and without jeopardizing the right to free access laid down in the Convention.

1.1.2.7. Available agricultural products

1.1.2.7.1. On several occasions the ACP States asked the Community to agree to sell surplus agricultural products on favourable terms. The Community examined this request and first of all pointed out that many ACP States benefited from Community food aid. Such aid amounted to approximately 140,000 tonnes of cereals, 17,000 tonnes of milk and 7,000 tonnes of butteroil per year, the bulk of it being supplied to the least-developed ACP States.

1.1.2.7.2. In addition, the Community sought means of improving patterns of trade in certain foodstuffs through the common agricultural policy; for example, in July 1978 it wrote to the Chairman of the Committee of ACP Ambassadors ⁽¹⁾ proposing to offer all ACP States the possibility of

purchasing cereals, milk products, some sugar, and possibly other foodstuffs through commercial channels at prices stabilized by prior fixing of refunds for a delivery period which could cover a full marketing year.

At the meeting of the ACP-EEC Subcommittee on Trade Co-operation on 5 March 1979 and the meeting of the ACP-EEC Committee of Ambassadors on 7 March 1979 the ACP States said that the Community's proposals did not meet the three specific objectives which they proposed, i.e.:

- to guarantee the availability and delivery by the Community, at preferential prices and over an agreed period, of regular and substantial supplies of staple foodstuffs to the ACP States concerned;
- to provide a guarantee against rises in the prices of the foodstuffs supplied under the programme throughout the agreed period;
- to establish a system of payments for those supplies that will put the least strain on the foreign exchange reserves of the ACP States concerned.
- moreover, the ACP emphasized that their request to purchase surplus agricultural products on favourable terms should not be confused with food aid arrangements.

The EEC and the ACP therefore agreed to set up a Working Party which could in particular conduct a technical study of arrangements for introducing the mechanism proposed by the Community. The ACP-EEC Council of Ministers agreed that this examination should take place and the Working Party met on 7 May 1979, when the Community spokesman explained the details of the sales mechanism proposed by the Community. He stressed that the Community could not consider setting up a state-trading system and encroaching on areas which were the preserve of economic operators in the Community. The ACP spokesman said that the ACP States would make a careful examination of the Community proposals, but that they upheld their position based on the above three objectives.

Since that meeting the Community authorities have continued to examine the complex problems raised by the issue of supplying available Community agricultural products to third countries, but so far have been unable to make any new proposals to the ACP States.

Joint efforts to find solutions to the ACP States' requests will continue under the second ACP-EEC Convention on the basis of the Community declaration annexed to the minutes of signature of the Convention.

1.1.3. Community acts

During the lifetime of the first Lomé Convention the Community adopted, pursuant to its provisions, a number of Regulations in the following fields:

- rules for applying the safeguard clause ⁽¹⁾;
- arrangements applicable to agricultural products ⁽²⁾;
- advance implementation of certain provisions of the first Lomé Convention in respect of certain States which had signed Agreements of Accession (Sao Tome and Principe - Cape Verde - Papua New Guinea). This Regulation was extended from 31 December 1977 to 31 December 1978 ⁽³⁾;
- arrangements applicable to imports of ACP tomatoes ⁽⁴⁾.

⁽¹⁾ Regulation No 157/76 (OJ No L 18/76).
⁽²⁾ Regulation No 706/76 (OJ No L 85/76) amended by Regulation No 3013/77 (OJ No L 355/77).
⁽³⁾ Regulation No 744/77 (OJ No L 90/77).
⁽⁴⁾ Basic Regulation No 430/78 (OJ No L 59/78) and annual Regulations fixing the quota (see point 1.1.2.5.1.).

1.1.4. ACP-EEC trade statisticsTABLE III

Development of ACP-EEC trade compared with the development of trade between the EEC and third countries and the EEC and developing countries

1,000 MEUA

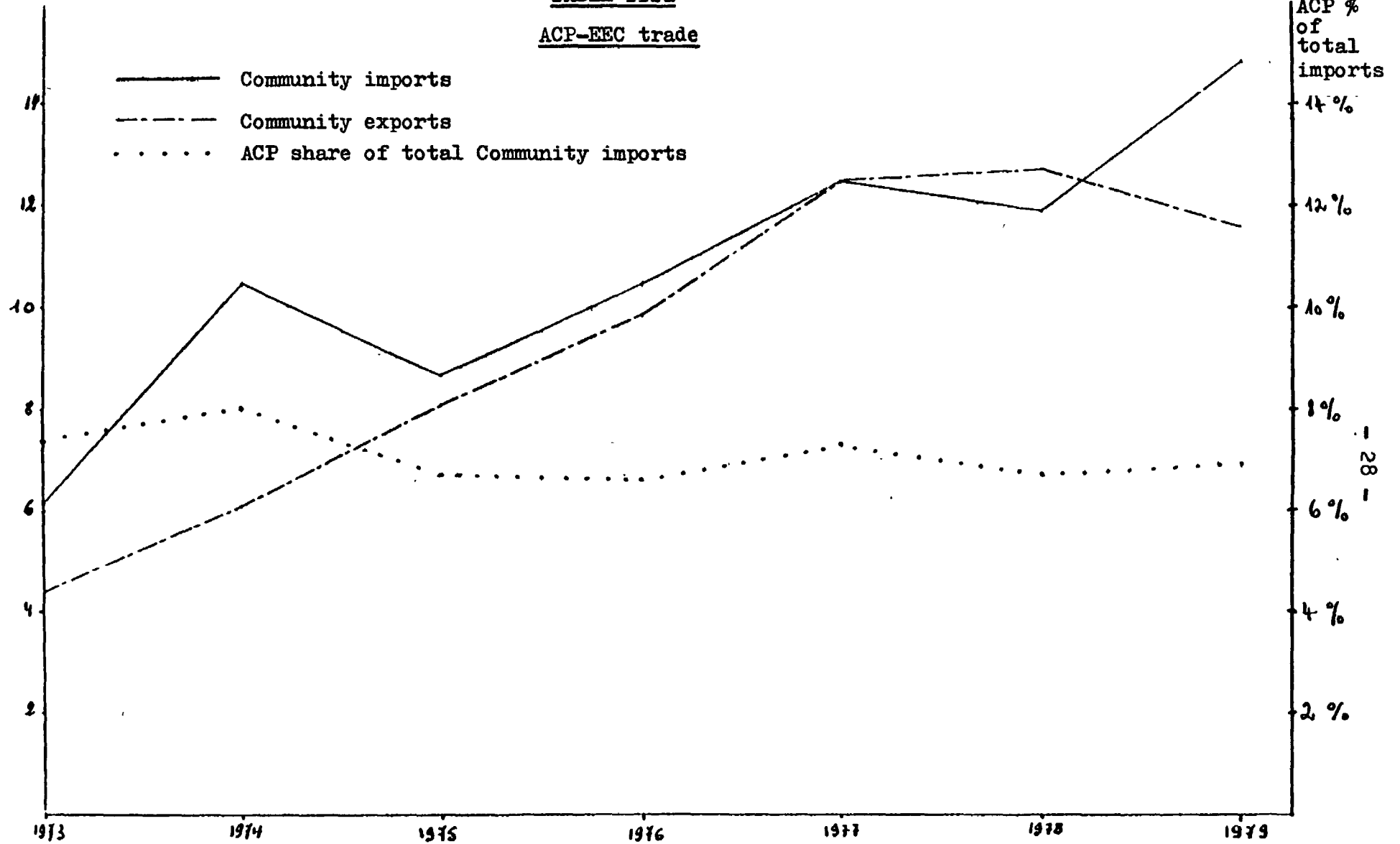
DEVELOPMENT OF EEC-ACP TRADE	1973	1974	1975	1976	1977	1978	1979
<u>Imports into the EEC</u>	84.3	130.8	125.5	159.4	171.4	178.3	218.2
from developing countries	31.9	61.4	55.0	70.0	75.2	71.2	88.2
= OPEC	15.3	38.9	33.4	41.8	42.3	38.2	51.9
= ACP	6.2	10.5	8.7	10.5	12.5	11.9	14.8
ACP annual growth	+28 %	+70 %	-17 %	+20 %	+19 %	- 5 %	+ 24.4%
ACP share in extra-EEC imports	7.4%	8 %	6.7%	6.6%	7.3%	6.7%	6.8%
Share of other developing countries in extra-EEC imports	30.5%	38.9%	36.9%	37.3%	36.6%	33.3%	33.6%
ACP imports compared with imports from other developing countries	24.1%	20.6%	18.8%	17.6%	19.9%	20.1%	20.2%
<u>Exports from EEC</u>	80.7	114.2	121.2	141.3	164.1	173.8	194.2
to developing countries	22.9	35.2	44.1	50.9	61.8	66.5	69.7
= OPEC	6.6	11.4	18.4	24.1	29.7	31.1	30.3
= ACP	4.4	6.1	8.1	9.8	12.5	12.7	11.8
ACP annual growth	+10 %	+37 %	+33 %	+22 %	+27 %	+ 2 %	7.1%
ACP share in extra-EEC exports	5.5%	5.3%	6.7%	7 %	7.6%	7.3%	6.1%
EEC trade balance ⁽¹⁾ (ACP-EEC trade)	- 1.7	- 4.4	- 0.6	- 0.6	0.0	+ 0.8	3.0

Source: SOEC

(¹) - = in the ACP States' favour
+ = in the EEC's favour.

Thousand million EUA

TABLE IIIa
ACP-EEC trade



- 28 -

TABLE IV - ACP-EEC TRADE

Trade balance +: in the partner's favour
-: in the EEC's favour

MEUA

(a)

	1975			1976			1977			1978			1979		
	EEC imports	EEC exports	Trade balance	EEC imports	EEC exports	Trade balance	EEC imports	EEC exports	Trade balance	EEC imports	EEC exports	Trade balance	EEC imports	EEC exports	Trade balance
Total ACP	8,704.4	8,157.7	+ 546.7	10,471.7	9,916.1	+ 525.6	12,460.8	12,504.2	- 43.4	11,865.2	12,711.0	- 845.8	14,835.5	11,815.6	+ 3,019.9
Mauritania	123.1	106.7	+ 16.4	134.5	109.3	+ 25.2	129.1	132.9	- 3.8	84.7	94.6	- 9.9	116.6	102.9	+ 13.7
Mali	13.8	71.2	- 57.4	43.5	78.7	- 35.2	59.8	89.3	- 29.5	53.0	93.3	- 40.3	62.7	119.9	- 57.2
Upper Volta	15.0	60.8	- 45.8	34.6	73.9	- 39.3	32.8	96.3	- 63.5	22.7	88.7	- 66.0	20.7	89.2	- 68.5
Niger	59.5	67.4	- 7.9	73.9	77.7	- 3.8	77.9	108.1	- 30.2	111.1	150.0	- 38.9	233.6	202.0	+ 31.6
Senegal	261.4	274.4	- 13.0	326.5	357.1	- 30.6	348.8	396.8	- 48.0	216.6	372.0	- 155.4	249.7	428.4	- 178.7
Gambia	24.3	20.3	+ 4.0	18.5	29.1	- 10.6	25.3	34.5	- 9.2	21.5	43.0	- 21.5	15.3	42.2	- 27.1
Guinea	29.3	58.0	- 28.7	82.8	53.4	+ 29.4	98.0	84.7	+ 13.3	103.6	113.7	- 10.1	99.4	100.0	- 0.6
Sierra Leone	81.4	71.6	+ 9.8	78.9	63.1	+ 15.8	85.8	58.7	+ 27.1	109.4	87.6	+ 21.8	153.8	100.0	+ 53.8
Liberia	260.6	607.4	- 346.8	338.5	660.7	- 322.2	363.7	791.8	- 428.1	387.6	334.2	+ 53.4	419.6	374.8	+ 44.8
Ivory Coast	693.1	483.0	+ 210.1	1,011.3	656.4	+ 354.9	1,471.2	850.3	+ 620.9	1,368.5	990.9	+ 377.6	1,419.9	1,109.6	+ 310.3
Ghana	245.9	211.2	+ 34.7	325.1	392.6	- 67.5	458.6	407.3	+ 51.3	426.0	419.0	+ 7.0	340.1	289.6	+ 50.5
Togo	115.7	115.1	+ 0.6	116.5	129.5	- 13.0	129.8	157.0	- 27.2	119.0	245.0	- 126.0	130.9	217.3	- 86.4
Benin	24.9	81.8	- 56.9	24.8	99.6	- 74.8	25.2	114.6	- 89.4	13.4	136.3	- 122.9	27.4	164.1	- 136.7
Nigeria	2,371.1	2,103.2	+ 267.9	3,229.0	3,319.9	- 90.9	3,414.8	4,602.5	-1,127.7	3,363.1	4,674.0	-1,310.9	5,335.7	3,550.8	+ 1,784.9
Guinea-Bissau	0.9	2.7	- 1.8	1.1	5.5	- 4.4	3.8	11.3	- 7.5	2.4	23.8	- 21.4	1.8	11.0	- 9.2
Cape Verde	0.03	10.3	- 10.27	0.1	13.9	- 13.8	0.2	20.0	- 19.8	0.5	18.0	- 17.5	0.2	23.7	- 23.5
Total West Africa	4,785.9	4,614.5	+ 171.4	6,833.0	6,120.1	+ 712.9	6,731.8	7,956.1	-1,171.3	6,103.1	7,804.1	-1,481.0	8,627.4	6,925.7	+ 1,701.7

TABLE IV (continued) - ACP-EEC TRADE

Trade balance +: in the partner's favour
-: in the EEC's favour

MEUA

	1975			1976			1977			1978			1979		
	EEC imports	EEC exports	Trade balance	EEC imports	EEC exports	Trade balance	EEC imports	EEC exports	Trade balance	EEC imports	EEC exports	Trade balance	EEC imports	EEC exports	Trade balance
Cameroon	297.5	285.5	+ 12.0	367.5	330.4	+ 37.1	526.3	426.9	+ 99.4	583.7	485.0	+ 98.7	616.2	617.9	- 1.7
Central African Republic	29.2	31.8	- 2.6	51.6	27.3	+ 24.3	67.3	52.3	+ 15.0	62.2	44.2	+ 18.0	51.2	39.4	+ 11.8
Gabon	374.0	335.7	+ 38.3	378.1	448.2	- 70.1	431.4	453.8	- 22.4	440.3	268.1	+ 172.2	543.8	278.5	+ 265.3
Congo	114.2	140.8	- 26.6	104.1	219.5	- 115.4	122.9	161.3	- 38.4	105.1	138.7	- 33.6	181.1	178.6	+ 2.5
Zaire	693.9	475.4	+ 218.5	910.4	405.9	+ 504.5	1,079.6	445.1	+ 634.5	1,105.8	391.1	+ 714.7	1,101.0	428.3	+ 672.7
Rwanda	21.4	26.3	- 4.9	32.2	31.0	+ 1.2	49.5	33.9	+ 15.6	36.3	50.4	- 14.1	51.4	55.6	- 4.2
Burundi	18.7	19.0	- 0.3	25.2	23.1	+ 2.1	41.2	28.5	+ 12.7	34.2	34.3	- 0.1	36.2	39.7	- 3.5
Chad	19.4	43.4	- 24.0	33.7	52.0	- 18.3	32.7	61.1	- 28.4	17.0	73.3	- 56.3	20.8	31.2	- 10.4
Equatorial Guinea	5.1	4.7	+ 0.4	8.4	2.4	+ 6.0	10.3	1.8	+ 8.5	5.4	4.9	+ 0.5	5.0	4.1	+ 0.9
Sao Tome and Principe	2.8	1.0	+ 1.8	2.4	3.1	- 0.7	7.7	5.0	+ 2.7	12.1	6.4	+ 5.7	14.3	5.3	+ 9.0
Total Central Africa	1,576.2	1,363.6	+ 212.6	1,913.6	1,542.9	+ 370.7	2,368.9	1,669.7	+ 699.2	2,402.1	1,496.4	+ 905.7	2,621.0	1,678.6	+ 942.4
Sudan	168.5	299.0	- 130.5	222.9	412.3	- 189.4	214.4	480.2	- 265.8	209.8	480.8	- 271.0	168.9	401.3	- 232.4
Ethiopia	52.7	87.5	- 34.8	87.7	104.9	- 17.2	77.0	136.5	- 59.5	62.1	152.4	- 90.3	111.5	157.1	- 45.6
Somalia	11.2	59.7	- 48.5	18.3	53.0	- 34.7	17.9	119.4	- 101.5	13.1	134.1	- 121.0	25.7	167.6	- 141.9
Djibouti	7.0	42.3	- 35.3	1.0	35.7	- 34.7	1.4	43.7	- 42.3	1.6	54.4	- 52.8	3.2	60.3	- 57.1
Kenya	177.6	273.0	- 95.4	271.3	311.3	- 40.0	520.5	447.7	+ 72.8	401.4	622.0	- 220.6	380.8	523.6	- 142.8
Uganda	80.2	32.3	+ 47.9	128.7	42.6	+ 86.1	186.7	110.2	+ 76.5	131.7	88.0	+ 43.7	164.4	49.4	+ 115.0
Tanzania	141.0	173.6	- 32.6	195.9	185.0	+ 10.9	212.7	295.6	- 82.9	211.8	425.1	- 213.3	215.3	386.7	- 171.4
Botswana	21.7	3.3	+ 18.4	41.3	3.2	+ 38.1	65.4	8.0	+ 57.4	20.5	8.5	+ 12.0	48.1	10.6	+ 37.5
Swaziland	59.5	2.0	+ 57.5	77.7	2.2	+ 75.5	59.0	2.4	+ 56.6	66.7	13.7	+ 53.0	82.3	4.5	+ 77.8
Lesotho	1.5	1.6	- 0.1	2.7	6.4	- 3.7	2.4	4.1	- 1.7	3.3	3.2	+ 0.1	4.0	7.6	- 3.6
Zambia	408.6	281.0	+ 127.6	405.2	253.1	+ 152.1	458.1	240.0	+ 217.7	308.1	208.1	+ 100.0	527.5	236.5	+ 291.1
Malawi	74.0	44.0	+ 30.0	86.0	44.2	+ 41.8	117.3	47.6	+ 69.7	141.6	58.3	+ 83.3	122.1	87.6	+ 34.5
Total East Africa	1,203.5	1,299.3	- 96.8	1,538.7	1,453.9	+ 84.8	1,932.8	1,935.8	- 3.0	1,571.7	2,248.6	- 676.9	1,853.8	2,092.7	- 238.9

TABLE IV (continued 2) - ACP-EEC TRADE

Trade balance +: in the partner's favour
-: in the EEC's favour

MEUA

	1975			1976			1977			1978			1979		
	EEC imports	EEC exports	Trade balance	EEC imports	EEC exports	Trade balance	EEC imports	EEC exports	Trade balance	EEC imports	EEC exports	Trade balance	EEC imports	EEC exports	Trade balance
Madagascar	121.7	173.3	- 51.6	134.2	134.6	- 0.4	170.1	149.9	+ 20.2	118.8	155.1	- 36.3	109.2	222.4	- 113.2
Mauritius	207.6	83.9	+ 123.7	193.2	99.3	+ 93.9	213.8	116.0	+ 97.8	237.0	116.6	+ 120.4	244.3	110.6	+ 133.7
Seychelles	0.3	8.3	- 8.0	0.5	12.6	- 12.1	0.5	13.1	- 12.6	0.5	16.4	- 15.9	0.8	23.6	- 22.8
Comoros	4.0	7.0	- 3.0	9.5	5.4	+ 4.1	4.4	10.6	- 6.2	6.2	8.0	- 1.8	12.3	11.1	+ 1.2
Total Indian Ocean	333.6	272.5	+ 61.1	337.4	251.9	+ 85.5	388.8	289.6	+ 99.2	362.5	296.1	+ 66.4	366.6	367.7	- 1.1
Jamaica	149.7	154.0	- 4.3	113.0	116.2	- 3.2	127.2	93.1	+ 34.1	158.8	111.8	+ 47.0	138.8	114.8	+ 24.0
Bahamas	85.4	46.7	+ 38.7	147.4	71.3	+ 76.1	228.7	88.8	+ 139.9	317.1	188.4	+ 128.7	416.7	144.5	+ 272.2
Barbados	27.3	40.3	- 13.0	14.5	41.8	- 27.3	18.0	49.4	- 31.4	24.2	51.2	- 27.0	21.3	58.2	- 36.9
Trinidad and Tobago	103.6	128.4	- 24.8	137.7	153.1	- 15.4	100.9	200.8	- 99.9	95.0	234.2	- 139.2	173.7	228.9	- 55.2
Guyana	108.5	73.1	+ 35.4	98.8	78.1	+ 20.7	95.1	71.2	+ 23.9	114.6	54.3	+ 60.3	97.7	58.3	+ 39.4
Grenada	0.0	0.0	-	10.1	5.3	+ 4.8	11.4	7.8	+ 3.6	12.4	8.1	+ 4.3	15.9	8.6	+ 7.3
Suriname	80.3	52.9	+ 27.4	108.0	61.4	+ 46.6	95.2	88.9	+ 6.3	109.2	75.2	+ 34.0	132.3	62.3	+ 70.0
Total Caribbean	554.8	495.4	+ 59.4	629.5	527.2	+ 102.3	676.5	600.0	+ 76.5	831.3	723.2	+ 108.1	996.4	675.6	+ 320.8
Fiji	91.8	26.4	+ 65.4	41.2	27.5	+ 13.7	74.7	24.7	+ 50.0	74.8	29.8	+ 45.0	77.1	28.7	+ 48.4
Tonga	2.4	1.1	+ 1.3	3.4	1.2	+ 2.2	4.0	0.8	+ 3.2	2.7	1.1	+ 16.0	0.6	9.6	- 9.0
Western Samoa	3.1	1.6	+ 1.5	2.4	1.2	+ 1.2	5.3	1.6	+ 3.7	4.0	3.4	+ 0.6	4.7	2.8	+ 1.9
Papua New Guinea	153.1	19.3	+ 133.8	165.6	19.9	+ 145.7	225.0	25.9	+ 199.1	213.2	28.3	+ 184.9	264.0	27.7	+ 236.3
Tuvalu and Solomon Islands	-	-	-	-	-	-	-	-	-	-	-	-	23.7	6.5	+ 17.2
Total Pacific	250.4	48.4	202.0	212.6	49.8	+ 162.8	309.0	53.0	+ 256.0	294.7	62.6	+ 232.1	370.1	75.3	+ 294.8

TABLE V

EEC imports from the ACP States

Classification in descending order
of average volume for 1976-77-78

	Total by country		% of country in total ACP imports	Cumulative percentage	Trade balance of the ACP States (in 1,000 EUA)
1 Nigeria	3,356		28.9		- 842,262
2 Ivory Coast	1,283		11.1	40.0	+ 451,273
3 Zaire	1,032		8.9	48.9	+ 618,054
4 Cameroon	492		4.2	53.1	+ 78,430
5 Gabon	417		3.6	56.7	+ 25,575
6 Ghana	403		3.5	60.2	+ 17,442
7 Kenya	398		3.4	63.6	- 62,460
8 Zambia	390		3.3	66.9	+ 156,646
9 Liberia	363		3.1	70.1	- 232,169
10 Senegal	297		2.6	72.7	- 77,800
11 Bahamas	231	+ 2 %	2.0	74.7	+ 114,766
12 Sudan	216		1.9	76.5	- 242,033
13 Mauritius	215		1.8	78.4	+ 103,957
14 Tanzania	207		1.8	80.1	- 94,302
15 Papua New Guinea	201		1.7		- 176,543
16 Uganda	149		1.3		+ 68,707
17 Madagascar	141		1.2		- 5,538
18 Jamaica	133		1.1	85.5	+ 26,000
19 Togo	122		1.04		- 54,259
20 Mauritania	116	+ 1 %	1.0		+ 3,819
21 Malawi	115		0.99		+ 64,963
22 Trinidad and Tobago	111		0.95		- 85,874
23 Congo	111		0.95	90.5	- 62,473
24 Suriname	104		0.89		- 28,963
25 Guyana	103		0.88		+ 33,946
26 Guinea	98		0.84		+ 14,415
27 Sierra Leone	91		0.78		+ 21,571
28 Niger	88		0.75		- 24,264
29 Ethiopia	76		0.65		- 55,644
30 Swaziland	68		0.58		- 61,731
31 Fiji	64		0.54	96.4	+ 36,260
32 Central African Republic	60		0.51		+ 19,047
33 Mali	52		0.44		- 35,032
34 Botswana	42		0.36		+ 25,811
35 Rwanda	39		0.33		+ 893
36 Burundi	34		0.28		+ 4,854
37 Upper Volta	20		0.25		- 56,252
38 Chad	28		0.23		- 34,337
39 Gambia	22		0.18		- 13,774
40 Benin	21		0.18	99.3	- 95,899

.../...

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	Total by country	% of country in total ACP imports	Cumulative percentage	Trade balance of the ACP States (in 1,000 EUA)
41 Barbados	19	0,16		- 23,590
42 Somalia	16	0,14		- 35,714
43 Grenada	11	0,09		- 4,256
44 Equatorial Guinea	8,3	0,07		- 5,273
45 Sao Tome and Principe	7,4	0,06		- 2,555
46 Comoros	6,7	0,05	99,27	- 1,009
47 Western Samoa	3,9	0,03		- 1,766
48 Tonga	3,4	0,02		- 2,329
49 Lesotho	2,8	0,02		- 1,766
50 Guinea-Bissau	2,4	0,02		- 11,163
51 Djibouti	1,4	0,01		- 43,255
52 Seychelles	0,5	0		- 13,508
53 Cape Verde	0,2	0		- 17,017
Total	11,603			

.../...

TABLE VI

Community imports from the ACP States

Principal products in descending order of volume (average over the past three years)

	Value in 1,000 E U A			% of product in total ACP exports to the EEC	cumulative %
	1976	1977	1978		
1. Crude petroleum oil	3,102,723	3,215,501	3,051,884	26.92	
2. Raw coffee	1,083,158	2,005,242	1,363,518	12.79	39.72
3. Cocoa (in all forms)	718,903	1,265,019	1,519,451	10.06	49.78
4. Refined copper	684,497	710,121	483,315	5.39	55.18
5. Wood in the rough	454,851	477,962	436,340	3.93	59.12
6. Raw sugar for refining	376,896	382,110	421,756	3.39	62.51
7. Iron ore	374,238	376,183	309,575	3.05	65.55
8. Petroleum by-products	254,548	283,692	391,811	2.67	68.23
9. Cotton, not carded or combed	179,041	204,301	149,089	1.53	69.76
10. Copper for refining (blister)	181,690	165,728	145,140	1.42	71.17
11. Tea	90,222	205,099	156,786	1.30	72.47
12. Unrefined groundnut oil	140,157	169,655	112,235	1.21	73.69
13. Aluminium ore and concentrates	115,209	116,827	115,918	1.00	74.68
14. Thorium and uranium ore	95,395	101,201	147,721	0.99	75.67
15. Aluminium oxide (alumina)	80,833	102,551	143,056	0.94	
16. Unmanufactured tobacco	88,205	82,104	151,442	0.92	
17. Fresh bananas	95,049	110,070	110,194	0.91	
18. Groundnuts	143,276	97,429	69,935	0.89	
19. Wood, shaped	101,243	96,511	107,190	0.88	
20. Copper ore and concentrates	102,060	76,730	81,328	0.75	80.96
21. Natural calcium phosphates	90,804	89,767	75,929	0.74	
22. Diamonds	35,575	101,896	101,723	0.69	

Community imports from the ACP States

Principal products in descending order of volume (average over the past three years) (continued 2)

	Value in 1,000 EUA			% of product in total ACP exports	cumulative %
	1976	1977	1978		
23. Groundnut oilcake	75,527	87,626	46,558	0.60	
24. Raw natural rubber	60,742	63,142	62,170	0.53	
25. Raw hides and skins	58,088	58,009	62,141	0.51	
26. Preserved fruit (including pineapple)	47,288	56,609	56,940	0.46	
27. Palm nuts and kernels	49,104	70,655	32,879	0.44	84.20
28. Unrefined palm oil (comestible)	43,042	59,396	48,478	0.43	84.63
29. Preserved pineapple (already included in 26)	47,288	56,609	56,940	-	-
30. Clothing	31,396	45,911	49,107	0.36	
31. Manganese ore and concentrates	46,184	42,288	36,300	0.36	
32. Unwrought, non-alloy aluminium	42,471	51,169	29,215	0.35	
33. Preserved tunny	31,818	39,986	48,129	0.34	
34. Veneer sheets	29,712	37,980	41,879	0.31	
35. Pineapples	26,870	32,114	46,644	0.30	
36. Beef and veal	35,696	43,071	26,389	0.30	86.97
37. Prepared hides and skins	38,577	30,414	34,900	0.30	
38. Palm nut and kernel oil	24,975	28,904	42,915	0.28	
39. Tin ore and concentrates	26,396	35,308	33,526	0.27	
40. Crustaceans	24,891	27,560	39,115	0.26	

Community imports from the ACP States

Principal products in descending order of volume (average over the past three years)(continued 3)

	Value in 1,000 EUA			% of product in total ACP exports	cumulative %
	1976	1977	1978		
41. Woven fabrics of cotton	25,344	31,167	27,285	0.24	88.3
42. Rum, arrack, tafia	21,485	25,548	33,108	0.23	
43. Cottonseed cake	27,376	26,999	17,034	0.20	89.12
44. Dried leguminous vegetables	27,800	20,984	16,143	0.19	
45. Cereal residues (excluding rice and maize)	24,891	27,560	39,115	0.19	
46. Refined groundnut oil	19,486	28,083	14,657	0.18	
47. Sisal fibres	28,058	16,612	17,183	0.18	
48. Unrefined cobalt	15,869	16,241	27,548	0.17	
49. Plywood and similar laminated wood products	21,132	15,113	18,478	0.16	
50. Fresh vegetables	17,091	17,778	19,809	0.16	
51. Long-grain rice	16,727	13,693	23,655	0.16	
52. Gum arabic	17,338	17,954	18,416	0.15	

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1.1.5. Comments on the development of ACP-EEC trade

1.1.5.1. Clearly, any analysis of the development of trade between the Community of nine Member States and the Group of 59 ACP States is a very complex undertaking and a thorough examination must be made before any valid conclusions can be drawn from the available data regarding the overall trade results achieved under the Convention of Lomé I. Studies of this type have already been conducted, such as the 1979 EUROSTAT analysis of ACP-EEC trade flows, a document of several hundred pages of text and tables.

1.1.5.2. However, an examination of the above tables does indicate that since the entry into force of the Lomé Convention:

- total ACP exports to the Community have increased from 8.7 thousand million EUA in 1975 to 14.8 thousand million EUA in 1979. These figures must be compared with those for the two years prior to entry into force of the Convention, viz.: 6.2 thousand million EUA for 1973 and 10.5 thousand million EUA for 1974;
- the share of ACP exports in total Community imports has remained virtually stable, as it represented 6.7% in 1975 and is 6.8% for 1979;

- the share of ACP exports in imports into the EEC from all developing countries - during the period of application of the trade provisions of the first Lomé Convention - showed a slight increase, however, it has nevertheless remained generally below the share in the two years preceding the period of application of the Convention;

- the trade balance between the Community and the ACP States, which was in deficit from the Community standpoint on the entry into force of the Lomé Convention, showed a slight surplus in 1978, returning to a deficit situation in 1979. It should be noted that Community exports to the ACP States increased from 8.1 thousand million EUA in 1975 to 12.7 in 1978 and to 11.8 in 1979. They stood at 4.4 thousand million EUA and 6.1 thousand million EUA respectively for the two years prior to the application of the Lomé Convention.

1.1.5.3. It should also be pointed out, as regards the composition of exports, that:

- as regards ACP exports to the Community:
 - = two ACP countries account for 40% of such exports;
 - = 11 countries (including the first two mentioned above) account for virtually three-quarters of such exports;
 - = the respective shares of 32 countries represent less than 1% of total ACP exports to the Community;

- = more than a quarter of these exports is composed of crude petroleum oil and the 14 major ACP products of the 52 exported to the Community account for three-quarters of such exports (see Table VI);
- Community exports to the ACP States are comprised chiefly of capital goods and manufactured products.

1.1.5.4. The detailed examination which will have to be carried out on the matter will also have to take account of the fact that, during the years in which the Community was in a trade deficit with the ACP States before the entry into force of the Lomé Convention, most ACP States already enjoyed duty-free access to their traditional markets in the Community either by virtue of Part 4 of the Treaty of Rome, the Yaoundé Conventions or the Commonwealth Preferential Scheme.

It is clear from this preliminary examination of ACP-EEC trade that, notwithstanding adoption of the principles of free access and non-reciprocity, the ACP share of EEC imports did not increase appreciably during the period of application of the Lomé Convention. Furthermore, even if a significant increase in the volume of ACP exports to the Community is recorded, the fact remains that the structure of ACP-EEC trade has scarcely changed, remaining centred on a small number of countries and products.

Lastly, in connection with the detailed studies of these statistics, it will be necessary to bring out the very important part represented by petroleum products, especially in the figures relating to total Community imports, insofar as imports from developing countries in general are concerned, and also in trade between the Community and the ACP States.

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1.2. TRADE IN PRODUCTS SUBJECT TO SPECIAL ARRANGEMENTS ⁽¹⁾

1.2.1. Bananas

1.2.1.1. Provisions of the first Lomé Convention

Owing to the difficulties encountered by certain ACP States in marketing their banana production in the common market, the signatories to the first Lomé Convention laid down objectives in Protocol No 6 and agreed to take the necessary measures to implement them. These objectives were as follows:

- after the entry into force of the Convention no ACP State would be placed in a less favourable situation than in the past;
- a joint endeavour would be undertaken to devise and implement appropriate measures to increase banana exports to traditional Community markets, in particular in relation to Somalia;
- endeavours would also be undertaken to enable the ACP States to gain a foothold in new Community markets and to extend their banana exports to those markets.

Lastly, a Permanent Joint Group was set up under the Protocol to keep under continuous review the progress made and to make appropriate recommendations.

⁽¹⁾ For sugar, see point 2.2. below.

1.2.1.2. Application of the Convention

1.2.1.2.1. Even before the entry into force of the first Lomé Convention the Community sent the ACP States, in the Permanent Joint Group on Bananas, a communication on how it envisaged the implementation of Protocol No 6 described above. The ACP States examined this document and drew the Community's attention to certain specific problems, such as: arrangements for imports of bananas into the United Kingdom in the event of the introduction of free circulation of these goods within the Community, the issuing of Italian import licences for third-country bananas to the detriment of Somali bananas, the inadequate tariff preferences in some Member States as compared with the treatment of imports from third countries, in particular Latin America.

While confirming its readiness to examine these problems, the Community nevertheless stressed that the main reason for them was the inadequacy of marketing, packaging and regular supply structures.

1.2.1.2.2. At a meeting between the two Presidents of the Council of Ministers on 20 October 1976 these findings were confirmed by the Community, which also pointed out that it had given Somalia financial assistance to improve the situation, and it was agreed that the ACP-EEC Permanent Joint Group on Bananas should look into the problems further. The ACP States presented a memorandum (15.3.1977), to which the Community replied on 16 June 1977.

1.2.1.2.3. The Community noted with the keenest interest that, following a meeting of banana-exporting ACP States held in Douala in July 1977, there seemed to be fresh possibilities, which Mr NAAH (Cameroon) came to announce to the President of the Council of the European Communities on behalf of the producing ACP States.

1.2.1.2.4. A further memorandum forwarded to the Community by the ACP States on 24 January 1978 revealed that there was a fundamental difference of interpretation between the ACP States and the Community, mainly on the nature and scope of the obligations contracted by the Community in the Protocol on bananas.

According to the ACP States the Protocol implied that the Community would take measures to provide guarantees on ACP bananas as regards absolute quantities, market shares and prices. In addition, the ACP States considered that supplementary financial aid should be allocated to this sector of production.

The Community did not agree with this interpretation, taking the view that, as stipulated in Protocol No 6, each Member State would continue to define its own market policy under the same conditions as those which existed when the Lomé Convention was signed. The situations arising from traditions or from commitments entered into by certain Member States are therefore very varied. A common organization of the markets as suggested by the ACP States would not necessarily resolve the problems which they have raised, for at best they could only be assured of application of the provisions applicable to agricultural products subject to market organization, as defined in Article 2 of the Lomé Convention.

1.2.1.2.5. Direct contracts have taken place between members of the banana trade in the ACP States and Community importers, and this opening will no doubt produce some solutions to the difficulties encountered.

1.2.1.3. Statistics

See following table.

Nimexe 0801.31

CST 051.30

TABLE VII

IMPORTS OF FRESH BANANAS

Unit or base: Q = tonnes - V = 1,000 EUA

Geo. code	Country of origin	1974		1975		1976		1977		1978	
		Q	V	Q	V	Q	V	Q	V	Q	V
302	Cameroon	70,680	16,185	74,674	22,842	79,246	25,358	79,596	24,416	77,356	24,199
272	Ivory Coast	125,915	28,789	124,132	39,410	87,676	30,149	93,544	34,889	104,493	40,164
473	Grenada					14,007	4,185	14,017	4,637	13,922	4,939
464	Jamaica	68,021	15,538	68,839	18,134	74,394	18,943	79,857	23,237	69,787	22,591
346	Kenya	-	-	-	-	-	-	-	-	8	8
370	Madagascar	6,382	1,448	3,481	1,012	5,986	1,736	4,607	1,454	4,939	1,581
342	Somalia	40,452	6,405	34,214	6,171	39,149	9,801	46,379	13,830	32,953	9,428
492	Surinam	34,090	6,180	37,620	7,892	35,114	9,062	27,570	7,607	26,261	7,276
	OCT										
421	Belize	1,294	237	1,422	234	5,249	915	8,594	2,186	10,219	2,644
471	West Indies	110,487	29,075	92,105	28,252	102,766	30,242	96,796	31,689	117,022	42,016
	FOD										
458	Guadeloupe	122,121	31,163	111,425	37,261	108,121	37,794	105,563	38,612	132,910	49,448
462	Martinique	185,851	46,680	167,728	55,315	202,409	71,146	212,887	77,450	238,386	86,100
Total	ACP	345,530	74,545	342,960	95,461	321,566	95,049	345,570	110,070	329,745	110,194
	ACP/extra-EEC %	17.6 %	18.5 %	17.9 %	19.7 %	17.4 %	19.0 %	17.8 %	19.4 %	16.4 %	19.0 %
Total	Extra-EEC	1,968,279	402,806	1,912,026	483,970	1,850,770	498,962	1,943,742	566,679	2,008,330	580,151
Total	World	1,979,028	405,206	1,917,520	485,330	1,855,792	500,299	1,982,146	578,682	2,051,782	594,892

1.2.1.4. Comments

The situation of the banana markets is particularly complicated because of traditional trade patterns and factors specific to this product, such as competition on prices, quality, marketing, capacity and regularity of supply. In reality four categories of producer are involved in the Community markets:

- producers of the French overseas departments (and hence of the Community) and of some African countries, whose produce is subject to a special organization;
- Somali banana producers, principally aimed at the Italian market;
- Caribbean banana producers, who traditionally export to the United Kingdom and Ireland;
- third-country producers, notably those of Latin America, who export to certain Community markets, especially Germany.

Under the Treaty of Rome, Germany also benefits from a zero-duty tariff quota for imports of bananas from third countries, which in practice are non-ACP countries. However, before deciding on the quota increases requested by Germany the Community has always consulted the ACP States to find out whether they can offer bananas which will meet the price, quality and supply requirements of German consumption. The ACP have always indicated their willingness to take advantage of the offer but could not do so at the German market prices.

1.2.2. Rum

1.2.2.1. Provisions of the first Lomé Convention

The Community and the ACP States negotiated Protocol No 7 to the Convention in order to permit the development of traditional patterns of trade in rum between the ACP States and the Community on the one hand and between the Member States on the other.

Protocol No 7 to the Convention lays down the rules on access to Community markets for the products concerned ⁽¹⁾ originating in the ACP States. Access to the markets takes the form of exemption from customs duty up to the limits of an overall quota fixed each year. The total annual quota is shared among the Member States and calculated on the basis of the largest annual quantities in the last three years for which statistics are available. The quantities thus determined are increased annually by 40% for the United Kingdom and 13% for the other eight Member States. The Community also undertook to assist the ACP States in their efforts to expand their sales of rum in non-traditional markets.

⁽¹⁾ Tariff heading 22.09 C I. Rum, arrack and tafia.

Under the system, rum products acquire originating status on the principle of change in tariff heading. This enables certain ACP States and OCT to qualify for exemption from customs duty for products obtained from molasses imported from third countries, for there is no Community definition of rum, each Member State applying its own rules for the definition of the products imported.

At present there is no market organization for rum in the Community. Moreover, the rum market is not expanding in a uniform manner and the situation may differ from one Member State to another. Clearly this has repercussions on Community consumption of rum, which also has to face keen competition from other types of spirit produced in the Community or imported. The market situation is all the more difficult because the Community has at the same time to take appropriate steps to preserve Community preference, in particular for rum produced in the French overseas departments, and to ensure access on competitive terms for rum from the overseas countries and territories with which it is associated.

1.2.2.2. Application of the Convention

During the period of application of the Convention the ACP-EEC Council of Ministers, the Committee of Ambassadors and the Committee on Trade Co-operation on numerous occasions discussed various problems raised by the ACP States in connection with the implementation of the Rum Protocol.

As regards the working of the Protocol the ACP States:

- challenged the statistics used by the Community to calculate the volume of the overall annual quota, i.e. the use of quota year statistics as opposed to calendar year statistics;
- objected to the method of allocating the quantities shared among the Member States;
- complained about the method of issuing import certificates in the Community, which in the ACP States' opinion constituted discriminating non-tariff measures denying their rum access to certain markets;
- considered that the varying definitions of rum employed in the various Member States also constitute a discriminatory non-tariff barrier to ACP rum.

1.2.2.2.1. At the first meeting of the Council of Ministers the ACP States expressed the opinion that the rules adopted by the Community did not comply with Protocol No 7 and that this was true both of the volume of the total quota and of the way it was allocated among the Member States. They asked the Community to supply them with detailed statistics on rum imports, to explain the method used to determine the shares of the Member States, to revise the level of the overall quota and its distribution in consultations with the ACP States and, pending a solution acceptable to all the Parties to the Convention, to maintain the tariff quota at the level provided for in the Council Regulation on ACP rum for the period 1 July 1975 to 30 June 1976.

The Community expressed the view that the rules in force permitted ample access to the market for all available rum originating in the ACP States. Furthermore, the Community maintained that the provisions of the Regulation on rum corresponded exactly to the terms of Protocol No 7, the tariff quota being calculated on the basis of the largest quantity originating in the ACP States actually imported into the Community over the past three years.

Lastly, it commented that actual imports of rum from the ACP States were far from having reached the level of the amounts fixed for the tariff quota, since out of a tariff quota of 168,000 hl (pure alcohol) for the period 1975-1976, only 96,241 hl (pure alcohol) had been imported into the Community (see table VIII below).

The ACP States consider that the Community's import statistics, which are ex-bond statistics, are substantially lower than the amounts of rum actually exported from the ACP States each year.

1.2.2.2.2. Subsequently the Commission forwarded the statistics on rum imports requested by the ACP States. At the meeting between the Presidents on 20 October 1976 the ACP States highlighted the difficulties encountered by certain importers domiciled in the Member States in obtaining the necessary import licences for rum which they wished to import from the ACP States. They also pointed out that there were rather serious differences between the ACP export statistics and the import statistics communicated by the Community. The Commission explained why the difficulties encountered by ACP exporters did not seem to be connected with the operation of the Lomé Convention but **nevertheless affected their operations**. As for the existence of national shares within the Community quota, the Community claimed that this could not constitute an obstacle to ACP exports.

1.2.2.2.3. At the meeting of the Council of Ministers in Fiji in March 1977, the ACP States drew the Community's attention to the practice of certain importers failing fully to utilize the import licences granted to them. This practice and the procedure for awarding licences for unused quantities prohibited other potential exporters from acquiring licences. They also expressed their concern at the proposal for a Regulation under examination in the Council of the Communities on the common organization of the market in ethyl alcohol of agricultural origin within the Community. In their opinion this proposal, particularly the redefinition of rum, might well exclude the ACP States from the Community market.

The Community argued that it had complied with its obligations under Protocol No 7 on rum. It pointed out that the problems encountered by the ACP States were largely due to a glut of rum on the Community market. The ACP States would be consulted on the Commission proposal on the common organization of the market once the Community had determined an approach but before a final decision had been taken. As regards the difficulties in obtaining licences, the Community stated that, if it should emerge that the authorities of the Member States - whose responsibility it was - were setting conditions for the issue of licences, a technical meeting would have to be held as soon as possible to discuss the matter.

1.2.2.2.4. At the meeting of the ACP-EEC Council of Ministers in the Bahamas on 22 March 1979 the ACP States referred to their frustration at the fact that the quantities of rum imported by the Community from the ACP States failed to reach the quota provided for. They expressed the hope that the Member States were already endeavouring to adopt administrative machinery to make it easier for the ACP States to dispose of these products.

Mr CHEYSSON pointed out that there was a definite recession on the Community alcohol market, which was naturally affecting sales of rum in the same way as sales of other types of alcohol. The Community was powerless to influence consumers' preferences. He disputed the existence of discriminatory non-tariff measures and asked the ACP States to supply proof of such measures, as investigations by the Governments of the Member States following the ACP States' repeated accusations had failed to confirm that they were justified. If the ACP States could establish the existence of such measures and if they were abnormal, the Community would undertake to abolish them.

1.2.2.2.5. Each year the Community adopted the Regulation necessary for the implementation of the Protocol ⁽¹⁾.

1.2.2.3. The statistics on rum are set out below.

⁽¹⁾ Regulation (EEC) No 3230/75 (January to June 1975)
Regulation No 1464/76 and Regulation No 329/77 (1976/1977)
Regulation No 1377/77 (1977/1978)
Regulation No 1227/78 (1978/1979)
Regulation No 1253/79 (1979/1980)

TABLE VIII

Actual take-up of the tariff quotas opened for rum
for 1975/1976, 1976/1977, 1977/1978, 1978/1979 and 1979/1980

1975/1976				1976/1977				1977/1978				1978/1979				1979/1980	
Member State	Volume of quota - hl -	Actual take-up		Member State	Volume of quota - hl -	Actual take-up		Volume of quota - hl -	Actual take-up		Volume of quota - hl -	Actual take-up		Member State	Volume of quota - hl -		
		hl	%			hl	%		hl	%		hl	%				
Benelux	3,500	3,500	100	Benelux	4,827	4,827	100	5,926	5,143	87	6,000	5,816	97	Benelux	6,912		
Denmark	2,900	1,943	67	Denmark	2,700	2,115	78	4,000	1,577	39	3,698	1,448	39	Denmark	3,722		
Germany	26,000	21,076	81	Germany	24,643	23,188	94	24,000	20,956	87	24,706	24,706	100	Germany	33,979		
France	6,000	6,000	100	France	12,051	4,881	41	11,395	5,509	48	9,022	3,551	39	France	6,449		
Ireland	1,000	839	84	Ireland	1,000	891	89	1,000	682	68	1,000	492	49	Ireland	2,704		
Italy	600	207	35	Italy	550	216	39	658	295	45	424	424	100	Italy	426		
United Kingdom	128,000	62,676	49	United Kingdom	125,395	79,617	63	126,030	83,337	66	116,957	103,872	89	United Kingdom	122,645		
EEC	168,000	96,241	57	EEC	171,166	115,735	68	173,009	117,489	68	161,807	140,309	87	EEC	176,837		

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1.2.2.4. Comments

1.2.2.4.1. At the Ministerial meeting in Brussels in May 1979 the Community, and in particular the Commission, conducted an expert-level technical examination with the ACP States of the statistics on ACP rum exports for the period 1975 to 1978.

1.2.2.4.2. It emerged from a joint examination of these statistics that exports of ACP rum to the Community were not progressing at the rate which the ACP States would wish. However, the Community could only reiterate that this was the result of consumers' preferences. It also asked the ACP States on several occasions to report to it any discriminatory non-tariff measures which appeared to be actual obstacles to rum sales. For its part, the Community had no knowledge of such measures.

1.2.2.4.3. Nonetheless, the above statistics reveal that, although the real rate of take up decreased sharply in certain Member States, the actual rate of take-up of quotas increased progressively by very considerable quantities from 1978 to 1979 for the Community market overall. The total take-up rose progressively from \pm 96,000 hectolitres (1975/1976) to \pm 140,000 hectolitres (1978/1979), i.e. an increase of 45.9% in four years.

It should be noted that this increased take-up of the quotas fixed for the years in question would, on the basis of the provisions of the Rum Protocol, entail an increase in the Community quota for the following years by application of the reference basis (the best of the last three years).

1.2.3. Beef and veal

1.2.3.1. Provisions of the first Lomé Convention

In the minutes of signing of the first Lomé Convention the Community announced its intention of waiving customs duties on beef and veal imported from the ACP States, while continuing to levy import charges. However, this system was limited to certain quantities based on the most recent exports, there being provision for a 7% annual increase in the quantities free of customs duties.

The Community also stated that, should there be a fall-off in these exports, it would be prepared to enter into consultations to remedy the situation.

1.2.3.2. Application of the Convention

As it happened, application of these provisions did not enable the ACP States which traditionally exported beef and veal to the Community to maintain, and certainly not to develop, those exports. For that reason, at a meeting in June 1975 the President of the Council of ACP Ministers urged the President of the Council of the Communities to ask the Community to try to do more to improve the import arrangements for ACP beef and veal. It was only after tough discussion that the Council of the Communities decided to adopt, and then only by a qualified majority, a Regulation granting imports of ACP beef and veal more favourable treatment than that provided for in the Convention.

However, this Regulation did not extend the reduction of import charges to the additional quantities (7% annual growth rate) eligible for exemption from customs duties.

The arrangements laid down by the Community Regulation provide that the basic quantities of beef and veal could be exported not only free of customs duties but also with a 90% reduction in the "import charges", the ACP States levying an export tax of an amount corresponding to the reduction. This Regulation was renewed several times during the lifetime of the first Lomé Convention.

The Community emphasized that, during the period covered by the first Lomé Convention, the Community beef and veal market had been in an extremely difficult situation, so much so that the Community had had to apply to third countries the safeguard clause provided for under the market organization; however, it had waived application of the safeguard clause to imports of ACP beef and veal.

Furthermore, when one of the ACP States concerned was faced with animal health difficulties the Community had introduced flexible solutions so that a certain flow of trade could be maintained.

1.2.3.3. Statistics

See table IX below.

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TABLE IX

EEC IMPORTS OF BEEF AND VEAL - chilled or frozen -
from the ACP States

Unit or base: Q = tonne - V = 1,000 EUA

Geo. code	Country of origin	1974		1975		1976		1977		1978	
		Q	V	Q	V	Q	V	Q	V	Q	V
391	Botswana	3,623	4,923	11,860	20,906	16,603	30,389	19,202	37,029	8,593	16,697
370	Madagascar	1,504	2,330	1,676	2,730	949	1,489	1,649	2,646	2,530	4,421
393	Swaziland	29	72	776	943	2,928	3,818	2,658	3,396	2,633	5,271
Total	ACP	5,156	7,325	14,312	24,580	20,480	35,696	23,509	43,071	13,756	26,389
	ACP/Extra-EEC %	2.5%	2.2%	16.1%	19.3%	12.2%	15.1%	15.4%	17.5%	12.5%	13.6%
Total	Extra-EEC	209,148	337,040	88,753	126,995	168,164	236,008	152,310	245,854	110,038	193,626
Total	World	913,329	1,438,312	957,269	1,586,667	974,309	1,813,489	1,103,546	2,233,204	283,011	591,755

1.2.3.4. Comments

It should therefore be noted that, having established the inadequacy of the provisions adopted under the first Lomé Convention, the Community agreed to make additional concessions in the spirit of the Convention.

1.2.4. Sea fishing

1.2.4.1. Provisions of the first Lomé Convention

In a declaration annexed to the Lomé Convention the Community stated that it was willing to encourage, within the framework of industrial, financial and technical co-operation activities, the development of fishery and related industries in the ACP States which expressed an interest in such development.

The ACP States declared their willingness to negotiate with any Member State bilateral agreements likely to guarantee satisfactory conditions for fishery activities in the sea waters within their territory; at the same time the ACP States undertook not to discriminate between or against Member States of the Community in concluding such agreements.

1.2.4.2. Application of the Convention

Shortly after the Lomé Convention was signed the powers of the Member States of the Community to negotiate fishery agreements with third countries were transferred to the Community itself.

Accordingly, in 1977 the Community, via the Commission, opened negotiations on fishery agreements with Senegal, Guinea-Bissau, Mauritania and Cape Verde, these negotiations being based in particular on the above-mentioned declaration annexed to the Lomé Convention. Following the negotiations,

Agreements were signed with Senegal in June 1979 and with Guinea-Bissau in February 1980 and were provisionally applied from the date of signature. Further negotiations are to be held between the Community and Seychelles and the Community and Mauritius.

Under the terms of the Agreements Community fishing vessels will have access to the fishing zone of the ACP State in question if they hold licences issued by the authorities of the State against payment of a fee graduated according to the size of the vessel. The Agreements provided for the possibility of landing part of the catch in the ports of the ACP State concerned and also, within certain limits, of **employing** ACP seamen aboard Community vessels.

In return for the fishing facilities granted by the ACP State, the Community pays financial compensation which will be used by the State concerned to finance projects and services connected with sea and freshwater fishing. In addition, the Community undertakes to encourage the development of sea fishing by the ACP State by providing study and training grants. Lastly, consultations will be held and action concerted in the fields covered by the Agreements.

1.2.4.3. Comments

Despite the limited nature of the provisions of the first Lomé Convention on the subject, the results obtained can only be cause for satisfaction.

1.3. CUSTOMS CO-OPERATION AND RULES OF ORIGIN

1.3.1. Provisions of the first Lomé Convention

- 1.3.1.1. In view of the measures which the Community must take under the first Lomé Convention in respect of imports of ACP products, it was necessary to define precisely the rules of origin applicable to products exported by the ACP States. This is the object of Protocol No 1 to the first Lomé Convention. Products wholly obtained in one or more ACP States obviously qualify as products originating in the ACP States. The same is true of products obtained from one or more non-originating products if the latter have undergone sufficient processing. Processing is considered sufficient if it results in a change in tariff heading for the non-originating products used. There are, however, exceptions. In some cases the minimum processing is defined and in others the value of the non-originating products is limited (list A). On the other hand, products incorporating non-originating components which have not changed tariff heading are granted originating status under certain conditions (list B).

Protocol No 1 also includes some very technical provisions which are designed to ensure that - in the interests of the ACP States as well as of the Community - products which are not essentially ACP-produced do not benefit from the advantages of the Convention.

1.3.1.2. This Protocol also gives the ACP-EEC Council of Ministers the power to grant certain derogations from the basic rules, notably when the development of existing industries or the creation of new industries necessitates such derogations. It also lays down methods of administrative co-operation regarding the responsibilities of the customs authorities and movement certificates.

The ACP-EEC Council of Ministers must annually examine the application of the provisions of the Protocol, while a Customs Co-operation Committee is responsible for the necessary administrative co-operation.

1.3.1.3. One further provision of this Protocol - which was the subject of hard bargaining when the first Lomé Convention was drawn up - deserves mention: this is the provision on the definition of the origin of the ACP fishery products.

Products taken from the sea by ACP vessels are not considered as originating in the ACP States unless the vessel is registered in a Member State or an ACP State, flies the flag of a Member State or an ACP State, is at least half-owned by ACP or EEC nationals and at least 50% of the crew are nationals of States party to the Convention (see point 1.2.4.3.).

1.3.2. Application of the Convention

- 1.3.2.1. At the first meeting of the ACP-EEC Council of Ministers after the entry into force of Lomé I, the members of the Council instructed the Committee of Ambassadors to examine certain technical questions connected with the application of the Protocol on origin. Various solutions were found, particularly to the problem of the conditions of validity of EUR 1 certificates issued in landlocked countries.
- 1.3.2.2. In addition, throughout the lifetime of the Convention the ACP-EEC authorities examined the adoption or extension of decisions derogating from Protocol No 1.

These decisions mainly concern:

- certain textile products originating in Mauritius;
- artificial fishing flies manufactured in Kenya and Malawi;
- canned tunny produced in Mauritius.

The ACP States have requested that appropriate changes be made to the rules of origin on artificial flies. They take the view that only a change in the existing rules of origin can permit these countries to produce and sell this product on the Community market, since, despite all efforts made by Malawi and Kenya during the derogation period to exploit the possibilities afforded by the provisions on aggregation of origin, it has not been possible to persuade consumers in the Community, for reasons of taste patterns, to accept fishing flies tied to hooks originating in the Community. This request submitted by the ACP States is still under examination.

- 1.3.2.3. Furthermore, at its meeting on 13 and 14 March 1978 the ACP-EEC Council of Ministers took the necessary measures for a complete review of the lists annexed to Protocol No 1 further to decisions taken by the Customs Co-operation Council in the international arena. These measures are based on the principle that the adjustment of the lists can under no circumstances jeopardize the preferential advantages enjoyed by the ACP States.

1.3.2.4. As regards the difficulties referred to above, the ACP States several times during the life of the Convention criticized the sometimes lengthy delays in the process of approval of their requests for derogations.

The Community noted these criticisms. It tried to speed up internal work on examining requests for derogations. In addition, it tried, with the ACP States, to ensure simplified, pragmatic application of the joint approval procedures by the ACP-EEC authorities concerned, i.e. the Customs Co-operation Committee and the ACP-EEC Council of Ministers.

1.3.3. Comments

Despite the technical nature of Protocol No 1 and the difficulties inescapably created by provisions which are designed to protect both the interests of the ACP States and those of the Community, Protocol No 1 may be considered to have been applied without any major difficulties or at any rate it may be said that, where difficulties existed, they were settled either in the context of ACP-EEC administrative co-operation or at meetings at ambassadorial or ministerial level. The Customs Co-operation Committee was an effective instrument of collaboration between the relevant administrations of the States signatory to the Lomé Convention.

1.4. TRADE PROMOTION

1.4.1. Provisions of the first Lomé Convention

Under the terms of the first Lomé Convention the Contracting Parties agreed, with a view to attaining the objectives they had set themselves in trade and industrial co-operation, to carry out trade promotion activities aimed at helping the ACP States to derive maximum benefit from the trade provisions and to participate under the most favourable conditions in Community, regional and international markets.

These trade promotion activities include improvement of the structure and working methods of the foreign trade institutions of the ACP States, basic training or advanced vocational training of staff, participation by the ACP States in international fairs and exhibitions, improvement of co-operation between economic operators in the Community and the ACP States, **market research and marketing studies**, production and dissemination of trade information in the Community and the ACP States. Applications for financing of these activities must be submitted to the Community under the conditions laid down in the Title on financial and technical co-operation.

1.4.2. Application of the Convention

At various meetings of the Council of Ministers and especially the meetings in Brussels and Fiji the ACP States voiced their concern that, in the implementation of the trade promotion provisions, emphasis was placed on trade fairs and exhibitions. Furthermore some ACP States had experienced difficulties in implementing their trade promotion projects due to late approval of these projects.

The Commission, as the body responsible for the administration of the EDF, one of the tasks of which is to provide aid in this field, detailed the action which it had undertaken in this connection.

Thus the Commission organized meetings between its departments and representatives of the ACP States. Similarly, the representatives of the Commission took part in a conference on the Promotion and Development of ACP-EEC trade and intra-ACP trade in Nairobi in November 1979.

It was noted in this connection that the opening up of the market was not in itself sufficient to create trade patterns, since only those ACP States which already had the best export structures and the best sources of information could derive substantial benefit from it.

1.4.3. Financial data

The financial assistance which the Community provided for trade promotion activities was as follows:

Regional co-operation

Fairs and exhibitions (financing proposals)

14,102,000 EUA

Specific regional projects

3,000,000 EUA

National indicative programmes

Sums entered: approximately 16,500,000 EUA

It should be noted that, on the basis of the requests submitted by the ACP States, 1.4% of the total EDF resources committed went into trade promotion. The largest share of these resources (46.7%) was taken by trade fairs and exhibitions. General trade promotion activities absorbed 43.8%; trade infrastructures 5.8%; marketing 3.5% and trade information only 0.15% of the total.

Whilst some ACP States made provisions in their original national indicative programmes for Community aid for trade promotion activities (see above table), many others did not do so, believing that a lump sum had been fixed separately without reference to national indicative programmes. Co-operation between the Commission and the ACP States allowed some improvements to be made to the programmes.

1.4.4. Comments

The proceedings of the ACP-EEC Council of Ministers amply demonstrated the inadequacy of the measures taken in the first Lomé Convention and the already small part played by trade promotion in the ACP States' programming. It also appeared that trade promotion played only a limited part in the exports of the ACP States and in the creation of infrastructure for trade promotion in those States.

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1.5. CONCLUSIONS AS REGARDS TRADE

Although the trade provisions of the first Lomé Convention were applied in full, some difficulties were encountered in implementing them.

The difficulties encountered in implementing them arose mainly from the different interpretations that the contracting parties tended to give to the texts or from specific problems in the field of trade. The ACP States and the EEC raised these difficulties either in the Council of Ministers or the Committee of Ambassadors. In certain cases solutions that were found within the institutions of the Convention were not satisfactory to the ACP States.

Furthermore, although ACP-EEC trade flows increased during the implementation period, the ACP share of EEC imports did not increase appreciably during this period. Furthermore, even if a significant increase in the volume of ACP exports to the Community is recorded, the fact remains that the structure of ACP-EEC trade has scarcely changed, remaining centred on a small number of countries and products.

2. STABEX
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2.1. GENERAL ARRANGEMENTS

2.1.1. Provisions of the first Lomé Convention

- 2.1.1.1. It has been emphasized on many occasions that the Lomé Convention contained significant innovations from several points of view and the system for the stabilization of export earnings (STABEX) has been mentioned specifically in this connection.

In fact, all the developing countries have for many years been drawing the attention of the industrialized countries to the serious economic and financial difficulties resulting from the instability of the export earnings necessary for their development policies, this instability from which they suffer arising either from variations in the prices of primary products or from other unforeseeable occurrences.

- 2.1.1.2. The system introduced under Lomé I is aimed at ensuring stability of earnings from the exports of the ACP States to the Community (and, in some exceptional cases, from their exports to any destination) of products on which their economies depend, where such earnings are affected by price or quantity fluctuations. The system applies in respect of products on which a country depends to an extent of at least 7.5% of its total export earnings (5% for sisal). For the least-developed, landlocked or island ACP States this figure is 2.5%.

2.1.1.3. Entitlement to a financial transfer is established if, during a year, income from the export of a given product to the Community is at least 7.5% below the average of the previous four years. For the least-developed, landlocked and island ACP States the threshold is set at 2.5%

2.1.1.4. A total amount of 375 million EUA is earmarked to cover the commitments resulting from the application of this system.

This total amount is divided into 5 equal annual instalments, but the ACP-EEC Council of Ministers may authorize each year the advance use of a maximum of 20% of the instalment for the following year. Furthermore, any balance remaining at the end of each year is automatically carried over to the following year. The Council of Ministers may, in the event of a shortfall in resources, and acting on a report from the Commission, reduce the amount of the transfers to be made.

At the end of the Convention the Council of Ministers decides on the allocation of any balance remaining (and on the conditions for allocating amounts remaining to be paid by the ACP States by way of replenishment of the resources made available to the system).

2.1.1.5. In order to avoid uncertainty as to the periods of application of the system it was agreed between the Community and the ACP States that the first transfers would be made during the first year of application of the Convention and would therefore relate to the figures for exports effected during the previous year.

2.1.1.6. The system initially applies to a list of 12 principal products which are, by and large, of agricultural origin.

Following repeated requests from the ACP States, iron ore is on this list, although the Community indicated that it was, for reasons of principle, strongly opposed to the inclusion of mineral products under STABEX and that it would thereafter oppose any further inclusion of ores.

2.1.1.7. The ACP States which have received transfers contribute to the replenishment of resources made available to the system. However, this provision does not apply to the least-developed ACP States.

2.1.2. Application of the Convention

2.1.2.1. The Community and the ACP States firstly established an information mechanism which made it possible to have available at very short notice all statistical data relating to trade in the products covered by the STABEX system. Thus, three months after the entry into force of the Convention, the Commission, which is responsible for administering the STABEX system, was able to sign, with the ACP States concerned, 17 transfer agreements relating to the exports of the previous year (1975).

2.1.2.2. Various other items have been examined by the ACP-EEC Council of Ministers. Thus, in view of the catastrophic production conditions which resulted from the events preceding Guinea-Bissau's independence, a notional reference period was adopted.

2.1.2.3. Western **Samoa**, Tonga and Lesotho were subsequently added to the list of countries for which it is possible to take into consideration exports other than those to the Community; this list was also supplemented in favour of a number of new **acceding countries** (Comoros, Seychelles, Solomon Islands, Cape Verde and Tuvalu).

2.1.2.4. The ACP-EEC Council of Ministers added the following to the list of products contained in the Lomé Convention: cloves, gum arabic, wool, mohair, pyrethrum, vanilla, ylang-ylang.

As a result of the accession of Papua New Guinea, Cape Verde and Sao Tomé and Príncipe, the appropriation for the system was increased by 5 MEUA for the years 1977 to 1979.

2.1.2.5. It should also be mentioned that the ACP States requested that STABEX be extended to cover rubber, copper and phosphates. The Community took the view that, pending greater experience in applying the STABEX system and in view of the market in the products which the ACP States wanted included in the system, it would be better to try to attain common objectives as regards imports of these products.

As can be seen from the Resolution adopted at the meeting held in Fiji in 1977, the ACP-EEC Council of Ministers considered that satisfactory conditions for imports of various commodities including mineral products, could be provided in the framework of worldwide agreements or arrangements between industrialized and developing countries. The States parties to the Lomé Convention therefore agreed to take account of their mutual interests at international level in accordance with the principles on which the Convention was based, and to that end to consult each other and lend each other assistance. The consultations would make it possible to identify possible solutions to the problem of the supply and marketing of commodities.

1.1.2.6. During the meeting of the Council of Ministers in Brussels in March 1978 the ACP States called upon the Community to reconsider the Commission's refusal to examine the transfer requests submitted by three ACP States (Gabon, Kenya, Mali) on the grounds of the belated introduction of the transfer requests for the 1975 year of application. The Commission pointed out that the requests had been submitted well beyond the end of the financial year relevant to that year of application (31 December 1976).

The Council of Ministers agreed, on this issue, to apply a conciliation procedure under Article 81 of the Lomé Convention relating to the settlement of disputes.

In accordance with their terms of reference, the President of the Council of the European Communities and the President of the Council of ACP Ministers (Mrs ØSTERGAARD and Mr PATTERSON respectively) adopted, through a good-offices procedure, a recommendation that the ACP-EEC Council of Ministers request the Commission to appraise the transfer requests in question despite their belated submission.

2.1.2.7. The ACP-EEC Committee of Ambassadors also agreed to determine the periods within which transfer requests should be submitted by the ACP States, namely 31 March of each year for transfers corresponding to **a falling off in export earnings in the previous year.**

2.1.2.8. In view of the amount which had had to be used for transfers relating to 1978, the ACP-EEC Council of Ministers agreed on 31 October 1979 to authorize the advance use of part of the 1979 instalment for the said transfers.

2.1.3. Statistics

The aggregate balance-sheet by beneficiary State and product is as follows for the first four years (exports from 1975 to 1978) covered by the Convention:

2.1.3.1. Aggregate balance-sheet by ACP State

	<u>TABLE X</u>	<u>Total</u> (in EUA)
Benin		20,017,474
Burundi		1,485,655
Cameroon		4,064,981
Central African Republic		3,982,575
People's Republic of the Congo		7,361,677
Ivory Coast		15,000,000
Ethiopia		14,420,047
Fiji		2,114,974
Gabon		6,703,311
Ghana		5,176,408
Upper Volta		7,261,902
Mali		5,886,749
Niger		22,653,960
Somalia		1,932,145
Sudan		11,953,315
Tanzania		20,701,549
Togo		3,626,614
Uganda		13,695,128
Western Samoa		2,837,453
Madagascar		2,902,459
Sierra Leone		3,977,274
Guinea-Bissau		8,807,748
Tonga		1,149,359
Cape Verde		777,212
Mauritania		37,000,450
Swaziland		8,859,337
Chad		4,671,608
Liberia		7,586,943
Rwanda		608,802
Gambia		2,488,664
Senegal		<u>65,106,389</u>
	GRAND TOTAL	<u><u>314,812,162</u></u>

2.1.3.2. Aggregate balance-sheet by product

TABLE XI

	<u>Total</u>
Groundnuts	37,773,978
Groundnut oil	64,021,566
Oilcake	16,568,442
Cocoa	1,057,603
Cocoa paste	463,558
Coffee	14,494,288
Cotton	32,691,755
Copra	2,163,265
Coconut oil	2,114,974
Palm oil	2,232,940
Palm nut and kernel oil	5,567,186
Raw hides and skins	8,401,981
Wood in the rough	38,191,812
Sawn wood	696,646
Bananas	2,491,070
Tea	5,282,877
Sisal	20,577,410
Iron ore	57,424,004
Cloves	1,139,516
Gum arabic	848,489
Pyrethrum	608,802
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GRAND TOTAL	314,812,162
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2.1.4. Comments

All the bodies concerned by the STABEX system have observed that this innovation has on the whole proved satisfactory both in principle and practice.

However, during the application of the first Lomé Convention, a number of substantive points, which do not call into question the validity of the system, were raised by the ACP States. Some of these points were settled, as stated above, within the ACP-EEC institutions during the period of application of the first Lomé Convention.

2.2. SPECIAL PROVISIONS RELATING TO SUGAR

2.2.1. Provisions of the first Lomé Convention

2.2.1.1. When Denmark, Ireland and the United Kingdom acceded to the Community, it was stated that the Community would do its utmost to safeguard the interests of all potential associated States whose economies depended to a considerable extent on exports of commodities, notably sugar. It was also agreed that the instance of sugar would be settled in the context of the association policy, taking into account the importance of that commodity for the economies of several countries, notably Commonwealth countries.

2.2.1.2. For the above reason Protocol No 3 to the Lomé Convention stipulates that the Community undertakes to purchase and import, at guaranteed prices for an indefinite period, quantities of cane sugar equivalent to approximately 1,225,000 tonnes of white sugar (¹), originating in the ACP States. The said States undertake to supply that quantity, which is divided amongst 14 ACP States. The sugar covered by this Protocol is sold on the Community market at prices freely negotiate between buyers and sellers, the guaranteed price being negotiated annually within the price-range obtaining in the Community, taking into account all relevant economic factors.

(¹) Taking account of the provisions laid down in the Decision on the Association of the Overseas Countries and Territories and of an Agreement with India, the total quantity of sugar benefiting from these special arrangements is approximately 1,300,000 tonnes.

If an ACP State fails to deliver its agreed quantity in full, this quantity is reduced for the following years by the undelivered quantity, although the Commission may decide that this quantity should be re-allocated between the other sugar-producing ACP States. If, however, failure to deliver is the result of force majeure, the Commission allows an additional period for delivery. Furthermore, if an ACP State informs the Commission that it will be unable to deliver the agreed quantity but does not wish to have the additional period for delivery, the undelivered quantity is re-allocated by the Commission. The Protocol was concluded for an indefinite period but may be denounced, subject to two years' notice, after 1 March 1980, or be amended by mutual agreement after 1 April 1981. In this connection, the Community made the following declaration:

"The Community declares that Article 10 of Protocol No 3 providing for the possibility of denunciation of that Protocol, under the conditions set out in that Article, is for the purposes of juridical security and does not represent for the Community any qualification or limitation of principles enunciated in Article 1 of that Protocol."

2.2.2. Application of the Convention

2.2.2.1. Each year the Community has fixed with the producing ACP States the guaranteed price for raw and white sugar imported into the Community under Protocol No 3. The ACP States have on several occasions pointed out that, contrary to the text of the Protocol, the annual price had not, in their view, formed the subject of genuine negotiations between the two parties, as the Commission in its capacity as the Community negotiator had often offered a price on a take-it-or-leave-it basis, on the ground that there was not sufficient room for manoeuvre. Furthermore, the price

proposed by the Community was, according to the ACP States, based in the main on data relating to the Community's agricultural policy, without taking into consideration the relevant economic factors prevailing in ACP States and which included increase in production and freight costs.

The Community commented that it was impossible for it to envisage a price for the ACP States higher than the net income guaranteed to Community producers through the intervention price under the common organization of the markets. Besides, even if the guarantees given to the ACP States continued, in practice, to give them no more than the intervention price, such guarantees would give the ACP States a guarantee of disposal at remunerative prices. Moreover, the Community emphasized that the fixing of the price in units of account constituted an additional guarantee to the advantage of the ACP States.

2.2.2.2. The ACP-EEC Council of Ministers also encountered problems relating to the concept of "force majeure", the effect of which is provided for, as stated above, in the Protocol on sugar, whose provisions on the matter had given rise to divergent interpretations. The ACP States in fact challenged the decision taken by the Commission, which had resulted in a reduction in the agreed quantities, with regard to exports of sugar from certain ACP States (Congo, Suriname, Uganda and Kenya) which had not, during the period 1975/1976, delivered their agreed quantities. After the ACP States had stressed the particularly serious consequences of these measures for the countries in question and the Commission had set forth the basic reasons underlying its decisions, the Community finally agreed, at the meeting

of the ACP-EEC Council of Ministers in Fiji (April 1977), to restore the original agreed quantities for the countries in question. It stated that it was making this concession as a unilateral political gesture without retroactive effect and that it could not call into question the validity of the Commission's decisions. In taking this decision, the Community felt that it was taking into account the difficulties encountered by the ACP States in applying the provisions of the Protocol on sugar during its first year of application and stated that this particularly major concession could not be invoked as a precedent.

In order to obviate the recurrence of such situations the Community and the ACP States agreed, in December 1977, on a definition of the concept of "force majeure" and on a conciliation procedure for applying that definition ⁽¹⁾.

2.2.2.3. As the deliveries by the countries already covered by the Fiji Decision (see above) had not been completely fulfilled during the 1977/1978 delivery period, the Commission, pursuant to Article 7 of the Sugar Protocol fixed the following corresponding quantities for those four countries:

- People's Republic of the Congo:	4,957 tonnes
- Republic of Kenya	93 tonnes
- Republic of Suriname	2,667 tonnes
- Republic of Uganda	409 tonnes ⁽²⁾ .

⁽¹⁾ This Decision is set out on pages 43 to 46 of the 2nd annual report of the ACP-EEC Council.

⁽²⁾ The ACP States called for a review of these quantities. After a fresh examination, the Commission did not feel that its original decision should be changed. However, consultations on the matter are still in progress.

2.2.2.4. Furthermore, at its meeting in the Bahamas in March 1979 the ACP-EEC Council of Ministers examined the request by an ACP State, namely Zambia, to accede to the Protocol on sugar. However, the Community stated that, in the market situation obtaining at that time, it could not enter into any commitment beyond its obligations under the Protocol on sugar.

2.2.2.5. Contacts were maintained between the representatives of the Community and those of the ACP States during negotiation of the International Sugar Agreement. In the discussions on the new International Agreement, the Community stated that it considered that the principal mechanisms of this Agreement should be based on a system of buffer stocks, this approach being in line with UNCTAD's conclusions on the integrated commodities programme. The Community also urged that the new Agreement take into account its export possibilities and the special characteristics of the sugar policy of the Community, which itself had to take account of guaranteed imports from the ACP States. These conditions proposed by the Community were not incorporated in the text of the new International Agreement, but Article 76(3) of that Agreement provides for the possibility of negotiations to determine the conditions of accession by the Community. The Community explained in detail to the contact group set up for that purpose within the International Sugar Organization the conditions under which the Community could envisage acceding to the new Agreement. There has not yet been any agreement on the proposals presented by the Community. For their part, the ACP have always advocated that the Community should accede to the new International Sugar Agreement.

2.2.2.6. Lastly, the ACP States announced their total support for the proposals submitted by the Commission in December 1979 concerning Community sugar production quotas over the next five years.

2.2.3. Statistics

2.2.3.1. All deliveries of sugar under Protocol No 3 were effected by means of marketing on the Community market at prices freely negotiated between buyers and sellers without any need for intervention at guaranteed-price level in respect of quantities which could not be sold.

2.2.3.2. The prices adopted in the negotiations between producer countries and the Community are set out in the table below:

TABLE XII

GUARANTEED PRICE FOR ACP SUGAR

- for the period from <u>1.2.1975 to 30.6.1976</u> ⁽¹⁾	
= raw sugar	: 25.53 UA per 100 kg
= white sugar	: 31.72 UA per 100 kg
- for the <u>1976-1977</u> sugar year	
= raw sugar	: 26.70 UA per 100 kg
= white sugar	: 34.14 UA per 100 kg
- for the <u>1977-1978</u> sugar year	
= raw sugar	: 27.25 UA per 100 kg
= white sugar	: 33.83 UA per 100 kg ⁽²⁾

⁽¹⁾ Prices fixed for this period in an Annex to Protocol No 3 to the first Lomé Convention.

⁽²⁾ With regard to these prices, however, the Community stated that it expected the guaranteed price for raw sugar from the ACP States and the adjustment of the special system for self-compensation for storage levies for preferential sugar to enable the ACP States to obtain a price not lower than 28.20 UA on the Community market for the period under consideration. The Community also expected the guaranteed price for white sugar to lead to a market price of 35.60 UA.

- for the 1978-1979 sugar year ⁽¹⁾
 - raw sugar : 27.81 UA per 100 kg
 - white sugar: 34.49 UA per 100 kg
- for the 1979-1980 sugar year ⁽²⁾
 - raw sugar : 34.13 ECU ⁽³⁾
 - white sugar: 42.30 ECU

(¹) The agreement relating to this delivery period notes that it is expected that these guaranteed prices will enable the ACP States to obtain on the Community markets prices in excess of the market prices for the previous delivery period as estimated at the time of the negotiations for that period.

(²) The parties to the agreement on the guaranteed prices for this period noted that the ACP States strongly hoped that it would be possible to secure, in addition to the agreed guaranteed prices, a premium on Community markets during the delivery period in question.

(³) It should be noted that the guaranteed price for sugar from the ACP countries was determined in units of account for the first four sugar years. For the 1979-1980 sugar year, however, the price was set in ECU, in view of relevant changes in the Community: these prices represent an increase of 1.5% over those of the previous year.

2.2.3.3. Statistics

TABLE XIII

Supplies of ACP sugar ⁽¹⁾

(tonnes, white sugar value)

Delivery period	Obligations and total deliveries I	Total quantities delivered II	Difference ⁽²⁾ II - I
1975 (4 months)	309,800	317,707.3	+ 7,907.3
1975/76	1,217,592.7	1,107,623.1	- 109,969.6
1976/77	1,314,524.8	1,300,903.1	- 13,621.7
1977/78	1,238,320.7	1,239,265.5	+ 944.8
1978/79	1,192,807.1	1,207,006.5	+ 14,199.6

⁽¹⁾ 14 ACP States, including Suriname from 16 July 1976.

⁽²⁾ The minus quantities in the last column were not carried forward in their entirety because certain delivery shortfalls were not due to cases of force majeure.

2.2.4. Comments

The commitments entered into under the Lomé Convention effectively gave the sugar-producing ACP States, notably those covered up to 28 February 1975 by the Commonwealth Sugar Agreement, on the one hand security of disposal of the agreed quantities in the EEC market and on the other hand a guaranteed price linked with that granted to Community producers. In fact the prices obtained by the ACP have, on average, during the 5 years of application of the Protocol, been substantially higher than world sugar prices.

The ACP States have on several occasions stated that these prices have not corresponded to what they expected of the annual price negotiations. Cost increases reduce the actual price received for sugar by ACP producers in real terms and moreover in recent years it has been stationary in EUA terms.

3. INDUSTRIAL CO-OPERATION

3.1. PROVISIONS OF THE FIRST LOME CONVENTION

3.1.1. The fact that a separate chapter, and particularly one with contents of that sort, was devoted to industrial co-operation was regarded as one of the innovations of the first Lomé Convention. In the terms of the Convention, the Community and the ACP States, acknowledging the pressing need for the industrial development of the latter, agreed to take all measures necessary to bring about effective industrial co-operation. The objectives set for such industrial co-operation were:

- the development and diversification of industry in the ACP States;
- a better distribution of such industry in the ACP States;
- new industrial relations between the Community and the ACP States;
- to increase the links between industry and the other sectors of the economy, in particular agriculture;
- the transfer of technology and the adaptation thereof;
- the participation of ACP nationals in the industrial development of those States;
- the participation of Community firms in the industrial development of the ACP States, where those States so **desired**.

3.1.2. The means of attaining these objectives were firstly the programmes, projects and schemes submitted on the initiative of the ACP States, notably in their programming of EDF aid, and the participation of the European Bank in industrial investments. Secondly the Convention set up two bodies common to the ACP and the EEC: the Committee on Industrial Co-operation, composed of representatives of the States signatory to the Convention, and the Centre for Industrial Development (CID), which is of a technical and operational nature.

3.1.3. The ACP-EEC Committee on Industrial Co-operation is responsible for seeing to the implementation of industrial co-operation, examining the problems in the field of industrial co-operation submitted to it by the Signatory States, guiding, supervising and controlling the activities of the CID and for submitting the reports and recommendations which it considers appropriate to the ACP-EEC Committee of Ambassadors.

3.1.4. The ACP-EEC Centre for Industrial Development has the task of gathering and disseminating information on the opportunities for industrial co-operation, having studies carried out on the possibilities for industrial development

and ensuring their follow up, organizing meetings of all kinds between industrial policy-makers, promoters and firms and financial institutions, providing industrial information and support services and of helping to identify the opportunities for industrial training and applied research in the Community and the ACP States.

- 3.1.5. It was also agreed that each ACP State would endeavour to give as clear an indication as possible of its priority areas for industrial co-operation and the form it would like such co-operation to take. Each of those States was also to take such steps as were necessary to promote effective co-operation on industrial co-operation with the Community and the Member States or with firms in compliance with the development programmes and priorities of the ACP host State. For its part, the Community was to endeavour to implement measures to attract the participation of their firms in the industrial development efforts of the ACP States and to encourage such firms to adhere to the aspirations and objectives of the ACP States.

3.2. APPLICATION OF THE CONVENTION

3.2.1. Activities of the ACP-EEC Council of Ministers

3.2.1.1. At its first meeting the ACP-EEC Council of Ministers began by adopting Decision No 1/76 on the composition of the Committee on Industrial Co-operation and its Rules of Operation.

3.2.1.2. Acting on a proposal from the Committee of Ambassadors it also laid down, in Decision No 2/76, the Statutes and rules of operation of the Centre for Industrial Development.

This Centre, which enjoys the most extensive legal capacity accorded to legal persons, was made responsible for fulfilling the tasks laid down in Article 36 of the Convention. It is administered by a Director appointed by the Committee on Industrial Co-operation. The Statutes of the Centre also stipulate that the Director shall be assisted by a Deputy Director and advised by an Advisory Council with industrial experience whose members are chosen on an individual basis from nationals of States party to the Convention on the grounds of their qualifications and experience. The Statutes of the Centre

also lay down the detailed arrangements for drawing up the work programme and annual budget of the Centre. Furthermore, a separate Decision of the ACP-EEC Council of Ministers (Decision No 6/77 of 14 April 1977) lays down the arrangements applicable to the staff of the Centre as regards taxation, social security and jurisdiction. It was on this basis that a Headquarters Agreement was negotiated and signed between the CID and the Kingdom of Belgium.

- .2.1.3. Furthermore, at its meeting in the Bahamas (March 1979) the ACP-EEC Council of Ministers examined a report drawn up by the ACP-EEC Committee of Ambassadors on progress in the field of industrial co-operation.

3.2.2. Activities of the Committee on Industrial Co-operation

The work on the implementation of the provisions of the first Lomé Convention was in fact carried out by the Committee on Industrial Co-operation.

3.2.2.1. The Committee first adopted its Rules of Procedure, the conditions of employment of the staff and the Financial Regulation of the CID. In December 1976 it appointed the Director and Deputy Director and took the first steps to engage the staff of the Centre. It appointed the members of the Advisory Council, the number of whom was subsequently raised to 14, 8 of whom are appointed on a proposal from the Community and 6 on a proposal from the ACP States. It appointed the auditor and adopted Decisions adjusting the remuneration of the staff of the Centre.

3.2.2.2. On 27 October 1978 the Committee on Industrial Co-operation also adopted the guidelines to be given to the CID for the conduct of its activities.

These guidelines provide in particular that the Centre is an operational instrument which fulfils its role in close collaboration with the ACP States and with the Member States, the Commission and the EIB in the framework of the principles and provisions of the Lomé Convention. The Centre's operations must be of an essentially practical nature and geared towards tangible industrial achievement. The Centre's activities, carried out within the limits of its resources, must be prompted in the first place by the wishes of the ACP States. The Centre is to promote projects only

3.2.3. CID - EDF and EIB

3.2.3.1. A summary of the Centre's activities prepared by its Directorate is set out below.

"One of the innovations of the Lomé Convention (1975-1980) was the creation of a joint ACP-EEC technical institution to promote new and dynamic co-operation between the industrialists of ACP and EEC States with the objective of developing the industrial sector of the ACP countries. The Centre for Industrial Development was formally established in January 1977, the third year of application of the Convention. The Centre, its Advisory Council and the supervising authority - the Committee on Industrial Co-operation - had the initial task of setting up their respective structures and procedures, establishing rules and regulations to govern the operations of the Centre and formulating guidelines for its activities. The realization of this task extended throughout the period because of the novelty of the business of forging a credible organization from the diverse and heterogeneous interests represented by the States signatory to the Convention.

.../...

Another constraining factor for the Centre was the limited budgetary fund made available to it against the enormous needs of the ACP States. This amounted to 6,200,000 EUA for 3 years, which is less than 1 per cent of the sectoral allocation to industrial co-operation under the Lomé Convention. This problem was further compounded by the fact that the Centre was commencing operations at a period of decline in foreign industrial investment, particularly in third-world countries, because of the effects of world recession in the industrialized countries.

OPERATIONAL PROGRAMMES

The functions outlined in Article 36 of the Lomé Convention have been used to develop the major operational programmes of the Centre. These were organized under the following broad activity sectors:

1. Industrial information services

A network of agencies to provide information on industrial opportunities in the ACP States was established, operating in the form of a service dealing with direct enquiries to the Centre from ACP and EEC clients. The information supplied by the Centre covered a wide range of subjects, prominent among which were references to published papers, patent specifications, industrial users of agricultural,

forestry and marine by-products, raw materials evaluation and processing, markets for ACP manufactures and finding industrial partners. Industrial enquiries received from ACP-EEC firms were also listed in a special section captioned "Business Opportunities" of the bi-monthly publication "Courier". CID's "Business Opportunities" is reprinted in most EEC Member States and in several ACP States. It is also being distributed by mail and estimated circulation is currently over 2,000 copies.

In order to handle and retrieve information efficiently, the Centre established a computer-assisted documentation system - Lomé Industrial Development Information System (LIDIS). A proposal for linking LIDIS to the industrial enquiry data banks operated by Member States of the EEC is being studied, in co-operation with the Commission of the European Communities and Chambers of Commerce and Industry within the Community and the ACP States.

Industrial seminars for EEC industrialists have been held in some key areas such as ceramics, glass and wood, and direct ACP-EEC negotiations on new manufacturing facilities have resulted. Two ACP regional seminars to explain the roles of the three executive institutions responsible for industrial co-operation under the Lomé Convention were also held in Africa. They were attended by delegates from 25 African States, the Commission of the European Communities, EEC industrial companies, the European Patent Office, the United Nations Industrial Development Organization and the Economic Commission for Africa. The European Investment Bank sent a communication on its role in industrial co-operation to the seminars.

One important outcome of these seminars is that they have served to clear the confusion surrounding the mechanics of utilizing the financial aid provided under the Lomé Convention for industrial co-operation (EDF) and to focus attention on the technical assistance services offered by the CID. They have also resulted in an increased inflow of more credible project requests to the Centre from national and regional organizations of the countries concerned.

2. Industrial investment promotion and evaluation:

The cornerstone of the Centre's policy in industrial investment promotion and evaluation was to induce co-operation through joint participation of ACP and EEC industrialists in ACP industries. The CID has endeavoured to promote this objective by:

- providing ad-hoc assistance at any stage of a project, e.g. identification of raw materials or market outlets;
- search for investment partners and appropriate technologies;
- preparation and cofinancing of feasibility studies and financial plans;
- assistance with management arrangements and training;
- systematic support throughout all phases of project preparation and implementation.

Given its role as a catalyst and taking account of its limited staff (3 professionals assigned on a full time basis), the CID has, **wherever possible and appropriate, used specialized industrial promotion agencies, industrialists and consultants, both in the EEC and ACP States, in the evaluation and promotion of project proposals. Currently, the task of identifying EEC partners for about 50 ACP projects has been sub-contracted to the CID's antennas in the EEC.** A similar number of projects was handled by experts from ACP industrial development organizations attached temporarily to the Centre for industrial promotion training. In order also to supplement its limited financial means for project evaluation and promotion, the CID established close links with EEC bilateral aid institutions other than the European Investment Bank and the European Development Fund, the major instruments for EEC assistance to ACP States under the Lomé Convention.

Altogether the CID, since mid-1977, has cofinanced 125 project studies and expertises. Another 175 project ideas have been assisted in one form or another. In compliance with the guidelines given to the CID by the Committee on Industrial Co-operation, special attention was given to small and medium-sized undertakings in least-favoured ACP countries, and in particular to projects aiming at utilization of ACP countries' own resources. The Centre has been able to support projects and related activities in nearly all ACP countries. 70% of projects relate to agri-foodstuffs industries, building materials, building timber utilization, tanning and the development of alternative energy sources (biomass, natural asphalt, solar heating, small hydroelectric power stations) and the recycling of used engine oil.

5. Technology transfer and industrial training

The growing awareness of the need to increase the technological capacities and capabilities of ACP countries to facilitate industrialization prompted the selective activities of the Centre under this programme. Thus the CID offered to all ACP States and has carried out for 3 ACP States (Nigeria, Guinea-Bissau, Sao Tome) feasibility studies for the establishment of model industrial service centres which could satisfy locally based industrial companies willing to sub-contract production or maintenance services on a time-sharing basis. The implementation of these projects has been hampered by the lack of development assistance funding. It is hoped that the opportunity of drawing up new indicative programmes under Lomé II will enable more ACP countries to benefit from this important technological infrastructure.

The Centre has also during the period compiled and published the first volume of an inventory of adapted technologies for ACP countries. This contains profiles of 25 commercially successful technologies that have been adapted to the socio-economic situation of developing countries. Work is proceeding steadily on preparation of a second volume and on the industrial profiles of a number of widely occurring raw materials in ACP countries. These publications are aimed at stimulating new investment interest in industrial manufacture and their locational restructuring in ACP States. The adoption of some of these technologies, particularly those designed for rural areas, could bring about a better income distribution amongst the population and foster the modernization of backward areas.

The industrial training programme of the CID has been largely restricted by the fact that it had to be project-related. This explains the policy pursued during the first phase of activity of the Centre, which was to bring investment promotion officials from ACP States to the Centre for a period of 3 to 6 months to work on their national projects under supervision. In this way, the officials were able to establish contacts with industrialists, financial institutions, consultants and the industrial environment in general in Europe. 13 ACP officials passed through this training experience.

In-plant training was introduced in the latter phase of the Lomé period, with the CID only able to provide funding support to cover the return air-fares to Europe of ACP trainees. A total of 65 technicians, production staff and managers benefited from this provision, the training sites being both in ACP and EEC countries.

4. Technical assistance to ACP industries:

The technical assistance services offered to existing industries of the ACP countries consisted of short term expertises to investigate rehabilitation measures, performance evaluation and upgrading of production lines and expansion or diversification of investments. A total of 23 countries had recourse to CID services for technical assistance (Barbados, Benin, Central African Republic, Comoros, Fiji, Guinea-Bissau, Guyana, Jamaica, Kenya, Madagascar, Malawi, Mali, Mauritius, Nigeria, Papua New Guinea, Sao Tome, Seychelles, Senegal, Sierra Leone, Somalia, Tanzania, Trinidad and Tobago, Zambia).

In many cases, CID action resulted in the assisted ACP industries being expanded, diversified, restructured, or in improving the terms originally proposed by foreign suppliers. In other cases, the advice of the CID to discontinue non-profitable industrial activities or to refrain from accepting dubious industrial proposals from foreign promoters or suppliers was readily accepted by the ACP firms or authorities.

CONCLUSION:

The three years of operation of the CID under Lomé I has provided a unique experience not only because a joint ACP-EEC institution was set up but, more importantly, because it was possible to put into practice some of the concepts set out in the industrial co-operation chapter. The Centre succeeded in arousing the interest of firms in the EEC and in the ACP States, but due to its limited means, was only able to make a partial response to the enormous industrial development needs of the ACP States. Paradoxically, one of the positive effects of this situation was that it gave a better idea of the place which the CID's operational activities could occupy in the complex set of objectives assigned to ACP-EEC industrial co-operation.

3.2.3.2. As laid down in the Convention, industrial co-operation is also part of financial and technical co-operation and therefore falls within the programmes, projects or schemes submitted by the ACP States in connection with EDF programming or EIB operations.

It should be recalled in this connection that at the end of 1978 financing for the development of industrial production totalled 272,708 MEUA from EDF resources in the form of non-repayable aid, special loans and risk capital. The corresponding figure at the end of 1979 was 318,930 MEUA.

Furthermore, a large proportion of the appropriations from the 4th EDF allocated to industrial projects was implemented through cofinancing. As the EDF's multiplier coefficient through cofinancing is approximately 7, the financial contribution to the industrial development of the ACP States was, all in all, considerably larger than the amount of the EDF commitments alone would imply. This is also true of EIB operations.

3.2.3.3. Role of the European Investment Bank

By the nature of its tasks and in accordance with the first Lomé Convention, the EIB was required to play an active part in financing the industrial development of the ACP States. It is worth referring in this connection to the information which it has given on its activities during the period of application of the Convention, as set out in point 4.3.3. (EIB financial and technical co-operation). Particular note should be taken of EIB financing operations through the development banks in favour of SMEs and risk capital operations. On this latter subject, it should be emphasized that the eighteen risk-capital operations approved by the EIB served for the financing of projects which, because of their special characteristics, certainly could not have been financed solely by means of loans from the Bank's resources. Eight of these operations in favour of the industrial, mining and tourist sectors were for the financing of investments. The others were for the financing of specific studies. One of these, which was granted in the form of overall aid to a development bank, also provided for possible financing of the acquisition of holdings, or of quasi-capital operations.

.../...

3.3. COMMENTS

The ACP States have expressed their disappointment in the results of the first Lomé Convention as regards the development of their industrialization, which has not shown significant progress. An examination of the provisions of the first Lomé Convention would reveal the extent to which any inadequacies in the Convention influence these shortcomings.

As regards the role and functioning of the Committee on Industrial Co-operation, the ACP States have stated that the Committee should extend its activities in accordance with Article 35(2)(a) of the first Lomé Convention to cover the programmes of all institutions involved in industrial co-operation. The Community has agreed with the ACP States that the Committee should have a wider view of its role and that, for the future, procedures for examining the whole industrial co-operation programme should be laid down.

The ACP States have also raised the question of parity of representation on the Committee, in particular at Co-Chairman level.

The problems which have arisen have not prevented the Committee from achieving a high degree of success in the tasks assigned to it in Article 35, in spite of the complex problems of creating a sound administrative basis for a joint institution (CID) and the appreciable time and effort put into the negotiations. The Committee is now better able to devote its attention to examining questions of industrial policy.

As to the results obtained under the first Lomé Convention in this field, the ACP States consider that the impact on their industrial development did not match the hopes of both parties at the time of entry into force of that Convention. They take the view that this was to a large extent attributable to the inadequacy of the resources put at the disposal of the institutions to permit them to attain their objectives. In the case of the EDF, apart from industrial infrastructure the other areas of industrialization aid did not receive special attention in the context of the regional and indicative programme owing to the limited EDF resources earmarked for that purpose. Furthermore, this observation is borne out by the fact that many countries had no access to EIB resources, as witness the uneven allocation of its aid among countries as well as among the various sectors.

Lastly, the ACP States have noted that the Centre does not have access to all the means necessary to promote investments and joint ventures or the facilities for it effectively to acquire industrial technology or to transfer and develop technologies.

In general terms, the ACP Group considers that one of the main causes of the difficulties in this field is that the Community has not established a precise and meaningful policy on industrial co-operation with developing countries such as the ACP States.

On its side the Community feels there is no denying that the worsening of the world economic situation over the last few years has been an additional handicap for the industrialization of the ACP States and Community assistance for that purpose.

It is indeed disappointing to note that neither the prominence given by the ACP States to industrialization in their programming of Community aid nor the joint nature of the Lomé bodies on industrial co-operation has made it possible to attain the desired results in this area.

The Community also wonders whether the setting up of the instruments provided for in the first Lomé Convention did not take an excessively long time. It is regrettable that a comprehensive survey covering a sufficient period of time to be significant has thereby been rendered impossible.

The Community considers also that the basic factors governing the industrialization processes of developing countries should be stated fairly as in view of their intrinsic unwieldiness and the complexity of economic interaction they have to date necessitated a lengthy period of preparation and execution before attaining a level likely to bring full benefit to the country concerned.

4. FINANCIAL AND TECHNICAL CO-OPERATION
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4.1. PROVISIONS OF THE FIRST LOME CONVENTION

4.1.1. The purpose of financial and technical co-operation is to correct the structural imbalances in the ACP States' economies and to contribute to their economic and social development in the greater well-being of the population, the improvement of the economic situation and the introduction of structures and factors whereby such improvement can be continued or extended by their own means.

4.1.2. The methods of financing for each project are selected jointly with a view to the best possible use being made of the resources, taking into account the level of development of the ACP State concerned and the nature of the project.

Community aid may take the form of co-financing with ACP, EEC, third country or international bodies. It may also take the form of two-tier loans through the ACP State concerned.

4.1.3. Community aid may be used for investment or for schemes to improve the structure of agriculture, technical co-operation schemes, industrial information and promotion schemes, schemes to help small and medium-sized firms or for microprojects (up to a maximum of 20 million EUA). It may not be used to cover current administrative, maintenance and operating expenses.

The Community must, through financial and technical co-operation, provide effective assistance for regional and inter-regional co-operation, 10% of the total financial resources being earmarked for this objective.

Special attention is paid to the needs of the least developed ACP States, while exceptional, non-repayable aid ⁽¹⁾ may be granted to ACP States faced with serious difficulties arising from natural disasters or comparable extraordinary circumstances.

⁽¹⁾ 50 million EUA, annually restored to the original level, with an overall maximum of 150 million EUA.

4.1.4. There is close co-operation between the Community and the ACP States in implementing the measures financed by the Community. Thus, such measures must fall within the province of the ACP States' development plans and programmes. The programming of aid, which is done at the beginning of the application of the Convention but is likely to be adjusted during application, is carried out by mutual agreement between the Community and the ACP State concerned. Likewise, the preparation of projects is the responsibility of the ACP States, to which, moreover, the Community may lend its assistance for that purpose.

Appraisal and examination of projects are carried out in accordance with the procedure whereby an ACP State may be heard at the various stages. The execution of projects is the responsibility of the ACP State concerned, tendering being open on equal terms to all natural and legal persons of the ACP States and the Member States. Ex-post evaluation must be carried out regularly and jointly.

Lastly, it is for the ACP-EEC Council of Ministers to adopt the fiscal and customs arrangements applicable to contracts financed by the Community.

4.1.5. The ACP-EEC Council of Ministers must review the attainment of the objectives and the general problems of financial and technical co-operation. This review is based on the annual report from the Commission - which is responsible ⁽¹⁾, in certain fields together with the European Investment Bank, for aid management - and on the comments, information and proposals submitted by the ACP States.

⁽¹⁾ Under an Internal Financing Agreement between the Member States, communicated to the ACP States.

4.1.6. The fixed amounts of aid are set out in the table below:

TABLE XIV

(a) Amounts initially fixed:

European Development Fund	3,000,000,000 EUA
of which: Grants (approximately 60%)	2,100,000,000 EUA
Special loans (approximately 15%) (1)	430,000,000 EUA
Risk capital (approximately 3%) (2)	95,000,000 EUA
STABEX	375,000,000 EUA
European Investment Bank (3)	390,000,000 EUA

(b) (EDF) amounts increased as a result of new accessions:

European Development Fund	3,067,767,000 EUA
of which: Grants	2,145,182,000 EUA
Special loans	445,585,000 EUA
Risk capital	97,000,000 EUA
STABEX	380,000,000 EUA

(1) Duration of 40 years, with a grace period of 10 years, interest at 1% per year.

(2) Managed by the European Investment Bank.

(3) Loans coupled, generally, with interest-rate subsidies borne by the EDF at the rate of 3%.

4.2. APPLICATION OF THE CONVENTION

4.2.1. Preparation of implementation

Implementation of those provisions of the first Lomé Convention which relate to financial and technical co-operation began (save as regards the financing decisions proper) before the Convention entered into force. The Commission departments and, within the field of its jurisdiction, the European Investment Bank, immediately carried out the first programming missions in the ACP States and the appraisal of the first projects and programmes submitted by the ACP States and by the other recipients of aid.

However, the ACP States deeply regretted certain difficulties which occurred in the follow-up to these programming missions.

They regretted in particular that:

- (1) some of these missions had not complied strictly with Article 51 of the Convention and had imposed their points of view on the ACP States, whose task it was to define freely their objectives and priorities in the context of their national development plans;
- (2) some ACP States had met with difficulty in persuading the Commission subsequently to accept additional information concerning individual projects or details relevant to project dossiers;
- (3) the Commission had on many occasions rejected vital technical amendments to projects already submitted to the EEC.

Furthermore, in agreement with the ACP States, the Commission also, during this period, installed Commission Delegates and EDF¹ Paying Agents charged with major responsibilities for the administration of aid in the ACP States, while each ACP State designated National Authorizing Officers to represent the authorities of the country for all operations relevant to the projects financed by the Fund.

Financing of projects and programmes by the 4th EDF was thus able to begin immediately after the entry into force of the Convention on 1 April 1976.

4.2.2. Review of management of financial and technical co-operation (Fiji 1977)

Pursuant to the provisions recapitulated above ⁽¹⁾ relating to the examination by the ACP-EEC Council of Ministers of the application of financial and technical co-operation, the Commission forwarded to the Council, during each of the years following the financial year concerned, reports on the management of financial and technical co-operation. The reports relevant to 1976 and 1977 were forwarded to the Consultative Assembly as Annexes to the first and second annual reports from the ACP-EEC Council of Ministers.

The annual management report for 1978 was forwarded separately to the Consultative Assembly for its information. The management report for 1979 was submitted to the Council of Ministers on 19 May 1980.

The ACP-EEC Council of Ministers, which had already noted, at its first meeting on 14 and 15 July 1976, a verbal report from the representatives of the Commission and of the European Investment Bank on progress in the field of financial and technical co-operation, was able, at its meeting in Fiji on 14 April 1977 ⁽²⁾, to adopt a Resolution on such co-operation.

⁽¹⁾ Point 4.1.5.

⁽²⁾ See text in Annex II.

This Resolution, drawn up on the basis of a report from the ACP-EEC Subcommittee on Financial and Technical Co-operation and submitted by the Committee of Ambassadors, firstly set forth the overall orientation of the efforts to be made in this sector. The Council of Ministers requested the Community to take all necessary steps to expedite the implementation of national indicative programmes, the projects which they comprised as well as the implementation of the regional and inter-regional projects of the ACP States. Emphasis was placed on the efforts to organize the economic development of the ACP States rationally, to strengthen intra-ACP co-operation, to promote schemes directed towards the balanced development of all sectors of the economy, to stimulate efforts by producers and firms as well as new capital investments and to contribute to the promotion of joint undertakings. The Commission was also invited to include fuller information in its annual report. Furthermore, the Resolution provided that all necessary steps should be taken so that the persons responsible for planning and implementing financial and technical co-operation in the ACP States and in the Community could meet to draft a comprehensive balance-sheet of all financial and technical co-operation schemes.

The Fiji Resolution also related to the application of certain specific provisions of the first Lomé Convention (measures in favour of the least developed ACP States, regional co-operation, microprojects, financing of small and medium-sized undertakings, technical assistance and transfers of technology), to the training of supervisory staff for vocational training, to the operation and maintenance of investments (notably by providing, exceptionally, for supplementary aid, to be provided temporarily and on a diminishing scale), on participation of the ACP States in the performance of EDF contracts and, lastly, on the assessment of completed schemes, taking into account the provisions of Article 50 of the Convention.

The Council of Ministers also reaffirmed the importance which it attached to the dynamic application of the provisions of the Convention concerning regional and inter-regional co-operation. The ACP States and the Community were able to agree on the details for implementing such co-operation. The Community also proposed that work continue on the definition of a genuine regional development policy.

4.2.3. Other actions of the ACP-EEC Council of Ministers

Work then continued within the joint institutions, either in the ACP-EEC Committee of Ambassadors or the ACP-EEC Subcommittee on financial and technical co-operation. The proceedings centred on the fields referred to below.

- 4.2.3.1. As regards the fiscal and customs arrangements applicable in the ACP States to contracts financed by the Community, the ACP-EEC Committee of Ambassadors agreed on 28 August 1978, following lengthy discussions at various levels, at the end of which a number of points nevertheless remained outstanding, to submit the issues in abeyance to the Council of Ministers for appraisal at its meeting in March 1978. However, as agreement still could not be reached at that meeting, it was only at the following meeting of the Council of Ministers, namely on 23 March 1979 in **Freeport (Bahamas)**, that the Council was able to adopt Decision No 6/79 on the fiscal and customs arrangements applicable in the ACP States to contracts financed by the Community.

Under this Decision the ACP States apply to contracts financed by the Community fiscal and customs arrangements no less favourable than those applied vis-à-vis the most favoured State or most favoured international development organization. The Decision provides in particular that contracts financed by the Community shall not be subject in the beneficiary ACP State to stamp or registration duties or fiscal charges having equivalent effect, whether such charges exist or are to be instituted. Study, inspection or supervision contracts financed by the Community shall not give rise to turnover tax in the beneficiary ACP State. Other provisions concern the taxing of profits arising from carrying out contracts, exoneration from customs duties, indirect duties, taxes or fiscal charges having equivalent effect, the arrangements applicable to purchases of fuels, lubricants and, in general, all equipment necessary for contracts, the temporary admission arrangements, the arrangements applicable to natural persons engaged in carrying out tasks defined in contracts, the exemption of Commission Delegates and staff appointed to the Delegations from all direct taxes in the ACP States in which they are resident and, lastly, tax exemption for interest, commission and amortization due on assistance given by the Community in the form of loans or risk capital. It is also specifically stipulated that any matter not covered by the Decision is to remain subject to the national legislation of the States party to the Convention.

4.2.3.2. Following the Resolution on financial and technical co-operation adopted in Fiji, the Community reaffirmed the importance of integral application of the provisions of the Convention, notably Articles 50 and 57, dealing with the evaluation of the effects and results of investments financed under the Convention. However, it pointed out that such evaluation could not be undertaken until the first investments financed under the Convention had effectively been completed and the projects and programmes relating thereto terminated. It therefore proposed that exchanges of views be held with the ACP States in due course on the lessons to be drawn.

Meetings were subsequently held, under the auspices of the Commission, with ACP experts in Freetown, concerning the evaluation of public health projects, and in Bamako with regard to the evaluation of projects relating to water-supply problems. The lessons drawn from this examination, which are recorded in the conclusions prepared by the Commission at the end of the said discussions, should be taken into consideration shortly by the Community and the ACP States in the context of implementation of Article 41 of the Convention concerning the general guidelines for financial and technical co-operation.

4.2.3.3. On the basis of proposals submitted by the Community and by the ACP States, the ACP-EEC Subcommittee on Financial and Technical Co-operation drew up detailed arrangements to be adopted for the introduction, financing and implementation of microprojects. For its part, on 21 November 1977 the Council of the Communities approved the introduction of a simplified procedure for the approval of microproject programmes.

Following the drawing up of the indicative programmes of the ACP States, it appeared that there were differences of interpretation as to whether microprojects:

- should be charged to the indicative programme, or
- be covered by a special financing arrangement outside the indicative programmes.

The result of this has been that some ACP States have not been able to benefit from the provisions of the first Lomé Convention relating to this matter.

The statistical data on projects in this area are set out below.

TABLE XV

MICRO-PROJECTS

A. At 31.12.1979 the Fund had financed 49 annual programmes to a total of 16.485 million EUA, i.e. a commitment rate of 77%.

B. The financing per year has been as follows:

- in 1976 1 decision	270,000 EUA
- in 1977 12 decisions	5,384,000 EUA
- in 1978 16 decisions	4,426,000 EUA
- in 1979, 20 decisions	6,405,000 EUA
	<hr/>
	16,485,000 EUA

C. The three-way financing of these programmes has been borne as follows:

- EDF	16,485,000 EUA, i.e. 43%
- ACP States	12,230,090 EUA, i.e. 32%
- local authorities	9,022,455 EUA, i.e. 25%
	<hr/>
Total for programmes	38,137,545 EUA

D. Type of programme financed

The 49 programmes financed at 31.12.1979 comprise 1912 different schemes, allocated as follows:

social infrastructures	:	666 schemes, i.e. 21% of the schemes
rural water-power	:	410 schemes, i.e. 21% of the schemes
country roads and bridges	:	174 schemes, i.e. 9% of the schemes
production development	:	168 schemes, i.e. 9% of the schemes
storage equipment	;	124 schemes, i.e. 6% of the schemes
various agricultural schemes:		370 schemes, i.e. 20% of the schemes
		<hr/>
		1,912
		100%

E. Expenditure situation (at 20.12.1979)

<u>Year of financing</u>	<u>Number of projects</u>	<u>Amounts financed EUA</u>	<u>Amounts expended EUA</u>	<u>Rate of expenditure</u>
1976	1	270,000	214,195	79%
1977	12	5,384,000	3,707,158	69%
1978	16	4,426,000	2,089,490	47%
1979	20	6,405,000	1,400,829	22%
		<hr/>	<hr/>	<hr/>
		16,485,000	7,411,672	45%

4.2.3.4. Throughout the application of the first Lomé Convention close contacts were maintained between the Community and the ACP States with regard to the implementation of regional co-operation. A first programme (called "first instalment") of an amount of 209.3 MEUA was adopted in agreement with the ACP States in March 1977. The Community subsequently took due note of a Resolution adopted at the meeting of the ACP-EEC Consultative Assembly in June 1979 recommending that provision be made for a better balance in the allocation of the second instalment of regional resources in favour of certain regions of Africa which had been relatively disadvantaged when the first instalment was apportioned (regions of Central, Eastern and Southern Africa). When the second instalment, to a total of 90.7 MEUA proposed by the Commission in September 1978 and definitively adopted following examination by the ACP authorities, was established at the beginning of 1979, the ACP States' requests relating to the apportionment of the resources available for regional co-operation were taken into consideration.

The Commission's management report for 1979 contains detailed information on the commitment and payment situation in respect of regional projects.

However, the ACP States have regretted that in the course of the application of the first Lomé Convention, they had not been adequately associated with the management of the Regional Fund, with the result that the quality of regional co-operation was affected.

4.2.3.5. Under Article 22 of Protocol No 2 it was for the ACP-EEC Council of Ministers to adopt the general provisions and conditions applicable to the placing and performance of public contracts financed by the EDF (conditions).

At its meeting in Fiji the Council of Ministers adopted Decisions Nos 8/77 and 9/77 delegating powers to the Committee of Ambassadors to adopt these texts. The Community accordingly forwarded to the ACP States in 1978 and 1979 respectively draft general conditions concerning works, supply and service contracts. A first meeting of ACP-EEC experts was held in Brussels on 22 February 1980 to inform the ACP States of the substance of the Community proposals and determine the procedure for examining these texts. **A second meeting should take place shortly in order to permit the ACP experts to continue and complete the examination of these draft general conditions for contracts.**

4.2.3.6. Similarly, under Article 23 of the same Protocol, the Council of Ministers was to adopt a procedure for the settlement of disputes arising between the authorities of an ACP State and a contractor or supplier in the course of execution of a contract financed by the EDF.

Study of the documentation relating to this proposal has not yet begun, as the Community has not submitted a proposal, given that its internal discussions have still not been completed.

.../...

4.2.3.7. As regards the problems of the least developed, landlocked and island countries, the Council of Ministers took certain decisions, at its meeting in Fiji, amending the list of least developed ACP States (in Article 48 of the Convention), following the accession of new States to the Convention. It also added to the list of least developed States, at the ACP States' request, Comoro State and Seychelles, and adopted a declaration of intent providing that, on their accession to the Convention, Sao Tomé and Príncipe and Cape Verde would also be entered on this list. The Council of Ministers subsequently, by Decision No 4/79 of 23 March 1979, added to the list of least developed ACP States Djibouti, the Solomon Islands, Tuvalu and Dominica together with Sao Tomé and Príncipe and Cape Verde.

Furthermore, in the light of the Fiji Resolution, exchanges of views took place to establish an indication of the financial commitments in favour of the countries listed in Article 48 of the Convention with a view to eliminating the specific obstacles to development in the least developed, landlocked and island countries. The setting up of an ACP-EEC Subcommittee responsible for studying the specific problems of these countries was envisaged. It should be recalled that, in June 1978, the ACP States presented to the Community a memorandum dealing with the specific problems of the ACP. All issues relevant to the least developed, landlocked and island countries were thereafter re-examined in the context of negotiations for the second ACP-EEC Convention of Lomé and, in this framework, provisions more favourable to the countries in question were adopted by mutual agreement between the Community and the ACP States.

4.2.3.8. Lastly, as regards the amounts which the European Investment Bank may commit in the form of risk capital, as the initial experience proved to be positive, it seemed desirable to place at the disposal of the Bank the balance of 100 million EUA intended, pursuant to the Internal Agreement on the financing of financial and technical co-operation (1975), for aid operations in the form of risk capital. This balance which had not yet been committed was placed at the disposal of the Bank under a Decision of the Council of the Communities of 7 February 1978 (see point 4.3.3.).

4.2.4. Increase in the amounts of aid

Furthermore, in view of the accessions to the Lomé Convention subsequent to its entry into force, the Community took the measures required pursuant to the Internal Financing Agreement to place the amounts necessary under the EDF at the disposal of the ACP States, either by transferring the corresponding amounts in the case of former OCT or through new financial provisions comprising, as necessary, additional contributions from the Member States (¹) in the case of developing third countries which had acceded to the Convention.

(¹) See point 4.1.6.

4.3. EDF AND EIB FIGURES

4.3.1. At the end of February 1980, that is at the end of the period covered by the Convention, total EDF commitments had reached 2,275 MEUA out of a total appropriation of 3.4 thousand million, i.e. 66%; the remaining amounts will be committed after 29 February 1980, thus making it possible to avoid a pause in financing during the interim period prior to ratification of the second Lomé Convention. As regards programmed aid (i.e. excluding STABEX, exceptional aid and EIB aid), commitments will, at the end of February 1980, have reached 1,653 MEUA out of an aggregate total of 2,235 MEUA, i.e. 74%.

At the end of February 1980 payments had reached a total of 984 MEUA, i.e. around 30% of the total amount of the 4th EDF and more than 43% of total commitments.

The Community considers that, bearing in mind that execution of a number of projects approved, especially in the agricultural sphere, spreads over a period of 5, 6 or even 7 years, such a gap between commitments and payments is understandable.

In the opinion of the ACP States the results are fairly limited and constitute for them a matter of concern.

4.3.2. Situation in respect of EDF commitments

Table XVI

en 000 UCE at 31.12.79

SECTEUR D'INTERVENTION	AIDES NON REMBORSABLES	PRETS SPECIAUX	CONTRIBUTION FORMATION CAPITAUX A RISQUES	TOTAL	%	%
I. DEVELOPPEMENT DE LA PRODUCTION				836.723	50,7	38,2
1. Industrialisation						
10. Général	23.503	2.365	4.107	29.975		
11. Industries extractives	7.733	-	3.000	10.733		
12. Industries métallurgiques	721	-	0	721		
13. Industries chimiques	1.126	2.950	1.066	5.142		
14. Industries manufacturières	17.582	57.000	19.586	94.168		
15. Industries articles et alimentaires	5.311	127	4.812	10.250		
16. Projets à dominante énergétique	73.079	43.820	1.000	117.899		
17. Infrastr. intér. à des proj. industriels	2.378	-	-	2.378		
18. Artisanat	7.364	-	-	7.364		
19. Proj. intér. à dom. industrielle	7.174	14.763	24.365	46.302		
2. Tourisme	2.085	-	3.250	5.335		
3. Production rurale						
30. Général	40.516	12.090	-	52.606		
31. Plantations	66.714	35.914	-	124.628		
32. Aménagements hydro-agricoles	46.635	13.318	-	60.153		
33. Agriculture	141.364	13.723	-	155.087		
35. Elevage	37.815	1.825	-	39.640		
36. Pêche	11.629	2.065	-	13.694		
37. Forêts	4.346	6.020	3.200	13.616		
38. Divers	15.816	350	-	16.166		
39. Proj. intégrés à dom. agricole	36.868	-	-	36.868		
II. INFRASTRUCTURE ECONOMIQUE				454.580	27,6	20,7
4. Transports et communications						
40. Général	540	-	-	540		
41. Routes et Ponts	324.336	47.125	-	371.461		
42. Chemins de fer	11.649	32.846	-	44.495		
43. Ports et voies fluviales	12.756	6.451	80	19.287		
44. Aéroports	931	750	-	1.681		
45. Télécommunications	12.469	4.300	-	16.769		
46. Réseau	350	-	-	350		
III. DEVELOPPEMENT SOCIAL				326.081	19,8	14,9
5. Enseignement et formation						
50. Général	6.039	-	-	6.039		
51. Infrastructure d'enseignement	95.234	648	-	95.882		
52. Projets spécifiques et formation professionnels et envoi instructeurs	9.707	-	-	9.707		
53. Bourses	88.538	-	-	88.538		
54. Stages	300	-	-	300		
6. Santé						
60. Général	850	-	-	850		
61. Infrastructure	43.878	-	-	43.878		
62. Campagnes santé et coop. techn.	-	-	-	-		
7. Hydraulique, électricité, habitat						
70. Général	3.522	4.850	-	8.372		
71. Hydraulique villageoise	22.892	9.400	-	32.292		
72. Adduction d'eau urbaine	12.148	2.620	-	14.768		
73. Assainissement urbain	8.350	3.750	-	12.100		
74. Aménagement urbanistiques	10.955	3.300	-	14.255		
IV. PROMOTION COMMERCIALE				32.002	1,9	1,4
8. Promotion commerciale						
80. Général	12.324	1.700	-	14.024		
81. Structures commerciales	1.868	-	-	1.868		
82. Foires et expositions	14.950	-	-	14.950		
83. Information commerciale	50	-	-	50		
84. Marketing	1.110	-	-	1.110		
TOTAL I & IV	1.267.752	324.070	64.484	1.656.286	100,0	75,2
V. AIDES EXCEPTIONNELLES				110.922		5,1
90. Calamités	110.922	-	-	110.922		
VI. STAREX 92	299.663	-	-	299.663		13,7
VII. DIVERS				150.949		6,0
C. Divers						
00. Information, documentation	2.293	-	-	2.293		
01. Colloques	1.350	-	-	1.350		
02. Program. et coop. techn. générale	6.743	-	-	6.743		
03. Etudes générales	1.505	-	-	1.505		
06. Contrôles	100.158	-	-	100.158		
09. Frais administratifs et financiers	-	-	-	-		
04. Program. d'assistance	18.500	-	-	18.500		
TOTAL I & VII	1.802.886	324.070	64.484	2.191.420	100,0	

4.3.3. European Investment Bank operations (1)

4.3.3.1. Activities of the Bank since the entry into force of the Lomé Convention.

4.3.3.1.1. The implementation of financial co-operation with the African, Caribbean and Pacific States (ACP) and the overseas countries and territories (OCT) resulted, from the entry into force of the Lomé Convention until 29 February 1980, in the Bank's signing 94 financing operations for a total of 357.7 million UA, i.e. 70% of all the resources managed by the Bank.

Loans from the Bank's resources, covering 43 instances of financial aid, totalled 277.6 million UA while risk capital operations, of which there were 51 came to 80.1 million.

If account is taken of the new decisions taken by the Bank - not all of which had taken the specific form of signed commitments by 29 February 1980 - aid from the Bank on the latter date totalled 404.1 million UA, broken down into 301.6 million in loans from own resources (i.e. 75% of the maximum laid down) and 92.5 million in risk capital operations (i.e. 92% of the amount fixed).

(1) Information communicated by the EIB

4.3.3.1.2. As at 29 February 1980 industrial and mining or energy infrastructure projects (totalling 343.2 million) and tourist investments (totalling 14.5 million) have benefited from such financing.

Aid for agro-industrial complexes totalled 85 million and aid for the building equipment industries 35.5 million; 26 million were granted for mining investments, 12.1 million for chemical projects, 11.8 million for investments in metallurgy, 80.5 million in the energy sector and 18.3 million for various industries. The financing of small or medium-scale investments was facilitated by the granting to development banks of 20 general aids totalling 74 million (68.5 million from the Bank's own resources and 5.5 million in risk capital).

4.3.3.1.3. Tables XVII and XVIII give the country-by-country and sector-by-sector breakdown of aid granted by the Bank from own resources and risk capital as at 29 February 1980.

4.3.3.3. Table XVII - Statistics

LOANS (*) FROM THE OWN RESOURCES OF THE EIB IN THE ACP STATES UNDER THE LOME CONVENTION

Situation of loans signed between 1.4.1976 and 29.2.1980

(Amounts in MUA - Number of loans in round brackets)

Country	INDUSTRIAL PROJECTS							TOURISM	TOTAL		
	General loans	Energy	Extractive Industries	Metallurgical industries	Agri-ind. complexes	Construction plant	Other manufacturing industries		General	Incl. Industrial	Overall %
Cameroon		13,50(1)		5,30(1)		8,60(2)	2,55(1)	2,67(1)	32,62(6)	29,95(5)	11.8
Ivory Coast		17,00(2)			13,54(3)		5,17(1)	1,65(1)	37,36(7)	35,71(6)	13.5
Ghana		16,00(2)							16,00(2)	16,00(2)	5.8
Kenya	12,00(3)	12,00(1)			12,00(1)	3,00(1)	5,88(1)		44,88(7)	44,88(7)	16.7
Liberia	2,50(1)	4,90(1)							7,40(2)	7,40(2)	2.7
Malawi	3,00(1)				6,50(1)				9,50(2)	9,50(2)	3.4
Mauritius	3,00(1)	2,00(1)							5,00(2)	5,00(2)	1.8
Mauritania			25,00(1)						25,00(1)	25,00(1)	9.0
Niger							1,50(1)	4,51(1)	6,01(2)	1,50(1)	2.2
Nigeria	25,00(1)								25,00(1)	25,00(1)	9.0
Swaziland					10,00(1)				10,00(1)	10,00(1)	3.6
Tanzania	5,00(1)								5,00(1)	5,00(1)	1.8
Togo					2,33(1)	14,00(1)			16,33(2)	16,33(2)	5.9
Zambia	2,50(1)								2,50(1)	2,50(1)	0.9
AFRICA TOTAL	53,00(9)	65,40(8)	25,00(1)	5,30(1)	44,37(7)	25,60(4)	15,10(4)	8,83(3)	242,60(37)	233,77(34)	87.4
%	21,9	26,9	10,3	2,2	18,3	10,6	6,2	3,6	100 %	96,4	
CARIBBEAN											
Barbados	2,50(1)								2,50(1)	2,50(1)	0.9
Trinidad and Tobago	10,00(2)								10,00(2)	10,00(2)	3.6
Regional	3,00(1)								3,00(1)	3,00(1)	1.1
PACIFIC											
Fiji		12,50(1)							12,50(1)	12,50(1)	4.5
Papua New Guinea					7,00(1)				7,00(1)	7,00(1)	7.5
GRAND TOTAL	63,50(12)	77,90(9)	25,00(1)	5,30(1)	51,37(8)	25,60(4)	15,10(4)	8,83(3)	272,60(42)	263,77(40)	100%
	24.7%	28.1%	9.0%	1,9%	18.5%	9.2%	5.4%	3.2%	100 %	96.8%	

(*) With interest rebate of 3% from EDF resources.

TABLE XVIII

AID IN THE FORM OF RISK CAPITAL IN THE ACP STATES UNDER THE LOME CONVENTION

Situation of contracts signed at 29.2.1980

(Amount in MUA - Number of operations in round brackets)

	INDUSTRIALIZATION									TOURISM		TOTAL	
	Development banks	Energy	Metal-urgical industry	Agro-ind. complexes	Textile industry	Wood industry	Construction materials	Other manufacturing industries	Studies and technical assistance	General	Industrial	Incl. Industrial	Overall %
Burundi	0,50(1)										0,50(1)	0,50(1)	0,6
Cameron			2,30(1)	2,30(1)							4,60(2)	4,60(2)	6,0
Cape Verde									0,08(1)		0,08(1)	0,08(1)	0,1
Congo										3,15(1)	3,15(1)	-	4,1
Ivory Coast				0,25(1)			2,00(1)	0,51(1)	0,18(1)		2,94(4)	2,94(4)	3,8
Djibouti		1,00(1)									1,00(1)	1,00(1)	1,3
Gambia				2,30(1)							2,30(1)	2,30(1)	3,0
Ghana							2,00(1)				2,00(1)	2,00(1)	2,6
Upper Volta				4,43(2)							4,43(2)	4,43(2)	5,8
Kenya								1,08(1)	0,10(1)		1,18(2)	1,18(2)	1,5
Liberia	0,29(1)										0,29(1)	0,29(1)	0,4
Madagascar			1,19(1)						1,11(1)		2,30(2)	2,30(2)	3,0
Malawi				0,99(1)							0,99(1)	0,99(1)	1,3
Mali				3,65(1)						2,50(1)	6,15(2)	3,65(1)	8,0
Niger					0,90(1)						0,90(1)	0,90(1)	1,2
Rwanda			3,00(1)								3,00(1)	3,00(1)	3,9
Senegal								0,50(1)	1,17(2)		1,67(3)	1,67(3)	2,2
Seychelles	0,56(1)										0,56(1)	0,56(1)	0,7
Sudan					6,50(1)						6,50(1)	6,50(1)	8,5
Swaziland									0,15(1)		0,15(1)	0,15(1)	0,2
Tanzania	2,50(1)				4,90(1)						7,40(2)	7,40(2)	9,6
Chad				7,50(1)							7,50(1)	7,50(1)	9,8
Togo				3,15(1)			2,00(1)		0,10(1)		5,25(3)	5,25(3)	6,8
Zaire	0,10(1)			4,00(1)			1,10(1)		0,03(1)		5,23(4)	5,23(4)	6,8
Zambia	0,56(1)								0,08(1)		0,64(2)	0,64(2)	0,8
AFRICA TOTAL	4,51(6)	1,00(1)	6,49(3)	20,57(10)	12,30(3)	-	7,10(4)	2,09(3)	3,00(10)	5,65(2)	70,71(42)	65,06(40)	92,0
%	6,4	1,4	9,2	40,4	17,4	-	10,0	3,0	4,2	8,0	100 %	92,0	
CARIBBEAN - PACIFIC													
Caribbean	1,00(1)										1,00(1)	1,00(1)	1,3
Guyana						3,20(1)					3,20(1)	3,20(1)	4,2
Jamaica									0,07(1)		0,07(1)	0,07(1)	-
Papua New Guinea				1,90(1)							1,90(1)	1,90(1)	2,5
GRAND TOTAL	5,51(7)	1,00(1)	6,49(3)	30,47(11)	12,30(3)	3,20(1)	7,10(4)	2,09(3)	3,07(11)	5,65(2)	78,88(46)	71,23(44)	100 %
%	7,2	1,3	8,4	39,6	16,0	4,2	9,2	2,8	4,0	7,3	100 %	92,7	

4.3.3.2. Activities of the Bank from 1 January 1979 to 29 February 1980 under the Lomé Convention

4.3.3.2.1. The total amount of financing decisions signed by the Bank during these 14 months was 94.6 million UA, of which:

- 78.2 million in interest-rate subsidies from its own resources;
- 16.4 million in risk-capital operations.

4.3.3.2.2. Sectoral distribution

(a) Development banks

As regards development banks, the EIB continued to grant general loans primarily intended for the promotion of SMUs; three operations in Africa and in the Caribbean, totalling 13 million EUA, were concluded between 1 January 1979 and 29 February 1980.

(b) Manufacturing industries

The ACP States' manufacturing-industries sector also benefited from several financing operations from the bank in the form of direct aid (12.5 million EUA). In Cameroon two projects (textiles and cement manufacture) formed the subject of two operations from the Bank's resources totalling 9.1 million EUA. In Zambia aid of 2.8 million in risk-capital is for the financing of a cement works. The EIB also granted five risk-capital loans (total: 0.57 million EUA) to finance studies; one of these studies relates to the construction of a ship-repairs yard in Cape Verde and the other to various industrial investments in Swaziland, Malawi, Lesotho and West Africa.

(c) Agro-industrial complexes

During the reference period the EIB financed two projects in this sector, totalling 7 million EUA. A loan of 4.6 million EUA was granted for the financing of investments to increase latex-processing capacity in the Ivory Coast and two loans were granted in the Gambia, totalling 2.4 million EUA in risk-capital, one loan being to finance the modernization of groundnut-processing plants and the other for a study on the marketing of the products of this oleaginous seed.

(d) Metallurgy industries

This sector benefited from three financing operations by the EIB totalling 8.79 million EUA. In Cameroon the extension and modernization of an aluminium plant formed the subject of two operations, a loan from the EIB's own resources of 5.3 million EUA and risk-capital assistance of 2.3 million UA. In Madagascar a conditional loan for risk capital of 1.19 million UA was granted for the construction of a pilot workshop for the processing of chromium ore.

(e) Chemical industries

In Ivory Coast two aid decisions totalling 5.7 million EUA were granted in 1979 for the extension of a fertilizer factory, one of 5.2 million from the EIB's own resources and the other of 0.5 million in risk capital.

(f) Energy

This sector benefited from 5 operations by the Bank totalling 14.6 million EUA. In the Ivory Coast and Ghana, the linking of the electricity grids of these countries formed the subject of two loans, each of 6 million EUA. In Djibouti a conditional loan of 1 million EUA in risk capital was granted to contribute to the financing of an electric power station. Two other loans in risk capital were granted: one to Madagascar to finance a study on the deposit of bituminous sandstone and the other in Senegal to contribute to the financing of solar energy development.

(g) Extractive industries

The EIB financed two projects in this sector totalling 26 million EUA. In Mauritania a loan of 25 million EUA was granted to develop iron ore deposits. In Senegal a conditional loan in risk capital was granted to finance a study relating to an iron ore deposit in the east of the country.

4.3.3.2.3. Risk capital

Approximately half of the amount of the operations in risk capital was granted to eight countries included in the list of least developed ACP States in Article 48 of the Convention. The other half was granted in six other countries chiefly to strengthen undertakings' own resources. In two cases these risk-capital operations were complementary to loans from the Bank's own resources.

Several methods were used to implement risk capital: the direct acquisition of holdings in the capital of an undertaking by the Bank on behalf of the Community, indirect aid for the creation of own resources through the ACP State by means of conditional loans, and quasi-capital assistance to undertakings in the form of conditional loans.

Aid for the constitution of own resources, in various legal forms, which is the chief objective of this capital, represents over three-quarters of the total amount granted.

4.4. Comments

4.4.1. As the Commission of the European Communities is responsible for the management of financial and technical co-operation, it is for that body, in conjunction with the European Investment Bank as regards sectors within the province of the latter, to account for such management.

The Commission has done so in the documents indicated below:

- 1976 management report [see ACP-CEE 66/77] annexed to the first annual report of the ACP-EEC Council of Ministers from 1 April 1976 to 31 March 1977;
- 1977 management report [see ACP-CEE 45/78] annexed to the second annual report of the ACP-EEC Council of Ministers from 1 April 1977 to 28 February 1978;
- 1978 management report [see ACP-CEE 2175/79] ⁽¹⁾;
- 1979 management report [see ACP-CEE 2204/80] ⁽²⁾.

4.4.2. The 1976, 1977 and 1978 reports should have formed the subject of discussions in the ACP-EEC Council of Ministers in order that the attainment of the objectives and the general problems resulting from the implementation of financial and technical co-operation could be examined.

⁽¹⁾ See text in Annex III

⁽²⁾ See text in Annex IV.

In its Resolution on financial and technical co-operation adopted at the Fiji meeting ⁽¹⁾ the ACP-EEC Council of Ministers had, however, recommended that every step be taken to ensure that the annual balance sheet on financial and technical co-operation could actually be drawn up in as comprehensive a manner as possible. In this connection, the Community subsequently stated that it would be grateful to have the observations, information and proposals from the ACP States provided for by the Convention and relating to problems concerning the implementation of economic, financial and technical co-operation in their respective countries, and also on the general problems of this co-operation.

As practical difficulties delayed the possibility for the ACP States' experts to participate actively in the proceedings in this field, on 14 March 1978 (Decision No 2/78) the ACP-EEC Council of Ministers adopted a Decision on the measures to be taken regarding examination of the results of financial and technical co-operation for the financial years 1976 and 1977. Confirming the Fiji Resolution, this decision stipulated that the ACP-EEC experts should draw up a comprehensive balance sheet of all financial and technical co-operation, carry out a detailed examination of the Commission report and report back to the ACP-EEC Committee of Ambassadors. Furthermore, the Council of Ministers delegated to

⁽¹⁾ See point 4.2.3.

the Committee of Ambassadors the power to adopt, in accordance with Article 41 of the Convention, a Resolution on the measures to be taken by the Community and the ACP States in order to ensure that the objectives of financial and technical co-operation were attained. The Committee of Ambassadors thereafter gave the joint ACP-EEC experts Working Party a brief to examine at the same time the Commission's management report relating to the financial year 1978.

The experts from the ACP States and from the Community actually met in Brussels on 25 and 26 February 1980 to examine the three Commission reports relating to the management of financial and technical co-operation in 1976, 1977 and 1978. This joint examination was carried out in accordance with Article 41 of the Convention and with the Resolutions of the ACP-EEC Council of Ministers in order to enable the Community and the ACP States to take stock of progress made in implementing the Convention and to eliminate the problems encountered during this implementation.

The conclusions of the meeting are set out in a report ⁽¹⁾ which was submitted to the Council of Ministers for examination at its meeting in Nairobi (8 and 9 May 1980) ⁽²⁾.

⁽¹⁾ See Annex V.

⁽²⁾ At that meeting the Council of Ministers adopted a Resolution on financial and technical co-operation; see Annex VI.

4.4.3. It could be argued that the provisions on financial and technical co-operation were applied in a generally satisfactory manner, notably as regards the needs of the least-developed, landlocked or island countries and micro-projects. However, a number of difficulties came to light during the period of application of the Convention. Thus, the ACP States criticized, inter alia, the procedural and other delays which affected all levels of the implementation process, the high cost of Community technical assistance, the slow rate of commitments, especially during the running-in period of the Convention, and the appreciable gap between the level of commitments and payments. They stressed the need to enhance the functions of the Commission Delegates in the efficient implementation of financial and technical co-operation. They also hoped that there would be greater participation in the implementation of the provisions on financial and technical co-operation.

All these anxieties were to a large extent taken into consideration at the meeting of experts held in February 1980.

5. PROVISIONS APPLICABLE TO CERTAIN SECTORS

5.1. ESTABLISHMENT AND SERVICES

5.1.1. Provisions of the first Lomé Convention

The arrangements that may be applied in matters of establishment and services, as laid down in the first Lomé Convention provide that all signatory States shall treat nationals and companies or firms of the other signatories on a non-discriminatory basis, it being understood that if, for a given activity, any State is unable to provide such treatment, the others shall not be bound to accord such treatment for this activity to the nationals of the State concerned. Should problems arise in the implementation of these provisions, the ACP-EEC Council of Ministers would examine them.

5.1.2. Application of the Convention and future outlook

No problem in the implementation of these provisions has been referred to the ACP-EEC Council of Ministers.

5.2. CAPITAL MOVEMENTS

5.2.1. Provisions of the first Lomé Convention

With regard to capital movements linked with investments and to current payments, the first Lomé Convention provides that the Contracting Parties shall refrain from taking action in the field of foreign exchange transactions which would be incompatible with obligations arising from the Convention in the field of trade in goods, services, establishment and industrial co-operation, on the understanding that in the event of serious economic difficulties or severe balance of payments problems, protective measures may be taken.

The Convention further provides that the ACP States and the Member States of the Community shall avoid, as far as possible, in respect of foreign exchange transactions linked with investments and current payments, taking discriminatory measures or according more favourable treatment to third States. Furthermore, the ACP States undertook, for the duration of the loans and risk capital operations carried out in the context of ACP-EEC financial and technical co-operation, to make available the currency necessary for the payment of interest and for amortization of loans and to make available to the European Investment Bank the foreign exchange necessary for the transfer of all sums received which represent the net revenue and proceeds from transactions involving the acquisition of holdings.

The Council of Ministers may be asked to examine any problems arising from the application of these provisions.

5.2.2. Application of the Convention and future outlook

To the knowledge of the ACP-EEC Council of Ministers application of these provisions raised no particular problems.

5.3. ECSC AGREEMENT

5.3.1. Provisions of the Agreement

When the Lomé Convention was signed the ACP States and the Member States of the Community also signed an Agreement laying down the arrangements applicable to products within the province of the European Economic and Social Committee. Such products originating in the ACP States are admitted to the Community free of customs duty. The same products originating in the Member States are imported into the ACP States on the same terms as other Community industrial products, i.e. without discrimination and under arrangements not less favourable than most-favoured-nation treatment.

5.3.2. Application of the Agreement and future outlook

Although some ACP States have not completed the procedures for ratifying the Agreement there seem to have been no difficulties in applying it.

6. INSTITUTIONS - ACCESSIONS - RENEGOTIATIONS - TRANSITIONAL MEASURES

6.1. INSTITUTIONS

6.1.1. Provisions of the first Lomé Convention

It is worth recalling that, apart from the contractual nature of co-operation established by the Lomé Convention between the Community and the ACP States, the Convention also provides for the creation of a number of joint ACP and EEC institutions, some of them - the Council of Ministers, the Committee of Ambassadors, the Committee on Industrial Co-operation and the Customs Co-operation Committee in particular - responsible for ensuring that the Convention is properly applied and empowered to adopt implementing measures to administer or monitor the provisions of the Convention.

6.1.1.1. The keystone of the ACP-EEC institutional structure is the ACP-EEC Council of Ministers, made up of the Members of the Council of the European Communities and of the Commission on the one hand and of a member of the Government of each ACP State on the other.

The office of President of the Council is held alternately by the European Community and by the ACP States. Decisions are taken by mutual agreement between the Community and the ACP States, each side determining by means of an internal Protocol the procedure for arriving at their respective positions.

The Council of Ministers has the task of defining the broad outlines of the work to be undertaken in the context of the application of the Convention.

Periodically it reviews the results and takes such measures as may be necessary for the attainment of the objectives; it has the power to take decisions which are binding on the Contracting Parties and may formulate resolutions, recommendations or opinions.

It is the forum for the consultations provided for by the Convention. Any problems arising from the application of the Convention may be referred to it, either by the Community or the ACP States. Exchanges of views may take place in the Council on questions having a direct bearing on the matters covered by the Convention. By agreement among themselves, the Contracting Parties may hold exchanges of views on economic or technical questions of mutual interest.

The Council of Ministers may also make all the arrangements that are appropriate for ensuring the maintenance of effective contacts, consultations and co-operation between the economic and social sectors of the Member States and of the ACP States.

Secretariat duties in connection with the Council of Ministers, the Committee of Ambassadors and other joint bodies are carried out on a basis of parity by an ACP-EEC Joint Secretariat headed by two co-Secretaries, one from the ACP and one from the EEC, who are appointed by the Council of Ministers.

6.1.1.2. The Council of Ministers may delegate certain of its powers to the Committee of Ambassadors; this Committee is made up of one representative from each Member State, one Commission representative and one representative from each ACP State, and its task is to assist the Council of Ministers in the performance of its functions and to carry out any mandate entrusted to it by the Council of Ministers. It must keep under review the functioning of the Convention and the progress towards the realization of the objectives defined by the Council of Ministers. It is accountable to the latter for its actions and may submit resolutions, recommendations or opinions.

It also supervises the work of all Committees and other bodies of the Council of Ministers.

The office of Chairman is held alternately by a representative of a Member State and a representative of an ACP State.

6.1.1.3. The Consultative Assembly is composed on a basis of parity of members of the European Parliament and Representatives appointed by the ACP States, and meets at least once a year. The Council of Ministers submits each year a report on its activities to the Assembly. The Consultative Assembly may adopt resolutions.

6.1.1.4. A procedure for the settlement of disputes is laid down in Article 81 of the Convention, under which disputes may be placed before the Council of Ministers. The Contracting Parties may also have recourse to a good offices procedure.

If the Council of Ministers fails to settle the dispute, there is provision for the appointment of arbitrators. The decisions of the arbitrators are taken by majority vote, and each party to the dispute must take the measures required for the implementation of the arbitrators' decision.

6.1.1.5. Furthermore, provision is made in the first Lomé Convention for a variety of joint ACP and EEC bodies, such as the Committee on Industrial Co-operation, the Centre for Industrial Development, the Customs Co-operation Committee and the Permanent Joint Group on Bananas.

6.1.2. Application of the Convention

The ACP-EEC Institutions were extremely active during the four years of implementation of the Convention.

6.1.2.1. The ACP-EEC Council of Ministers was the main decision-making body under the Convention.

6.1.2.1.1. As required under the Convention it met each year, four times in all:

- on 14 and 15 July 1976 in Brussels
- on 13 and 14 April 1977 in Suva (Fiji)
- on 13 and 14 March 1978 in Brussels
- on 22 March 1979 in Freeport (Bahamas).

In addition, Ministers had the opportunity to meet at numerous ACP-EEC Ministerial Negotiating Conferences held in the latter two years of the Convention.

In accordance with the decision of the Council of Ministers in July 1976, a meeting took place on 20 October 1976 between the two ACP and EEC Presidents of the Council of Ministers for the purpose of considering the various matters to which it had not been possible to find a solution at the first meeting of the Council of Ministers.

At its first meeting, the Council of Ministers had adopted its own rules of procedure and those of the Committee of Ambassadors.

On each occasion it took note of the Resolutions of the ACP-EEC Consultative Assembly and agreed to take them into account when examining the matters to which they related.

The other issues discussed at these meetings are described in the relevant individual chapters in this report (Trade, Stabex, Sugar, Industrial Co-operation, Financial Co-operation, etc.).

6.1.2.1.2. As a result of certain difficulties encountered at the meeting of the ACP-EEC Council of Ministers in Fiji, Ratu Sir Kamisese MARA, President-in-Office of the Council and Prime Minister of Fiji, The Rt. Hon. Mr Edmund DELL, President of the Council of the European Communities, and Mr CHEYSSON, Member of the Commission with responsibility for development, agreed that the working methods of the ACP-EEC Council of Ministers should be revised. This was to be done in the ACP-EEC Committee of Ambassadors. The Committee duly carried out this examination and instructed the co-Secretaries to finalize a joint text which was examined and approved by the ACP-EEC Council of Ministers in Brussels in March 1978.

It was found that the work of the ACP-EEC Council of Ministers and its subordinate bodies had been quite satisfactory on the whole, but that it might nevertheless be advisable to make certain improvements. A number of measures were accordingly adopted to strengthen the role of the ACP-EEC Committee of Ambassadors, the importance of which was emphasized. Meetings should be held more frequently, and a meeting of the Committee of Ambassadors should be held about the middle of each quarter at which a general examination of the functioning of the Convention should be carried out. It was also found that it was necessary to strengthen the role of the Subcommittees so as to complement the strengthening of the Committee of Ambassadors.

The ACP-EEC Council of Ministers also decided to devote its discussions to essential matters without, however, preventing members who so wished from expressing their points of view on individual matters. It was agreed that issues on which a solution had virtually been reached already in the Committee of Ambassadors would not need to be discussed in the Council of Ministers, but would instead be referred to it as "A" items for formal approval in order to finalize the decision. In cases where delicate outstanding questions were referred to the Council, discussion should be confined to a brief exchange of views and the Committee of Ambassadors should be instructed to continue its search for suitable solutions.

The ACP-EEC Council of Ministers should thus concentrate more especially on a number of basic issues, such as a few major subjects relating to the implementation of the Lomé Convention and, in order to accentuate the political nature of the debates, should hold exchanges of views on a number of topics relating to the Lomé Convention so as to place ACP-EEC relations in a world-wide context.

At the meeting in March 1978 in Brussels, the members of the ACP-EEC Council of Ministers held a wide-ranging exchange of views which was entirely informal, involved no commitment whatever on the part of the participants, at which no minutes were taken or conclusions approved; two general but well-defined subjects were discussed: the North-South dialogue, with particular reference to the Common Fund and lightening the debt burden of developing countries, and ACP-EEC co-operation in science and technology (especially transfers of technology).

- 6.1.2.1.3. As provided for by the Convention, the Community and its Member States gave their consent in an internal agreement signed on 11 July 1975 to the measures and procedures required for the implementation of the Lomé Convention, and on 6 June 1975 in Georgetown (Guyana) the ACP States signed an agreement on the organization of the African, Caribbean and Pacific Group of States.

6.1.2.2. The ACP-EEC Committee of Ambassadors held seven meetings. Under Decision No 11/76 of the Council of Ministers of 15 July 1976 powers were delegated to it regarding a number of provisions of the first Lomé Convention. The Council of Ministers was also subsequently to delegate powers to it in certain specialized sectors.

6.1.2.3. The activities of the various other Committees, Subcommittees and Joint Working Parties under the aegis Council of Ministers have wherever possible been covered in the different sections of this report. It should, however, be pointed out that these bodies played a particularly important part, firstly during the interim period leading up to the entry into force of the Lomé Convention (23 meetings during that period) and thereafter during the first two years of application of the Convention (57 meetings between April 1976 and July 1978). These bodies met less often from 1979, partly because of the concentrated work of the ACP-EEC institutions on negotiations for the new Convention and partly because of the large number of previous joint meetings, which had enabled the Parties to find solutions enabling the Convention to maintain a steady momentum.

6.1.2.4. The ACP-EEC Consultative Assembly held one meeting per year. These meetings were in Luxembourg on the following dates:

- from 31 May to 3 June 1976;
- from 8 to 10 June 1977;
- from 25 to 29 September 1978;
- from 8 to 10 October 1979.

A Joint Committee was set up under its aegis, composed of a representative of each ACP State and an equal number of representatives of the European Parliament. This Committee played a basic role in preparing the discussions of the Consultative Assembly, meeting on numerous occasions (Lomé, Grenada, Maseru, Bordeaux, Luxembourg, Arusha), notably to draw up general reports to the ACP-EEC Consultative Assembly and to prepare the adoption of Resolutions.

The following were entrusted with preparing the general reports:

- Lord REAY in 1977;
- Mr GUILLABERT, Ambassador, in 1978;
- Miss FLESCH in 1979;
- Mrs FOCKE in 1980.

The following were the most important Resolutions adopted by the Consultative Assembly, on:

- activities under the Lomé Convention during the interim period and since its entry into force (1976);
- the annual report of the ACP-EEC Council of Ministers and problems currently raised by application of the Lomé Convention (1977);
- co-operation between the representatives of the economic and social sectors of the ACP States and of the Community Member States (1978);
- the annual report of the ACP-EEC Council of Ministers and the present situation regarding the Lomé Convention (1978);
- the specific problem and difficulties which have arisen in applying certain provisions concerning the commercial aspects of the Lomé Convention (1979);
- the situation in southern Africa (1979);
- the conclusion of the proceedings of the Joint Committee (1979);
- ACP sugar (1979).

The Joint Committee also adopted a final declaration at each of its meetings. During its last meeting it prepared proposals for Resolutions on the new institutional provisions of Lomé II, on the Rules of Procedure of the Consultative Assembly, on migrant workers, students and trainees, on the development of fisheries in the ACP States, on southern Africa and on sugar.

- 6.1.2.5. The Consultative Assembly also organized meetings on four occasions between members of the Consultative Assembly and representatives of the economic and social sectors of the ACP States and of the Community. The meetings at which the Council of Ministers and the Commission were represented centred in particular on the rôle of the economic and social circles in the implementation of the Convention and the details for their participation in its operation, the transfer of industries from Europe to the ACP States, the problem of the textiles industry, small and medium-sized undertakings and finally renegotiation of the Convention.
- 6.1.2.6. As is indicated in the section relating to STABEX, a good offices procedure was introduced. No other dispute has been the subject of the procedure laid down in Article 81.

6.1.3. Comments

6.1.3.1. The very concept of the Lomé system, which is to a great extent modelled on the Yaoundé Conventions, is indisputably based on an institutional structure, the task of which is to ensure a continuous dialogue between representatives of institutions and categories in the ACP States and the Community, so as to ensure against a background of complete clarity the co-operation necessary for applying the principles, examining the difficulties encountered, and seeking and achieving common solutions to those difficulties. This institutional characteristic of the Convention is, moreover, merely the corollary to the contractual nature of the work undertaken.

6.1.3.2. One of the first and most significant results of the negotiation and functioning of Lomé I was without a doubt the creation of a coherent group of non-European States signatory to the Convention. The Georgetown Agreement which gave it legal form, the initials "ACP" which have now become part of everyday political vocabulary, the creation of a General Secretariat, with its "ACP House", where the Ambassadors of the ACP States collaborate daily, are just some of the tangible signs of the unity of those States. This new development was underlined by His Excellency Mr RAMPHAL in Lomé in 1975 in the following terms: "what has emerged is the unity of all our States across regions and oceans, and continents. If these negotiations had produced no more than this, its achievement for us would be recompense enough, not merely for the strengths it brings to our group of States, but for the new dimension it contributes to the efforts of our generation to evolve the structures of an interdependent world society"

- 6.1.3.3. No-one today doubts the advantages of the ACP-EEC ministerial dialogue or the satisfying balance which marks relations between the ACP-EEC institutions.
- 6.1.3.4. There is, however, no doubt that the functioning of the system has been seriously hampered over the last two years by the priority given to preparing the new Convention.
- 6.1.3.5. Lastly, it may be wondered whether certain specific improvements should not be sought in the practical application of a system whose concept and functioning have otherwise proved entirely satisfactory, e.g. as regards:
- better application of the improvements envisaged with regard to the working methods of the ACP-EEC Council of Ministers (see point 6.1.2.1.2.);
 - more regular activity for the ACP-EEC Committee of Ambassadors;
 - closer contacts between the Consultative Assembly and the Joint Committee on the one hand and the ACP-EEC Council of Ministers on the other;
 - continuation of experiments regarding closer relations with and between the ACP-EEC economic and social sectors.

6.2. ACCESSION

6.2.1. Provisions of the first Lomé Convention

The Council of Ministers is required to approve any request for accession from a country or territory to which Part Four of the Treaty of Rome applies and which becomes independent. The country in question, which accedes to the Convention by depositing an instrument of accession, then enjoys the same rights and is subject to the same obligations as the ACP States. Such accession cannot, however, adversely affect the advantages accruing to the ACP States signatory to the Convention itself in the fields of financial and technical co-operation and Stabex.

The Council of Ministers must also give its approval when a request for accession to the Convention is submitted by a State whose economic structure and production are comparable with those of the ACP States. The State concerned then accedes to the Convention by concluding an agreement with the Community, whereby it enjoys the same rights and is subject to the same obligations as the ACP States. Such accession cannot, however, adversely affect the advantages accruing to the ACP States signatory to the Convention itself in the fields of financial and technical co-operation and Stabex.

6.2.2. Application of the Convention

During the period of application of the Convention thirteen new States acceded:

- Surinam (16 July 1976),
- Seychelles (27 August 1976),
- Comoros (13 September 1976),
- Djibouti (2 February 1978),
- Solomon Islands (27 September 1978),

- Sao Tome and Principe (1 November 1978),
- Cape Verde (1 November 1978),
- Papua New Guinea (1 November 1978),
- Tuvalu (17 January 1979),
- Dominica (26 February 1979),
- Saint Lucia (28 June 1979),
- Kiribati (30 October 1979),
- Saint Vincent and the Grenadines (27 February 1980).

6.3. RENEGOTIATIONS AND INTERIM MEASURES

6.3.1. The Convention stipulates that 18 months before its expiry, i.e. as from 1 October 1979, the Contracting Parties must enter into negotiations in order to examine what provisions shall subsequently govern relations between the Community and the Member States and the ACP States; the Council of Ministers must adopt any transitional measures that may be required until the new Convention comes into force.

Negotiations on the new Convention were effectively opened at ministerial level on 24 July 1979. They were then conducted by the Commission, which received the necessary powers from the Council of the Communities, and the Ambassadors of the ACP States, and by the Ministers themselves at four Conferences held:

- on 21 December 1978 in Brussels,
- on 22/24 March 1979 in Freeport (Bahamas),
- on 24/25 May 1979 in Brussels,
- on 25/27 June 1979 in Brussels.

The negotiations were also helped along by numerous meetings between the ACP and EEC Presidents, with the result that the Convention was signed on 31 October 1979 in Lomé.

- 6.3.2. When the Convention was signed the ACP-EEC Council of Ministers delegated powers to adopt the transitional measures provided for in the Convention to the ACP-EEC Committee of Ambassadors. Annex I to this report contains Decision No 1/80 adopted by the Committee of Ambassadors on 17 January 1980 and covering a first set of such measures.

CONCLUSION

Outline of a first assessment of the first Lomé Convention

In the final analysis it would be unreasonable to attempt at this stage to deliver a comprehensive and definitive pronouncement on the first Lomé Convention and the results of its application. Some have welcomed its innovatory nature, highlighted the hopes it held out and rejoiced in its satisfactory results, while others have pointed to its weaknesses or quantified its advantages.

An initial assessment of the Convention and its results at the present time ought at all events to take account of the following considerations.

1. A contractual commitment to programmed co-operation entered into by nine industrialized countries - grouped together in an entity representing one of the world's foremost economic powers - and a group representing more than half of the countries in the third world and including three-quarters of the countries with the world's lowest level of economic development - undeniably constitutes a noteworthy innovation.
2. There is nothing odd in the implementation of such a Convention having taken a certain amount of time, which was unavoidable but all the more significant in that the duration of the Convention was very short, namely three years and eleven months.
3. The operation of mechanisms which are complicated and have a structure involving a large number of partners (implying the smooth functioning of the internal institutions of both groups of partners) cannot be performed easily or rapidly.

4. In some sectors it is clearly impossible for all the effects of the provisions adopted to materialize in such a short space of time, even though some had hoped they would be felt sooner.
5. As the expiry of Lomé I coincides with the drawing up of the present report, we do not yet have sufficient distance or even all the factual results.
6. Examination solely of the figures obtained and the activities of the joint Institutions does not give an adequate idea of the political scope of the first Lomé Convention, especially considering that the principles underlying it have, by mutual agreement, been extended, improved and supplemented in the new ACP-EEC Convention of Lomé.

In the light of the above - and subject to the final examination which cannot be undertaken until all the facts can be assembled and the necessary distance permits a dispassionate view - it must be recognized that all the provisions of the Convention have been respected and applied by its signatories and that it has yielded largely satisfactory results.

The considerable increase in trade between the ACP States and the Community, the satisfactory functioning of the STABEX system, guaranteed markets in the EEC for specific quantities of ACP sugar at prices close to those of Community producers, the commitment over a few years of large sums of money in agricultural or industrial development ventures and in transport, education and health projects, the setting up of industrial co-operation bodies, the establishment - through the joint Institutions - of permanent contacts between Governments of the ACP States, Community Institutions and Governments of the

Member States, not to mention the personal contacts between people and the meetings organized between the economic and social sectors of the signatory States, all represent a considerable tangible achievement generally hailed as a success by public opinion.

However, it is true that the ACP States, and to some extent the Community, have felt that the results of the application of the Convention have not always lived up to the expectations it has generated, have deplored the delay in implementing some of its provisions and have requested a broader interpretation of its spirit and letter.

It is in fact essential that the partners in the Lomé Convention remain true to the spirit which guided its conclusion by demonstrating a constantly renewed political will to find solutions to the problems arising.

The Council of Ministers has examined these difficulties. It has found solutions to a great many of them, while others are still being examined either by Committees or Subcommittees or by the ACP-EEC Committee of Ambassadors.

.../...

If the Lomé Convention is to retain this exemplary character and continue to constitute a practical and pragmatic approach to the major economic problems arising in the framework of North-South relations, it is essential that the Parties to the Convention constantly strive to update its content, and enrich it, while taking account of the needs and potential of the other Party.

The Lomé Convention is an instrument serving a bold international co-operation policy. In implementing it, some inadequacies have emerged but it can most certainly be improved as has been shown by the experience of the last four years and the negotiation of a new Convention which, in addition to purely material goals, aims at the advancement of man and his dignity.

DECISION No 1 /80 OF THE ACP-EEC COUNCIL OF MINISTERS
OF 18 JANUARY 1980

on transitional measures
to be applied from 1 March 1980

THE ACP-EEC COMMITTEE OF AMBASSADORS,

Having regard to the ACP-EEC Convention of Lomé signed on 28 February 1975, and in particular the third paragraph of Article 91 thereof,

Having regard to the Agreement on products within the province of the European Coal and Steel Community signed at Lomé on 28 February 1975,

Having regard to Decision No 10/79 of the ACP-EEC Council of Ministers of 31 October 1979 delegating powers to the ACP-EEC Committee of Ambassadors in connection with the adoption of transitional measures on the expiry of the Convention of Lomé,

Whereas appropriate transitional measures, to apply from 1 March 1980, should be adopted to maintain in force the relevant provisions of the ACP-EEC Convention of Lomé of 1975,

HAS DECIDED AS FOLLOWS:

Article 1

The following provisions and the acts adopted pursuant thereto shall remain applicable after 1 March 1980 until the entry into force of new provisions relating to the same areas, or until 31 December 1980, whichever is the earlier:

1. as regards the ACP-EEC Convention of Lomé signed on 28 February 1975:

- (a) the provisions on trade co-operation in Title I and Protocol No 1;
- (b) subject to Article 4(2) of this Decision, the provisions on the export earnings stabilization system in Title II, Chapter 1;
- (c) the provisions on industrial co-operation in Title III;
- (d) the provisions on establishment, services, payments and capital movements in Title V;

.../...

- (e) the provisions on institutions in Title VI and Protocol No 4;
 - (f) the general and final provisions in Articles 84, 85, 88, 89, 90, 91 (third paragraph), 92, 93 and 94 and Protocol No 5;
2. the Agreement on products within the province of the European Coal and Steel Community, signed at Lomé on 28 February 1975.

Article 2

For the purposes of applying transitional measures, the ACP-EEC Committee of Ambassadors may, where necessary, exercise the powers conferred on the ACP-EEC Council of Ministers by the ACP-EEC Convention of Lomé of 1975.

Article 3

The Committee on Industrial Co-operation is hereby authorized to exercise the powers necessary to ensure the continued operation of the Centre for Industrial Development until the entry into force of the new ACP-EEC Convention.

.../...

Article 4

The export earnings stabilization system and financial and technical co-operation under the ACP-EEC Convention of Lomé of 1975 shall continue to be implemented under the same conditions as those laid down in that Convention.

Article 18(5) of the said Convention shall continue to apply, pending a final decision by the ACP-EEC Council of Ministers.

Article 5

The ACP States, the Member States of the Community and the Community shall, each to the extent concerned, take the measures necessary to implement this Decision.

Article 6

This Decision shall enter into force on 1 March 1980.

Done at Brussels, 18 January 1980
For the ACP-EEC Committee of Ambassadors
The Chairman

E. PLAJA

RESOLUTION OF THE ACP-EEC COUNCIL OF MINISTERS

OF 14 APRIL 1977

on financial and technical co-operation

I. OVERALL ORIENTATION OF EFFORTS

1. So that financial and technical co-operation can have immediate and lasting effects for the ACP States, the Council requests the Community to take all necessary steps to expedite the implementation of national indicative programmes and the projects which they comprise, as well as the implementation of the regional and inter-regional projects of the ACP States.

With a view to rendering financial and technical co-operation more effective, efforts should tend to:

- (a) Organize economic development rationally, by increasing and diversifying production,
- make judicious use of the resources available and
- strengthen intra-ACP co-operation, inter alia by developing transport and telecommunications infrastructures with a view to widening their markets and diversifying their economies;
- (b) encourage and promote, within this framework, such schemes and efforts as are indispensable to contribute to the balanced development of all sectors of the economy;
- (c) stimulate efforts by producers and firms in the countries concerned, as well as new capital investments, so that existing firms may expand and new enterprises be set up;

2. The Council recommends that the Commission include in its Annual Report appropriate information on the financing and administrative expenses of the EDF and that this be considered by the joint ACP-EEC subcommittee on Financial and Technical Co-operation, under the provisions of Article 41 of the Convention. This information will also be provided in respect of the implementation of projects financed by the EDF which are not included in the national indicative programmes.

3. In order that all the procedures provided for in Article 41 of the Lomé Convention may be completed, all necessary steps should be taken so that a meeting can be called for the second half of October 1977 at the latest between the persons responsible in the ACP States and in the Community for planning and implementing financial and technical co-operation, with the participation of representatives of regional and inter-regional groupings, so that a comprehensive balance-sheet can be drawn up of all activities in the context of financial and technical co-operation.

II. APPLICATION OF CERTAIN SPECIFIC PROVISIONS OF THE LOME CONVENTION

1. Measures in favour of the least developed ACP States.

The Council of Ministers takes note of the financial commitments from which several ACP States listed in Article 48 have benefited up to 31 December 1976.

It recommends:

- that these commitments be intensified in all the States on the list;
- that appropriate schemes be put in hand in order to remove specific barriers to the development of the least developed, landlocked and island countries.

Moreover, the Council of Ministers recommends that the most flexible and effective means of action authorized under the Lomé Convention be applied in order to implement projects in the said States.

To this end, the Council recommends that a joint ACP-EEC Subcommittee be set up to study the specific development problems confronting the least developed ACP States, in particular the landlocked and island countries.

II. 2. Regional co-operation

With a view to increasing the effectiveness of regional co-operation, the Council of Ministers recommends:

- that closer co-operation be set up between the ACP States and the EEC on the basis of the provisions laid down in Article 47 of the Lomé Convention in favour of regional co-operation so that a genuine regional development process can be set in motion and strengthened;
- that the funds available for regional co-operation be used in such a way as to play a stimulating and catalysing role so that resources may be diversified and augmented.

.../...

II. 3. Microprojects

The Council notes the existence of simplified procedures which will have to be applied in order to ensure that microprojects are implemented as soon as possible after the submission of programmes by the ACP States, and the power given to those States to decide on projects themselves, with the agreement of the Commission Delegate, within the framework of the programmes approved by the Community.

These microprojects are of special importance to the least developed, landlocked and island countries.

II. 4. Financing for small and medium-sized undertakings,
technical assistance and transfer of technology

The Council recommends to the ACP States and the EEC that they do all in their power to ensure that the opportunities available under the Lomé Convention as regards the "two-tier" financing of small and medium-sized undertakings, technical assistance and transfer of technology are put to the best use for the development of the ACP States and that they complement the efforts undertaken in other areas of financial and technical co-operation.

III. TRAINING OF SUPERVISORY STAFF AND VOCATIONAL TRAINING

The Council of Ministers recommends :

- that training of personnel be undertaken on the basis of general and specific programmes drawn up by the ACP States;
- that the programmes drawn up by the ACP States be financed by the Community taking into account the priorities stated by the ACP States;
- that sufficient flexibility be maintained in implementing these programmes to take account of possible bottlenecks;
- that activities undertaken in connection with the training of supervisory staff, in particular middle-level administrators and civil servants, and those concerning vocational training, be intensified and, where appropriate, be more closely linked with the various development projects financed by the Community in each ACP State so that they can progressively be taken over totally and smoothly by the national administrators of the ACP States.

The Council of Ministers feels that in this way it will be possible to expedite the replacement of technical assistants and to ensure the efficient management of investments made.

.../...

IV. OPERATION AND MAINTENANCE OF INVESTMENTS

The Council of Ministers recommends that, when projects are selected, particular attention be paid, in the implementation of financial and technical co-operation, to the problem of the operation and maintenance of investments carried out with the help of Community financing. It considers that the use of economic and social infrastructures necessitates action by qualified local staff and the mobilization of adequate budgetary resources.

With this in mind, the Council recommends, as is stipulated in Article 58 (2) of the Lomé Convention, that, exceptionally, supplementary aid be provided temporarily and on a diminishing scale in order to ensure that full use is made of investments which are of special importance for the economic and social development of the ACP States concerned and the running of which temporarily constitutes a truly excessive burden for the ACP States or other beneficiaries.

V. PARTICIPATION OF THE ACP STATES IN THE PERFORMANCE OF EDF CONTRACTS

The Council of Ministers recommends that in every case and as far as possible optimal use be made of the human and physical resources of the ACP States and that technology which corresponds to the needs of the public be adopted.

For the practical application of this principle the Council of Ministers lays emphasis on those provisions of the Lomé Convention whose application affords ACP firms the possibility of effective participation in studies on and the execution of projects.

VI. ASSESSMENT OF COMPLETED SCHEMES

To ensure that the objectives laid down in the Lomé Convention in the field of financial and technical co-operation as well as in the national indicative programmes and in the projects are attained and to ensure that the means of action brought into play are as effective as possible, the relevant departments of the Community and of the ACP States shall regularly carry out appraisals, taking into account the provisions of Article 50 of the Convention, of the effects and results of all completed projects as well as of the material condition of each investment carried out. They will carry out these appraisals jointly and inform the Council of Ministers, if possible as from 1978, of the initial conclusions which can be drawn from the joint appraisals.

COMMISSION REPORT TO THE ACP-EEC
COUNCIL OF MINISTERS
ON THE ADMINISTRATION OF FINANCIAL
AND TECHNICAL CO-OPERATION IN 1978,
UNDER THE LOME CONVENTION

Annex III has been deleted. The Commission' report for 1978 is available as a separate document on AEI, <http://aei.pitt.edu/4176>.

COMMISSION REPORT TO THE ACP-EEC
COUNCIL OF MINISTERS
ON THE ADMINISTRATION OF FINANCIAL
AND TECHNICAL CO-OPERATION IN 1979,
UNDER THE LOME CONVENTION

Annex IV has been deleted. The Commission' report for 1979 is available as a separate document on AEI, <http://aei.pitt.edu/4168>.

REPORT

of the meeting of ACP and EEC experts to examine the management
of financial and technical co-operation
for the years 1976, 1977, 1978

on 25 and 26 February 1980

The experts of the ACP Group of States and of the Community met in Brussels on 25 and 26 February 1980 to examine the three reports published by the Commission of the European Communities concerning the management of financial and technical co-operation under Lomé I for the years 1976, 1977 and 1978. This joint examination was held under Article 41 of the first Lomé Convention and in conformity with the resolutions of the ACP-EEC Council of Ministers to enable both the Community and the ACP States to take stock of progress in the implementation of the Convention and to alleviate problems encountered during the implementation phase. The conclusions of the meeting are annexed hereto.

I. PROGRAMMING, PROJECT PREPARATION AND APPRAISAL

The experts of the Community and of the ACP States examined the programming procedure as it took place under the first Lomé Convention. They noted that, within a year of signature of the Convention, 40 programming missions had taken place. Certain difficulties had arisen, particularly in the follow-up to the programming missions. The discussion resulted in agreement on the following points, to take account of these difficulties and to avoid unnecessary delays:

- (i) The Community assure the ACP States that information on particular projects or concerning details appropriate to the project dossiers will be sought through the ACP Missions in Brussels as well as through the Commission Delegates.
- (ii) The Community and the ACP States recognize that it is for the ACP States, in accordance with Article 51 of the Convention, to fix their objectives and priorities within the context of their national development plans.
- (iii) The Community assures the ACP States that any changes of a technical nature to a project will be fully agreed between the Community and the ACP State concerned, making use, where appropriate, of the ACP Mission in Brussels.
- (iv) The Community and the ACP States attach importance to enhancing the functions of the Commission Delegates in the efficient implementation of financial and technical

.../...

co-operation. In this regard, the Community will consider any proposals for furthering such enhancement;

- (v) The EIB will continue to take steps to ensure that its potential role and its procedures are fully understood by all the ACP States.

II. PROCEDURE FOR THE AWARD OF CONTRACTS FINANCED BY THE EDF

The experts of the Community and of the ACP States, in examining the procedure for award of contracts, identified certain difficulties, and drew the following conclusions:

- (i) The Community assures the ACP States that it will as far as possible provide them with short-lists of service contracts that are representative of the Member States.
- (ii) The Community and the ACP States consider that contracts should **not** be awarded automatically to the lowest bidder, but that technical and economic factors should be taken into account in determining the economically most advantageous bid, in accordance with Articles 21 and 25 of Protocol N° 2 to the Convention.
- (iii) The Community and the ACP States note the importance attached by the ACP States to the possibility of third country procurement in particular cases and agree that the procedures of the Convention should be applied without unnecessary delays.

.../...

- (iv) The ACP States take note of the large number of contracts awarded either by mutual agreement or by the expedited procedure, rather than by full international tendering, and have expressed the desire to make greater use of the first two of these procedures in the future.

III. PROCEDURE FOR THE AWARD OF CONTRACTS FINANCED BY THE EIB

The ACP States took note with satisfaction of the approach of the EIB with regard to the award of contracts and to third country procurement.

IV. MANAGEMENT OF OPERATIONS

The experts of the Community and of the ACP States examined the operation of financial and technical co-operation under the Convention. They noted that though two thirds of the total European Development Fund and four fifths of the resources administered by the EIB would have been committed by the expiry of the Convention, the fact that EDF disbursements would have reached only 29% of the overall volume of the fourth EDF was a cause for concern. They further noted that the rate of disbursements was increasing.

.../...

(ANNEX V)

They identified certain difficulties which have affected the implementation of this co-operation and have addressed them as follows:

- (i) The Community and the ACP States will take account of the need for projects eventually to become self-sustaining, in particular by adequate provision for training local personnel.
- (ii) Particular care will be taken in setting terms of reference for consultancy studies to ensure that they encourage the maximum use of appropriate technology and ACP human and physical resources.
- (iii) In the case of projects designed to improve ACP infrastructure, particular attention will be paid to the recurrent costs of that infrastructure, in accordance with Article 58 of the first Lomé Convention.
- (iv) The Community underlines its view that effective implementation of projects designed to increase productive potential requires that domestic prices for the products are high enough to provide adequate incentives for producers; the ACP States consider that they are not competent to treat this question in this framework.

V. OTHER FORMS OF OPERATION

The experts of the Community and of the ACP States examined the operation of the Convention in the special forms provided for, and particularly as concerns the least-developed States, microprojects, and small and medium-sized enterprises; they noted with satisfaction that these special forms of operation were, in general, working well, and also reached the following conclusions:

- (i) Special care needs to be taken to ensure, in accordance with Article 48 of the Convention, that unnecessary delays do not occur in projects in the least-developed States.
- (ii) The effectiveness of the programmes for small and medium-sized enterprises should be carefully examined in each case.
- (iii) In order to remedy certain problems experienced with ACP participation in trade fairs, participation in such fairs will, from 1980, be on the basis of fairs chosen by the ACP States concerned;
- (iv) Having experienced difficulties in the organization of cofinanced projects, the EEC and ACP experts note the advantages of joint financing in comparison with parallel financing.
- (v) As regards regional co-operation, any decision taken on the regional nature of a project will accord with the objectives and priorities which ACP States and their regional institutions have set themselves at the regional level, and will be taken jointly.

(vi) Given the high cost of European experts, the Community and the ACP States will use their best endeavours to keep costs down, while maintaining quality, and to use ACP experts where they are available.

VI. The Group invited the Commission to cover more fully in future reports the points to which special attention was paid during the discussion, and in particular to provide more comprehensive statistics on reimbursements.

RESOLUTION OF THE ACP-EEC COUNCIL OF MINISTERS

OF 9 MAY 1980

on financial and technical co-operation

THE ACP-EEC COUNCIL OF MINISTERS, meeting in Nairobi on 8 and 9 May 1980,

1. HAVING EXAMINED the joint report of the ACP-EEC Experts on the management of financial and technical co-operation in the context of the application of the Convention of Lomé I;
2. HAVING NOTED the difficulties which the partners, in particular the ACP States, have encountered in the implementation of financial and technical co-operation in the context of the Convention of Lomé I;
3. CONSIDERING concerted action to be a basic principle of financial and technical co-operation;
4. TAKES NOTE of the conclusions of the Working Party of Experts, reached after detailed proceedings and discussions;

.../...

5. CALLS UPON all the parties concerned to take greater account of the recommendations of those Experts in the further implementation of financial and technical co-operation;
6. INSISTS in particular on the need urgently to appraise the Commission's report on the management of financial and technical co-operation for 1979;
7. MANDATES THE ACP-EEC Committee of Ambassadors
 - to propose urgently to the ACP-EEC Council all necessary measures for setting up the ACP-EEC Committee provided for in Article 108 of the second Lomé Convention in order that the said Committee is rendered fully operational when the Convention comes into force;
 - to convene the first meeting of this Committee as soon as the Convention comes into force to examine all necessary measures for effective implementation of the general and specific provisions laid down in the second Lomé Convention in favour of the least-developed, landlocked and island ACP States and to ensure that practical measures are taken to solve the problems of these countries;
 - to ensure that the ACP States concerned are really involved in all stages of the implementation of regional co-operation;

- to encourage the ACP States to take all necessary measures for ensuring that local staff are trained in order rapidly to reduce dependence on technical assistance;
- to use all appropriate means for:
 - = reducing the cost of technical assistance without jeopardizing its quality;
 - = ensuring that special attention be paid to the terms of reference given to consultants in order to promote the maximum use of relevant technology and to put the human and material resources of the ACP States to good effect

Done at Nairobi, 9 May 1980

For the ACP-EEC Council of Ministers
The President

N. LEVI
