

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(82) 707 final

Brussels, 10th November 1982

**COMMISSION REPORT TO THE ACP-EEC
COUNCIL OF MINISTERS
ON THE ADMINISTRATION OF FINANCIAL
AND TECHNICAL COOPERATION IN 1981,
UNDER THE LOME CONVENTION**

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INTRODUCTION

This annual report for the ACP-EEC Council of Ministers on the management of Community financial and technical cooperation in 1981 has been drawn up by the Commission, in collaboration with the European Investment Bank for the parts of the report which concern it, under Article 119 of the second Lomé Convention, which entered into force on 1 January of the year under review.

This report is therefore being presented in a new institutional framework, particularly viewed from the angle of the work of the Committee set up by Article 108 of the Convention. However, the changeover from one Convention to the next has not entailed any break in the pattern of financial and technical cooperation: work on programming Lomé II began well before the entry into force of the Convention while in-the-field implementation of the decisions taken under Lomé I was continuing (more than 400 million ECU was disbursed from the fourth EDF during 1981). Moreover, although there has been definite evolution as intended by the negotiators, under the new Convention the implementation of financial and technical cooperation still has the same general characteristics in so far as the basic choices made during the programming or appraisal and execution of projects and programmes are concerned. So although this report is being presented under the second Lomé Convention the results still coming through in implementation of the first Convention will also be covered.

In drawing up its report the Commission this year possessed certain information and guidelines, obtained from the ACP States especially, which it had previously lacked and whose absence it regretted (1), in particular the results of the discussions of the Committee set up by Article 108 of the Convention, which held its first meetings, at authorized representative level, on 24 March and 28 April 1982. These meetings will henceforth be held quarterly and the initial results augur well for the future work of this new forum for consultation between the partners. A third meeting of this Committee was held in Libreville, on the occasion of the Council of Ministers meeting, when the Committee prepared a very substantial draft resolution, which was adopted by the Council itself on 14 May. This resolution (2) covers all major aspects of financial and technical cooperation and contains guidelines which will be useful for the future. This is the case, for instance, in the key area of project selection, where the partners' attention is drawn to the importance of the

(1) See Article 41 report (Lomé I) 1980.

(2) See annex.

"concomitant and complementary implementation" of projects of all sizes. The same also applies, for example, to the prices to be paid to producers of agricultural products, project-linked training, the scale of integrated projects and their impact on the environment, the involvement of the local population, etc., as the idea is increasingly gaining ground that development cannot come about solely as a result of decisions taken by central authorities, whether at national or Community level, for these are somewhat abstract (if only because of the physical distance).

Such a resolution puts an obligation on those it concerns and the Commission will be sure to take the greatest account of it.

However, since by definition an annual report deals with the results of past activities, in this case the results for 1981, it is largely those results which will be considered. Despite some difficulties which are inevitable in an undertaking as ambitious as the Lomé Convention, the results are good. If they are gauged by the simple but significant common denominator of the rate of commitments and disbursements, it will be seen that the figure for the former, for Community aid as a whole, was 855 million ECU, 43 % up on the preceding year, while the figure for the latter (721 million ECU) was 39 % up on 1980.

CHAPTER I - GENERAL ASPECTS OF THE AID

I.1. Programming

Though the second Lomé Convention only entered into force on 1 January 1981 programming had already started on the last few months of 1979. It continued throughout 1980 and was completed in mid-1981. Given the number of parties to the Convention, the length of time spent on this can be considered satisfactory (three countries "programmed" per month on average by teams always led by high-level officials).

The overall budget consists of programmable and non-programmable funds. The funds for financial and technical cooperation are largely programmable; those for Stabex, Sysmin and emergency aid - which are implemented depending on chance circumstances - are obviously not, like the financial resources managed by the Bank (loans from its own resources, interest-rate subsidies and risk capital). Nevertheless, the Bank was represented in each of the programming teams and a special annex dealing with projects in the sectors within its remit which the ACP States intend to refer to it was attached to the indicative programme.

The distinction between programmable and non-programmable funds is essential for the financial resources to be shared out fairly. Under the first Lomé Convention the distribution of non-programmable funds among the ACP States was fairly uneven and it was therefore necessary to take account of this state of affairs to some extent in the allocation of the programmable funds. In order to do this, it was decided to put an upper and lower limit on the appropriation for each ACP State and subsequently re-examine the indicative programmes country by country during the period covered by the Convention and adjust them where necessary according to the amount of non-programmable resources, particularly those administered by the EIB, received by each state.

Under the Lomé Convention programming is a consultative exercise designed to define each country's development objectives and quantify the resources needed to attain those objectives. It is quite clear, however, that the selection of priorities is the sole responsibility of the ACP States, a principle which has recently been stressed again by the Article 108 Committee.

The overall picture for programming is as follows:

- 40 % of the available resources are earmarked for rural development. This choice by the ACP States is consistent with the concerns expressed in all the relevant ACP and Community forums.
- The transport and communications sector, with nearly 19 % of commitments, is in second place. Transport-related difficulties remain one of the major obstacles to development.

- The social sector proper (health and training) accounts for 13 % of the amount of the programmes; of that, 5 % to 6 % is for training, in addition to project-linked training activities. It should also be added that many operations in the rural sector contain a big social element.
- The proportion of funds (9 %) programmed for industry, energy and mining may seem fairly modest; it should, however, be borne in mind here that these operations are in addition to those financed by the Bank, which specializes in this type of operation.
- It is interesting to note that with nearly 4 % of the programmed funds, micro-projects occupy a much more important place than under Lomé I (just over 1 %), which confirms the value attached to this type of operation.
- Lastly, it should be pointed out that, as under the first Lomé Convention, the least developed states received nearly two-thirds of the programmable resources although they account for only 40 % of the total population of the ACP.

While the keyword in programming under the second Convention has continued to be consultation, its parameters have changed. In order to make the indicative programme more flexible and at the same time link it more closely to the development objectives set by the ACP States it has been agreed to proceed by objective and not by project. The share of Community aid to be earmarked to each area of activity must therefore be determined. In this way it is possible to have a better idea of the Community's degree of involvement in the development policy followed by the ACP State and to make a reasoned choice, when the time comes, regarding the projects for programmes to be financed.

Under Lomé I, programming extended over the whole period covered by the Convention. No provision was made for committing appropriations in accordance with an advance time table. Commitments were therefore made as projects matured, not bound by any timetabling constraint. This resulted in shortcomings which gave rise to certain criticisms. In order to keep the problem more effectively within bounds and permit more regular monitoring of the pace of commitment, it was agreed to introduce in the programming an optimum pace for commitments, year by year, for the period of application of Lomé II, in accordance with Article 110 of the Convention.

The projected average pace of commitment was under 20 % for the first year, when the projects were to be identified and appraised before being submitted to the Community decision-making bodies for financing. The pace was to accelerate during the second and third years, as it is of the utmost importance to commit the available funds at a sustained pace. Inevitably, it would decline during the last two years.

It is already possible to compare the projected optimum pace for the first year with actual performance. Leaving aside Chad, Nigeria and Uganda, where no commitments have yet been made, and Vanuatu and Zimbabwe, where no commitment was scheduled during the first year, a third of the ACP States in fact exceeded the projected optimum pace and the other two-thirds did not attain that level. Overall commitments accounted for 12,1 % of the funds available - that is, of the lower limits of the ranges - whereas they should have come to 14,8 %. There is therefore some leeway to make up.

It is up to all concerned, particularly the ACP States in conjunction with the Commission Delegations, to look at the reasons for the gap between projections and actual performance and, where appropriate, take the necessary measures to remedy the situation.

I.2. Regional cooperation

Independently of national indicative programming, special attention should be given to regional cooperation activities.

The difficulties encountered under Lomé I led to a search for a more rapid, more flexible formula, reflected in new provisions which take better account of the specific characteristics of the administration of regional cooperation resources.

Initially, 600m ECU was earmarked for regional and interregional cooperation. This amount was increased to 631.5m ECU following the accession of Zimbabwe, St Vincent and the Grenadines and Vanuatu. Of these resources, 521.5m ECU is to be divided up among the seven major ACP regions and 110m ECU is for all the partners (regional trade cooperation, Centre for Industrial Development, Technical Centre for Agricultural and Rural Cooperation).

Prior to the programming mission the Commission informed each ACP country, in the form of a range of figures, how the funds would be allocated for the region concerned.

During the programming missions each ACP State's regional cooperation guidelines and project ideas were noted. Requests for financing have been or will be presented to the Commission or the Bank by ACP States or regional organizations duly authorized to do so by the ACP States which are members of those organizations, in accordance with Article 136(1) and (2). The work of appraisal begins as regional projects are identified.

By the end of 1981, 16 regional projects had been identified, involving a total amount of 110m ECU. Twenty-six operations, totalling 28.6m ECU, were the subject of financing decisions in 1981, ten of which

involved an amount of 12.6m ECU from the resources of Article 22 of the Convention (regional trade promotion). One project was financed by special loan, the others by means of grants.

In order to facilitate and speed up project identification, meetings were organized with the ACP States directly concerned, e.g., the "Northern Corridor" meeting (1) (November 1980, Brussels), the "Central Corridor" meeting (2) (May 1981, Brussels) and the Caribbean meeting (February 1981, Pointe à Pitre). Other meetings of the same kind and identification missions were subsequently organized, notably on ACP territory (Southern and Central Africa). At the same time, there were frequent contacts with various regional organizations (CARICOM, SPEC, CEAO, ECOWAS, OCAM, SADCC, (3) etc.).

I.3 Arrangements regarding the least-developed, landlocked and island ACP States

The second Lomé Convention provides a general framework for the implementation of cooperation between the Community and the ACP group. The various areas covered by the Convention are of interest to the group as a whole and the cooperation instruments contained therein are designed to benefit all ACP States.

In this way the unity of the ACP group is recognized. However, in actual fact the ACP States are not all able, because of their different economic and geographical situations, to make equal use of the opportunities offered under the Convention's general provisions. Accordingly, the Convention acknowledges in its preamble "the need for special treatment to be accorded to the least developed ACP States and for special measures to be introduced in favour of the land-locked and island ACP States in order to help them overcome the specific difficulties with which they are faced". Special provisions, inspired by the same spirit, already existed in the first Lomé Convention. Under Lomé II, however, a separate title (Title VIII) is devoted to the states in question: there are 39 of them although the list of "least developed countries" drawn up by the United Nations numbers only 31.

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- (1) Transport system in East Africa extending from the port of Mombasa.
 - (2) Transport system in East Africa extending from the port of Dar es Salaam.
 - (3) Caribbean Community; South Pacific Bureau for Economic Cooperation; Communauté Economique de l'Afrique de l'Ouest; Economic Community of West African States; African and Mauritian Common Organization; Southern African Development Coordination Conference, etc.

If all the measures taken to help the least developed, landlocked and island ACP States (Article 155(2) of Lomé II) are considered, it can be seen that they really constitute a specific policy for those countries. There is no doubt that, by making such allowances for these states, the Lomé II signatory countries have largely contributed to drawing the attention of the international community to their lot and to promoting the idea of increasing cooperation between industrialized and developing countries specifically in favour of that group.

Article 155, which is a provision of a general nature, refers to specific articles on the practical measures taken to assist the least developed, landlocked and island countries. First of all, a fundamental provision is contained in Article 106, which stipulated that special treatment shall be accorded to the least developed states and at the same time account shall be taken of the "particular difficulties" of the landlocked or island ACP States. Moreover, these three categories of states enjoy more favourable arrangements as regards trade cooperation (application of protective measures - trade promotion), Stabex, Sysmin, industrial cooperation, agricultural cooperation, the search for solutions to financial problems (indebtedness, debt servicing, balance of payments) and technical assistance.

There are also provisions specific to each of these categories of states which are already being implemented. Thus, for the least developed ACP states the interest rate on special loans is reduced to 0.75 % (Article 106). Similarly, account is taken of the difficulties peculiar to these countries in the appraisal of projects (Article 112). They are allowed particularly favourable terms as regards the granting, award and execution of contracts (Article 129). Priority is given to these states in the implementation of regional cooperation (Article 135) and in the matter of technical cooperation (Article 139), training (Article 141), microprojects (Article 145), operating expenditure in connection with project start-up (Article 152) or the financing of running costs (Article 153).

In the case of the landlocked states priority is of course given to dealing with the specific difficulties encountered by them, particularly as regards transport, communications and the supply of energy and mining resources (Articles 93 and 133). In the case of the island states particular attention is given to projects aimed at encouraging the movement of goods and persons, the development of sea fishing, etc. (Article 93).

The Convention contains three separate lists: one for the least developed countries, one for the landlocked countries and a third for the island countries. A country may appear on both the first and second lists or on the first and the third but not of course on the last two lists together.

It is still too early to make an overall assessment of the extent to which the least developed, landlocked and island ACP States are actually benefiting from the particularly favourable provisions laid down for them.

However, past experience and the results obtained under the first Lomé Convention - set out in detail in the preceding Commission report - augur well for the actual implementation of those provisions.

Moreover, it may already be noted that:

- nearly two-thirds of the programmable resources have been accorded to these countries although they account for only some 40 % of the total population of the ACP States;
- of the 25 microproject programmes committed or under appraisal in 1981, 20 involve these states;
- table No XVI shows that in the same year 55 % of the technical assistants serving in ACP States were posted to the least developed countries.

Overall, the least developed countries, with nearly 1 900m ECU committed as at 31 December 1981, have received, on aggregate, more than 60 % of all financing (61.14 %) from the fourth and fifth EDF resources (excluding regional projects). The situation is the same for disbursements, which also account for more than 60 % (60.90 %) of total disbursements from EDF resources (still excluding regional projects). This trend is encouraging; it shows that despite the special difficulties encountered by these countries the effort made by both sides to implement the aid has led to a satisfactory commitment and disbursement rate.

With regard to the EIB, the breakdown of financing according to the degree of development of the various countries concerned shows that some 90 % of the loans from the Bank's own resources were concentrated on nine ACP States (two with a relatively high per capita income and seven with an intermediate income), yet assistance in the form of risk capital went only to projects in seven of the poorest ACP States and in eight other with intermediate income levels.

Furthermore, while financing in the form of subsidized loans from the Bank's resources rose only slightly in 1981 compared with 1980, the total amount of risk capital transactions increased by more than 35 %. This trend is in accordance with the pattern sought by the signatories of the second Lomé Convention, which considerably increased the total amount of risk capital following the success encountered in the implementation of this type of aid under the first Convention. The new facility of according global loans in the form of risk capital also enable the EIB to finance more easily small and medium-scale investment schemes via the development banks in the poorest ACP countries, and hence to contribute more effectively to their industrial development.

Thus it seems that a very important political lesson has already been learnt: it is the spirit of realism and solidarity shown by the ACP States and the Community which has led to the common desire to draw practical conclusions from the various stages of development attained by the parties to the Convention and to give priority to the poorest.

I.4 Cofinancing

An innovation of the second Lomé Convention consists of specific provisions on cofinancing (Arts. 96 to 100). The ACP States and the Community were keen to emphasize the importance of cofinancing, which, by concentrating resources, makes it possible to mobilize the financial flows needed to carry out large-scale projects. The role of "leading agency" which the Commission or the EIB may be required to play at the request of the ACP States and with the agreement of the other parties concerned is referred to for the first time, in a special article. In this connection it should be pointed out that the texts merely formalize an existing practice.

Under the first Lomé Convention 77 projects were cofinanced, totalling an estimated 4 650m ECU. The Community and its Member States put up just over 30 % of the total amount involved (of which EDF + EIB: 17.1 %), the Arab Funds nearly 15 % and the World Bank group nearly 10 %.

A very wide range of projects was cofinanced, from hydroelectric dams, roads, railways, plantations, etc., to factories. The feature common to these projects is that they are on a large scale and would cost too much for a single source of finance. Also, these projects often have a regional dimension, which makes administering them a tricky matter since the practices of many project supervisors and providers of funds have to be reconciled. Careful preparations therefore need to be made for the "mounting" of cofinancing operations.

In an attempt to simplify these administrative problems the parties concerned are increasingly endeavouring to harmonize the rules applied by the cofinancing bodies, the aim being ideally to set up joint financing operations, where resources from various quarters are pooled together in a single fund from which they are disbursed as and when required, contrary to what happens in the case of parallel financing operations, where each cofinancier acts separately. The Commission has concluded such joint cofinancing agreements with the World Bank and is negotiating harmonization of procedures with the Arab Funds. However, so far parallel cofinancing of separate lots of works has been the rule with the Arab Funds.

In 1981 a number of projects were cofinanced. For instance, a village water engineering project in Guinea costing nearly 12m ECU is being part-financed by Community aid (to the tune of 5m ECU: 1.5m ECU for micro-projects and 3.5m ECU for "traditional" projects). The UNCDF (United Nations Capital Development Fund) is putting up nearly 2m ECU and UNICEF 0.6m ECU. The national budget is providing 2.5m ECU, the remainder coming from counterpart funds derived from US food aid.

The Banjul (Gambia) sewage disposal project is being cofinanced by the ADB (African Development Bank) (to the tune of nearly 7.3m ECU), German bilateral aid (3.3m ECU) and the local budget (1m ECU). The Community aid contribution is 3.5m ECU.

One project cofinanced with the World Bank is encountering certain difficulties: the Gorgol project (in Mauritania). The Community commitment dates from October 1980 and the contractor set up his site and started work, thanks to the Community money in January 1981. IBRD credits were not, however, mobilized until November 1981 (this was a parallel cofinancing operation) with the result that the work was held up as the contractor was short of funds. The same problem may arise again as a bilateral aid organization which pledged funds had, by February 1982, still not mobilized its financing. This example clearly shows the advantages of joint as opposed to parallel cofinancing.

Under Lomé II some 30 projects have been identified for cofinancing and are already being appraised. Some 50 others are being identified but are at present less clearly defined. With regard to the projects that have been identified it should be noted that the governments concerned are actively seeking other sources of financing to top up the Community contribution. Where required, the Community helps them in this search.

Activities to be cofinanced pursuant to the proposals emanating from the Southern Africa Development Coordination Conference (SADCC) are still being studied; there are mainly concerned with reducing the dependence of the nine countries concerned on South African lines of communication.

In the case of the EIB, the majority of capital projects in which it was involved in 1981 in the ACP States were cofinanced, as in previous years. Various providers of funds took part in these operations:

- multilateral institutions such as the World Bank and the International Finance Corporation, the Commission (for the European Development Fund), the African Development Bank and the Asian Development Bank;
- national institutions such as the Caisse Centrale de Coopération Economique and the Fonds d'Aide et de Coopération (France), the Kreditanstalt für Wiederaufbau and the Deutsche Entwicklungsgesellschaft (Federal Republic of Germany) and the Commonwealth Development Corporation (United Kingdom);
- the mainly Arab bilateral and multilateral agencies of the oil-producing states (Arab Bank for Economic Development in Africa, Abu Dhabi Fund, Saudi Fund for Development, OPEC Special Fund).

I.5. Commission Delegations

In 1981 the number of Commission Delegations in the ACP States increased by one with the opening of a Delegation in the Republic of Zimbabwe. This brings the network of Delegations to 42, as a number of Delegations are assigned to cover more than one ACP State. In accordance with the wishes of the ACP States the Commission has endeavoured, as it was invited to do under Article 123(1)(b) of the Lomé Convention, to ensure that the Delegate is represented by a deputy resident in each of the states in which the Delegate is not himself resident.

Thus the Commission, continuing in 1981 the policy started in 1980, has opened a number of sub-offices of its Delegations in

- Belize, which administratively comes under the Jamaica Delegation;
- Solomon Islands, which administratively comes under the Papua New Guinea Delegation;
- Samoa and Tonga, which administratively come under the Fidji Delegation;
- Seychelles, which administratively comes under the Mauritius Delegation.

Apart from their general duties of providing information and representing the Commission, the Delegates have a key role to play at all stages of the implementation of cooperation. This role cannot, however, be dissociated or examined separately from the even more crucial role conferred on the national authorities. Community policy, initiated in the first Lomé Convention and confirmed in the second, has been to decentralize out to the ACP countries a number of functions which were in the past performed by Commission headquarters. The first to benefit from this decentralization of functions and devolution of powers were the national authorizing officers, as Article 122 of the Convention bears witness. The Delegates themselves were assigned a range of new tasks, and while their scope may not always have been fully appreciated from outside the performance of those tasks has made it possible to simplify and speed up procedures. Thus it is the Delegates who:

- draw up the draft financing proposals;
- approve the invitation to tender dossiers where the works are estimated at less than 3.5m ECU;
- approve within a month the decisions to finance individual microprojects taken by the national authorities within the framework of the annual programmes approved by the Commission;
- approve within a maximum of one month the proposals for the placing of contracts where invitations to tender are involved covering works estimated at less than 3.5m ECU if the tender selected is the lowest, economically the most advantageous and does not exceed the sums available for the contract.

To date, such an approach has enabled Delegates to approve the national authorities proposals to place contracts, without referring to the Commission, in nearly 70 % of cases.

This last example clearly illustrates the extent and importance of the measures for transferring powers decided jointly by the Community and the ACP States when negotiating the Lomé Convention.

CHAPTER II - FINANCING

II.1 Commitments

II.1.1 Amount of commitments

Commitments entered into by the Commission and the Bank in 1981 totalled 855m ECU, which was 43 % up on the preceding year.

The amount was broken down as follows:

- 158m ECU under Lomé I,
- 697m ECU under Lomé II.

While this increase is to some extent due to the resources available under the two Conventions being committed concurrently (those of the first Convention are now virtually exhausted), it should also be noted that commitments under the second Convention alone were already nearly 17 % up on those for the preceding year and that commitments were also made at a faster pace than for the first year of implementation of Lomé I. The effort made so far will, however, have to be sustained and even intensified if the optimum pace provided for in Article 110 of the Convention is to be kept up overall. It has already been noted that this rate has been achieved and even exceeded by a third of the ACP States (1).

Aid administered by the Commission

Commitments entered into by the Commission in 1981 in respect of the aid administered by it totalled 611m ECU, well up on the amount for the preceding year (+ 42 %). As stated above, this result was to a great extent due to the simultaneous implementation, in the year under review, of two Conventions. The results achieved for the second Lomé Convention alone (453m ECU) were, however, better than those obtained the preceding year for the first Lomé Convention (431m ECU). If the 158m ECU committed under that Convention is added to the Lomé II amount, this brings the total to 611m ECU.

The aid administered by the Commission from EDF resources consists of grants, special loans, Stabex and Sysmin.

(1) See I.1 above.

The commitments are broken down as follows:

- 451m ECU for financing in the form of grants and special loans for national and regional projects and programmes. Of this amount 293m ECU came from Lomé II and 153m ECU from Lomé I resources.
- 22.8m ECU for emergency aid under Article 137 of the second Lomé Convention (1). Note that in 1981 the 60m ECU ceiling laid down by the Convention was not reached. It should also be noted that all the resources available under Lomé I had been committed by the end of 1980 (Article 59 exceptional aid).
- 138m ECU for Stabex, which is the maximum possible for the year in question (2) (the Lomé I Stabex appropriation had already been used up by the end of 1980).

Overall, at the end of 1981 the aggregate amount of commitments entered into by the Commission in respect of the aid administered by it in implementation of the two Lomé Conventions came to more than 3 000m ECU (3 083.9m ECU, of which 453.8m ECU for Lomé II).

Aid administered by the EIB

In 1981, the first year of implementation of the second Lomé Convention, financing by the EIB totalled 206.9m ECU, of which:

- 158.4m ECU was in the form of loans from its own resources (of which 118.4m ECU in subsidized loans),
- 48.5m ECU was in the form of risk capital assistance.

Loans from the Bank's own resources

In the course of the year the Bank accorded 12 subsidized loans totalling 118.4m ECU to nine ACP States and one regional development bank in West Africa and its first non-subsidized loan (40m ECU) under Article 59 of the Convention and Annex XXXI thereto, which provide that the EIB may commit, on a case-by-case basis, 200m ECU in loans from its own resources for additional operations involving mining and energy projects of mutual interest to the state in question and the Community.

The terms of the subsidized loans are fairly homogenous; their duration is between 12 and 20 years, with a grace period on repayment of the principal of 2 to 6-1/2 years and an interest rate of 8 %, taking account of the interest-rate subsidies from EDF resources, which in 1981 amounted to an overall updated amount of nearly 37m ECU.

(1) See IV.2 below.

(2) See IV.4 below.

Risk capital

In 1981, 17 contracts were signed for risk capital operations involving 48.5m ECU, two of which were combined with a loan from the Bank's own resources. Fourteen ACP States were concerned. Furthermore, one of these operations consisted in the EIB's acquisition of a holding on behalf of the Community in a regional development bank in West Africa.

In 1981 very wide use was made of the many different types of risk capital operation: conditional or subordinated loans to the state, either for the latter to acquire holdings in the capital of companies (e.g., the OK Tedi projects in Papua New Guinea, Industries Chimiques du Sénégal, Verreries du Burundi) or development banks (Tonga Development Bank), or for financing feasibility studies (tar sands in Madagascar); direct subordinated loans to firms (Electricité de Djibouti, hydroelectric plant in Sauniatu in Samoa); acquisition of holdings by the EIB on behalf of the Community in development banks (West African Development Bank, Comoros Development Bank); global loans (SOFIDE in Zaire, Development Bank of Zambia).

Nearly half the total amount spent on risk capital operations went to seven countries listed as least developed states in Article 155 of the second Lomé Convention.

The sectoral breakdown shows that more than 32% of the total amount of assistance was granted to the development banks, and the energy and mining sectors each absorbed around 25%. The remainder was used to finance operations involving the glass (8%), chemical (8%) and agri-foodstuffs (1.5%) industries.

II.1.2 Sectoral breakdown of commitments for projects and programmes (Funds administered by the Commission and the EIB) (1)

Taking an overall view of commitments for projects and programmes under the first Lomé Convention, the development of production (which includes industrialization, rural production and tourism) still easily occupies first place, with 57.3% of Community financing. This results is almost identical to that for the preceding year (57.5%). The percentage for 1981 corresponds to nearly 1 500m ECU in actual commitments.

(1) See lines III of Tables IVa (Lomé I) and Xa (Lomé II).

Industrialization accounts for more than a third of the grand total (34.3%). This percentage was regarded by the ACP States as not giving a fair picture because energy is included under industrialization in the Community classification. Moreover, if the amounts earmarked for project-linked technical assistance were subtracted, this would bring down the industrialization percentage. This is a valid point of view of course, but it may also be argued that the classification used by the Commission is not arbitrary. The second Lomé Convention deals with energy (Article 76) under Title V "Industrial Cooperation". The important thing in a system of classification whose main function is to clarify and reduce to basic essentials the areas dealt with is to be able to determine exactly what is covered by the classification and this is indeed the case. Moreover, it is true that there has been substantial financing of technical assistance in the energy sector. The reason for this is the effort made regarding new and renewable sources of energy, involving schemes which are both expensive (qualified experts are rare) and of fundamental importance to those ACP States which do not possess conventional sources of energy, as was stressed by the international conference held in Nairobi on this subject in August 1981.

While the development of production percentage has remained fairly steady overall under the second Lomé Convention (58.2% compared with 57.3% for Lomé I) the share for industrialization is still growing (44% of the overall amount). This result is largely due to EIB operations.

Rural production, with 570m ECU, accounts for 22.3% of total Lomé I financing (projects and programmes). This percentage may seem relatively small at a time when the priority given to rural development and food self-sufficiency is being proclaimed everywhere. However, this is a gross result and all operations in favour of the rural sector (agro-industrial projects, village water engineering, education and health) may legitimately be lumped together, as was done in 1980. Rural development in the wider sense can then be seen to have received approximately 35% of the financing. For Lomé II, rural production in the narrower sense accounted for only 14% of total financing but this is a cyclical, transitional phenomenon due to the fact that rural development projects always take longest and are the most difficult to appraise and then implement. At the end of the period the amount of financing will undoubtedly be close to the percentage agreed at the time of programming.

Economic infrastructure - in particular road infrastructure but also rail, water and air transport and telecommunications - remains the second major beneficiary of Community aid, with nearly a quarter of the commitments for Lomé I projects and programmes and 16 % at present for Lomé II commitments.

Social development accounted for 15.6% of Lomé I and 22% of Lomé II financing; here again though, this is a start-of-period cyclical phenomenon as the Lomé II indicative programmes earmark only 13% of total appropriations for this sector.

II.2. Disbursements

Disbursements by the Commission under the fourth EDF in the 1981 financial year amounted to 433m ECU, very slightly down (- 5.2%) on the volume of disbursements for the preceding year - which may be regarded as natural in view of the winding down of fourth EDF operations.

This figure brings total disbursements since the entry into force of the fourth EDF to 1 859m ECU, representing 66.1% of total fourth EDF commitments at end 1981 (compared with 53.3% at 31 December 1980).

Aggregate disbursements, as a proportion of the overall fourth EDF appropriation, have been as follows:

1976:	3.5%
1977:	8.6%
1978:	19.8%
1979:	31.1%
1980:	46.3%
1981:	61.9%

This table confirms that after getting off to a fairly slow start the funds were used at a steady rate as from the third year, increasing by some 15% per year as from 1979.

Disbursements by the Commission in 1981 under the fifth EDF came to 191m ECU. It is interesting to note that this figure is nearly double that for disbursements under the fourth EDF (approximately 97m ECU) in 1976, the first year of the preceding Fund's operations. Moreover, this amount represents 35.1% of total fifth EDF commitments at 31 December 1981 and 4.1% of the overall fifth EDF appropriation.

In 1981 disbursements by the Bank in the form of loans from its own resources and its risk capital operations totalled 122m ECU, nearly two-thirds up on the figure for 1980.

II.3. Invitations to tender

In 1981, 87 international invitations to tender (1) totalling 223.2m ECU were issued. These are broken down as follows:

(1) Since invitations to tender by expedited procedure are now only advertised locally the contracts resulting therefrom have not been included under international invitations to tender.

	Fourth EDF		Fifth EDF	
	Number	Amount (ECU)	Number	Amount (ECU)
Works	10	92 851 000	9	72 120 000
Supplies	<u>59</u>	<u>43 406 549</u>	<u>9</u>	<u>14 788 269</u>
Total	69	136 257 549	18	86 908 269

With regard to the fourth EDF it should be noted that, despite a considerable decline in the number of invitations to tender compared with 1980 (69 as against 102), the overall value of the contracts remained broadly similar to that for the preceding year (approximately 151m ECU). On the other hand one should note an increase in the volume of the works contracts (+ 93m ECU as against + 70m ECU) and a reduction in the volume of supply contracts (+ 43m ECU as against + 71m ECU).

For the fifth EDF, 1981 was typical of a start-up period although there were also contracts resulting from the follow-up to projects already begun under the fourth EDF.

It is interesting to note that, overall, the aggregate amount covered by invitations to tender issued in 1981 (fourth and fifth EDFs) was considerably up on 1980 (approximately 223.2m ECU compared with approximately 151.4m ECU, a rise of 47%).

II.4. Financing agreements

In 1981, 94 financing agreements were signed with the ACP States for a total amount of 308 508 000 ECU. This breaks down as follows:

	Fourth EDF		Fifth EDF	
	Number	Amount (ECU)	Number	Amount (ECU)
Grants	55	130 564 000	25	141 074 000
Special loans	<u>12</u>	<u>23 870 000</u>	<u>2</u>	<u>13 000 000</u>
Total	67	154 434 000	27	154 074 000

These figures are typical of a year such as 1981, which marked the transition from one Convention to another, particularly if account is taken of the almost perfect balance achieved in the total amount of financing between the fourth and fifth EDFs. In fact, apart from this interesting coincidence, the transition was marked by the following features:

- far fewer fourth EDF agreements in this "winding down" year compared with the previous years when the figure was around 115 agreements totalling some 320m ECU;
- the starting up of the fifth EDF, characterized by a high average amount for each financing operation (approximately 5.8m ECU) while the average per financing operation in the latter part of the fourth EDF period proved lower (1979-1981: approximately 2.5m ECU).

II.5. General conditions

In accordance with Article 22 of Protocol No 2 to the first Lomé Convention and Article 131 of the second Lomé Convention - the Community transmitted to the ACP States its proposals for common rules for works, services and supplies respectively in March and July 1978 and March 1979. These texts were the subject of counter-proposals from the ACP States. Negotiations on the substance, which should enable the ACP-EEC Council to take a formal decision on this matter, should be held soon. When this lengthy process is completed the texts adopted will of course be applicable to contracts concluded under the second Lomé Convention arrangements.

CHAPTER III - THE IMPLEMENTATION OF PROJECTS AND PROGRAMMES

The Lomé Conventions are valid for five years. Also, most of the projects take several years to implement, with the result that 1981 was marked by the continuation of projects begun under the first Convention and the start of the first projects approved under the second, which entered into force on 1 January.

Multiannual projects exist in all fields but are most numerous in rural development, especially crop growing but also stock-farming and forestry, not forgetting the social component often included in rural development projects. The ACP States are opting for such projects more and more frequently and it is precisely this type of operation which calls for an implementation period of between three and six years, or more in many instances.

These are also the most necessary projects - which does not mean that the others are less useful or even that one could dispense with them - because they meet fundamental needs and because they are designed to continue for posterity.

III.1. Mining and extractive industries

Under the second Lomé Convention a new system, commonly called Sysmin, has been set up in this field. This is dealt with at IV.5 below.

Otherwise, during 1981 the EIB financed two projects involving a total of 77m ECU (37.2% of the Bank's total operations) in the mining and extractive industries (1) making that sector the main recipient of the Bank's contributions. The first project - financed a non-subsidized loan of 40m ECU - is to start up a mine working a goldbearing copper deposit near the Ok Tedi river in Papua New Guinea; a further 12m ECU in the form of risk capital was also allocated to this project to help the state finance part of its holding in the mining company's capital. In addition, a loan of 25m ECU was granted for the treatment of waste from the copper mines at Chingola in Zambia with a view to recovering the metal still contained in it.

(1) Furthermore, a subsidized loan from the Bank's resources was granted for the modernization and extension of a uranium ore treatment plant in Gabon and for the extension of the mine itself. In order to align the statistics on those for the Community, these operations were classified as energy-biased projects.

Such mining projects, though they can to some extent be considered "enclaves" which are difficult to integrate into the country's economy as a whole and call for a relatively high sum (550 000 ECU in Papua New Guinea and 765 000 ECU in Zambia) per job directly created, have a very beneficial net effect on public finances and the balance of payments in many instances. They make a very large contribution towards economic growth. In this connection, the increased revenue which the ACP countries acquire as a result of such projects ought to be used in particular to finance productive projects that help create new bases for the diversification of economic and social development geared to spreading the benefits of growth more equitably. Thus, in Papua New Guinea, the government has decided to implement a development policy tailored to the situation in the western province where the mine will be opened, and aimed at allowing the population to benefit as much as possible from the positive spin-off from the project. It has also been decided that there will be a programme for the improvement and extension of the various public services (health, education, training, agricultural extension work and so on).

There are various obstacles to the development of the ACP States' mining potential at the moment. Because of the depressed state of the world economy, demand for and prices of mineral products have fallen generally over the last few years; therefore those ACP States in which mining makes a large contribution to economic development, together with the mining companies themselves, have seen their incomes drop and are now in a delicate financial situation, which makes it difficult to invest in order to achieve the increase in production capacity required to meet future demand. There are other negative factors influencing the prospects of mining development in the ACP countries - for example, the risk of instability and the inadequacy of the various kinds of infrastructure required for the mining industry. In this respect the African countries sometimes find themselves at a disadvantage compared with other countries with large mining potential (Australia, Brazil).

It should also be pointed out that the EIB can finance studies on mining projects (identification of deposits, possible working conditions and so on), enabling stock of investment opportunities in the extractive industries to be built up gradually. For example, the Bank has financed such studies in Senegal (iron ore) and in Uganda (copper ore).

III.2. Energy

Contributions from the Bank predominate in this sector. Over the last year the EIB financed nine operations for projects with an energy bias. They were distributed over eight ACP States and totalled 65.47m ECU, or 31.7% of the Bank's total operations for 1981.

Three of its contributions from own resources - 12m ECU to Fidji, 7m ECU to both Gabon and Swaziland - and risk capital to the tune of 3m ECU for Samoa were to finance hydropower development. In Niger, a subsidized loan of 10m ECU from own resources will help finance the second phase of a fossil-fuelled power station to be run on coal mined from near the uranium deposits. All these projects, plus the proposed investment in the Mombasa cement works in Kenya (see III.3 below), one of the aims of which is to use coal instead of petroleum products as a source of energy, will help cut down the ACP countries' dependence on outside sources of energy. The annual saving of oil will be around 100 000 t (worth 24.2m ECU), or some 4.5% of the six countries' total consumption for 1980. If account is also taken of all the projects aimed at reducing the consumption of petroleum products financed by the Bank between 1977 and 1980, the annual saving amounts to some 600 000 toe, approximately 9% of demand for the countries concerned. Hence, these projects run on local resources (renewable energy, coal) or imports of cheaper fuels (such as coal into Kenya) have a considerable effect on the balance of payments.

The other energy-biased projects financed in 1981 concern the extension of a fossil-fuelled power station to cover increased demand for electricity in the town of Djibouti (1.8m ECU in the form of risk capital), the modernization and extension of the uranium ore production plant (1) in Gabon (15m ECU from the Bank's own resources) and oil prospecting off the shore of Tanzania (7.5m ECU in the form of risk capital). Lastly, aid to the tune of 2.17m ECU is going towards financing a supplementary study on the possibility of working the tar sands in north-western Madagascar; phase one of the studies was carried out on EIB financing under the first Lomé Convention. As with mining projects, by financing studies on energy resources and exploration in the ACP countries, it is possible for the EIB to contribute towards the subsequent development of those resources; this has been done, for example, in the case of the studies and research on oil and gas deposits even if they are only minor.

As far as the Commission is concerned, programming for the fifth EDF has shown just how interested thirty or so ACP States are in new and renewable sources of energy, which are universally acknowledged to be of capital importance, especially for the developing countries. If national projects are added to regional projects the Community's contribution in this field will amount to between 60m ECU and 100m ECU - more than double the sum allocated under the fourth EDF.

By way of a more general contribution, of an institutional nature this time, the Commission helped draw up the report on ACP-EEC cooperation in the field of energy presented to the Joint Committee of the ACP-EEC Consultative Assembly.

(1) See note on III.1.

As regards projects financed in 1981, two grants were awarded - one of 4.1m ECU to Samoa for the construction of the Sauniatu hydropower station, which will cut down that country's dependence on oil, and another of 350 000 ECU to Cape Verde to step up the output of the Praia hydropower station.

III.3. Industry

Community financing for industry involves three large sectors, namely manufacturing, chemicals and agro-industry. Most of the financing comes from the funds administered by the EIB and from those earmarked for small and medium-sized enterprises (see IV.6 below).

In 1981 four operations in the manufacturing sector were financed by the EIB. Two loans from the Bank's own resources, one of 10m ECU to Senegal and the other of 6.5m ECU to Kenya, were for the development of the cement industry in those two countries. Burundi received two allocations of aid in the form of risk capital, totalling 4m ECU, for the construction of a bottle and jar factory in Bujumbura.

Totalling 20.5m ECU, aid to manufacturing industry accounted for 9.9% of the Bank's financing for 1981. This relatively small proportion can be explained by the fact that few projects in that sector were presented to the Bank for financing. This is due, inter alia, to shrinking opportunities in the ACP States for import-substitution projects of any size, since any economically viable capital projects identified in this field have already been launched in many instances. Besides, the slump in the world economy and the problems of creating or developing export enterprises are not conducive to the establishment or extension of new manufacturing industries. In this respect, EIB-financed preliminary studies should help reveal any economically and financially profitable projects. The main aim is to avoid starting up uncompetitive activities, protected by various non-tariff barriers, which would turn out to be much more of a burden than a benefit to the economy of the ACP State concerned.

The EIB financed two projects in 1981 in the chemical industry. Risk capital to the tune of 2.3m ECU was granted to Senegal for a phosphoric acid and fertilizer manufacturing plant; the Bank had already carried out two operations for this industrial complex (Industries Chimiques du Sénégal) under the first Lomé Convention. Aid amounting to 1.55m ECU, in the form of risk capital, has been granted to a development bank in Kenya for onlending to provide additional equipment for a plant producing furfural from maize cobs; this project had also received aid under the first Lomé Convention (loan and holding).

Chemical industries, with their allocation of 3.85m ECU, accounted for 1.9% of the Bank's total operations in 1981. The two projects financed, involving as they do complex technical installations, should help obtain a good return on local resources which have hitherto been exported in the raw state (phosphate ore in Senegal) or completely wasted (maize cobs in Kenya).

Contributions to the agro-industrial sector include the installations in Liberia of two small temporary oil mills together with the technical assistance needed to start them operating (cost 0.7m ECU or 0.4% of the EIB's total commitments for 1981). This project is the follow-up to the development of oil-palm plantations financed by the Commission and is intended to be followed in its turn by the installation of a permanent oil mill at Buto. The Commission financed a dairy project in Mogadishu (grant of 1.25m ECU), which will improve milk supplies for the population and stimulate milk production in rural areas. The Bank decided to participate in the financing of the industrial component of the dairy by means of risk capital to the tune of 2.56m ECU; but the contract will come under the 1982 financial year.

The Buble storage and handling facilities project in Samoa (grant of 0.9m ECU) is aimed at encouraging agricultural development via the local production of oil and oilcake.

III.4. Agricultural production

1981 saw the completion of virtually the whole Lomé I programme for the development of agricultural production, with the commitment of 50m ECU for six projects. The sums still available on certain countries' indicative programmes will be used to back up projects programmed under the fifth EDF.

Two large-scale projects aimed at improving the productivity of export crops that had been allowed to deteriorate were approved during the year. The sum of 25m ECU was committed for coffee-growing in Uganda; the area concerned covers 235 000 ha, 95% of which is in the hands of small-holders. This rehabilitation project is being carried out with a view to subsequent development of the coffee industry and is aimed at preventing any further deterioration of the crop, improving the quality and stepping up the volume of exports. In Chad 9.6m ECU was committed for cotton-growing; the project involves some 250 000 small farmers. The programme provides for the supply and establishment of facilities needed to increase productivity over 120 000 ha.

Commitments made in the sphere of food production involve first of all a scheme in Guinea for the development of 1 000 ha of areas prepared by the rural engineering squads and financed under the fourth EDF. In this project the district arable and stock farms will act as extension centres and provide support for the 2 235 family holdings concerned.

In Cameroon, the rural development operation in the north-western province (some 9m ECU) will help reduce the regional imbalance affecting small agricultural holdings practising intercropping (coffee and food crops). Schemes likely to benefit the female agricultural population will receive special attention.

As part of the development of the Juba valley in Somalia (an irrigable area of 220 000 ha) a pilot farm has been set up at Saakow (costing 5m ECU), which will establish the agro-economic foundations on which farming can be gradually started up in the valley.

It was not until the second half of 1981 that the first commitments under the fifth EDF were made (66m ECU); they concern eleven projects, three of which are the continuation of schemes financed by the previous EDFs. These projects are geared to achieving selfsufficiency in food. There is a particularly interesting project in Togo, which involves settling a thousand families in the Kara valley. Agricultural schemes there are to be diversified to include, besides the traditional dry farming, lowland rice-growing, market gardening, cultivation of cashew nuts, bee-keeping and small livestock production. Reafforestation of family holdings will be carried out in order to solve the problem of wood supplies for fuel and general purposes. Special emphasis is placed on encouraging the use of draught animals, which is essential if the areas are to be extended.

The fourth phase of the Ségou rice scheme in Mali (14m ECU) aims to achieve controlled flooding of the 14 000 ha of developed land in order to increase paddy production by 10 000 t.

The micro water-engineering schemes financed in Madagascar under the fourth EDF gave very favourable results and have aroused a great deal of interest among the population, so much so that waiting lists have had to be drawn up. Improved water control, with the works carried out by casual labour, has meant that the small rice-growing areas so typical of Madagascar could be irrigated, and this has led to a production increase of between 2 t and 2.5 t of paddy per hectare. This type of scheme will be continued, therefore, and a sum of 7m ECU has been committed to this end.

Seven of these schemes concern food production (rice, maize and other cereals), either through hydro-agricultural developments or as part of the integrated development of a region, where measures to encourage the growing of food crops are backed by others to improve the rural population's living conditions (use of draught animals, social and road infrastructure, reafforestation, soil conservation and so on). In this context, an extension of the emergency aid granted to the Karamoja region in Uganda is enabling an integrated development programme to be carried out which is designed to reduce this long-suffering region's dependence on external food aid. Only one project concerning export crops was launched with fifth EDF funds (rubber plantation), which confirms that the ACP States wish to concentrate on satisfying food needs.

There was only one regional agricultural project in 1981. This also concerned food crops since it was a regional programme to improve

strains of millet, sorghum, niebe and maize, to be run by the International Institute of Tropical Agriculture at Ibadan in Nigeria.

In accordance with the Convention, particularly Articles 108 and 109, which imply that it should be possible to examine the administration of financial and technical cooperation on the basis of concrete examples, it was felt that a brief "case study" should be produced in order to illustrate a specific problem - namely recurrent costs in a given framework - development projects in the Sahel.

The following remarks, for the most part, are drawn from the results of a seminar held on the subject in January 1982 in Ouagadougou, at the instigation of the CILSS (1) and the "Club du Sahel", for which preparatory work had been carried out during 1981. Four working parties were set up to deal with four different aspects of recurrent costs, namely:

- i. taxation and development,
- ii. savings and development,
- iii. aid for structural readjustment and aid for sectoral programmes,
- iv. guidelines for the choice and design of projects based on the foreseeable recurrent costs. The Commission had special responsibility for this working party, which comprised European and Sahelian experts.

The results of the work have shown that:

i. The micro- and macro-economic elements are very closely interconnected, given that a favourable social and economic environment is crucial to the success of the project, which is still the best way of aiding development.

ii. The dichotomy that exists, at least in theory, between capital expenditure financed from abroad and operating expenses financed nationally should be replaced by a case-by-case study of the distribution of operating costs among the different bodies participating in the project. Accordingly the operating costs should be planned in the same way as the capital expenditure, by the financial authorities. This involves close coordination between such authorities and those responsible for planning. Besides, the concept of recurrent costs must be taken into account from the outset, when projects are being drawn up and appraised, given that the external financing is provided on a decreasing scale. Since it is obviously desirable that the ultimate beneficiary should make a financial contribution it is of the utmost importance that he participates in the design and execution of the project. Lastly, it transpires that there is room for improving the information available in the forums chosen for coordination - that is, national workshops in the national context and the CILSS's permanent secretariat in the regional context.

(1) CILSS: Permanent Inter-State Committee for Drought Control in the Sahel.

III.5. Stock-farming

Financing decisions taken during the year on stock-farming schemes concern four projects involving a total of 14.65m ECU, of which 3m came from the fourth EDF and 11.65m from the fifth EDF. Several studies have been launched to prepare projects for financing by the fifth EDF and there are still some funds left under the fourth EDF which were earmarked by the governments concerned for the development of stock-farming but have not yet been allocated by those governments to specific projects.

As regards regional animal health projects there was a large-scale study in Ethiopia and Sudan on the launching of a campaign against rinderpest and contagious bovine pleuropneumonia in those two countries. A campaign against rinderpest was launched in 1980 in West Africa, using emergency aid. Since this scheme received priority it somewhat delayed the implementation of a broader campaign against animal diseases which is of concern to the majority of African states, but it did not obviate the need for one. Meanwhile the OAU has started work on preparations for such a campaign together with the International Office of Epizootics and in close collaboration with the Commission.

Efforts to develop stock-farming are seriously hampered in many instances by certain price-fixing measures for meat which prevent the farmers from caring properly for the nutrition and health of their animals.

Also, national budget appropriations for stock-farming departments are frequently too low, with the result that they are almost totally absorbed by salaries, to the detriment of the departments' equipment and, hence, their efficiency.

III.6. Transport infrastructure

The number and type of problems encountered in the implementation of land transport projects increased during 1981. Besides the physical difficulties - caused for example by freak rainy seasons or problems with site access - there have been financial difficulties with many projects. There are various reasons for this, namely:

- i. For a lot of firms certain regions seem to present particular difficulties. Consequently, tenders for projects in such regions contain a "safety" margin which entails high costs per kilometre.
- ii. In some instances there were delays in payments relating to cofinanced projects. Also, the prices obtained for such projects were higher than they would have been if the EDF alone had been financing them.
- iii. Lastly, the number of defaults by ACP States that had undertaken to finance part of the cost of projects, notably the expenditure in local currency, increased.

The EIB accorded the transport infrastructure sector two subsidized loans from its own resources totalling 14.4m ECU (6.9% of the Bank's 1981 operations). These loans are for projects on which the economic and financial return can be directly assessed.

A loan of 10m ECU to Cameroon is intended for the reconstruction of the Edéa-Eseka section of the Transcameroon railway from Douala to Yaoundé, and financing to the tune of 4.4m ECU will help with extensions to the port of Lomé in Togo. These capital projects are essential to the further economic development of the countries.

For its part, the Commission accorded a grant of 2.2m ECU for the port of Mpulungu in Tanzania in order to boost trade in the landlocked countries of central and eastern Africa, notably Burundi and Zambia.

III.7. Education and health infrastructure

On the whole, projects in the fields of education and health infrastructure are progressing satisfactorily. The parties concerned are becoming increasingly aware of the advantages of using construction techniques which rely largely upon local resources, taking into account both the materials available and the specific qualifications and knowhow of the labour force. The need to adapt technology to a project's specific environment was heavily underlined during the recent deliberations of the Article 108 Committee.

In this respect the extension to Kaédi hospital is exemplary. The bricks are being made from clay taken from the river bed. They are fired in kilns made by local craftsmen specially for the works, and surplus rice straw from a agricultural project is used as fuel. The building equipment and tools, such as wheelbarrows and scantlings, are also produced locally. Also, certain finishings such as the carpentry, tiling and so on are produced by local craftsmen in their traditional environment.

The project is being carried out by direct labour, with the help of just one expatriate technical assistant. It is necessary to wait until the work is completed before judging whether the project has been a success, but it should produce the desired result, namely:

- i. the construction of a building well suited to the surroundings and to the customs and way of life of the users, which will make it easier to maintain and preserve;
- ii. the use of locally available materials, which also saves foreign currency;
- iii. the provision of jobs for the inhabitants of the region and training for building workers.

There is one feature that several construction projects have in common - and also other kinds of project of direct concern to the population, especially in rural areas, such as clinics, feeder tracks and so on - and this ties in with the now widely accepted idea that unpaid labour by the local population can be used to cut down the cost of projects. In one ACP State a project for elementary schools, which was of a simple design and would have lent itself to local participation, could not be implemented in this way because the people concerned were not motivated, and so it had to be carried out by contract. This meant it was not possible to economise on labour costs and the number of schools had to be cut down. In another case, the project dossier for some primary schools also provided for participation by the population in the form of unpaid labour. However, owing to the failure of a similar project financed by bilateral aid in which the population was supposed to participate, the departments concerned were led to examine the problem more closely. The analysis revealed that the areas in question were in a region with a very high emigration rate - the men went off to seek work elsewhere - with the result that the labour force left in the village consisted of women and old men who were fully occupied producing food for the families. The government concerned agreed to the project's being carried out by contract or by direct labour.

III.8. Training

During 1981, four multiannual training programmes were approved, involving a total of 8 205 000 ECU (twelve national and regional training programmes are going through the approval process). However, pending the establishment and adoption of all the multiannual training programmes, an advance of 11m ECU was placed at the ACP States' disposal so that they could finance the most urgent training schemes and avoid any hiatus with the fourth EDF.

The main feature of the new programmes adopted is that they follow up the fourth EDF schemes and tend to favour more diversified training (seminars in situ, technical assistance, inter-university cooperation), while the awards programme remains voluminous in terms of the amount of financing.

The following table shows the number of awards financed from the fourth EDF, at 31 December 1981, by discipline and by category of host country.

Fourth EDF - Study and training awards granted

Course	Host country				
	ACP	EEC	Other	Total	%
Economics	3 738	1 326	1	5 065	24.5
Agriculture	2 926	337	15	3 278	16.0
Science and technology	3 986	991	36	5 013	24.0
Health	505	236	0	741	3.5
Education	4 153	484	0	4 637	22.5
Miscellaneous	1 608	329	12	1 949	9.5
TOTAL	16 916	3 703	64	20 683	100 %

The situation is the following as regards the fifth EDF:

Fifth EDF - Study and training awards granted

	Host Country				
	Native land	Other ACP State	Europe	Other	Total
ACP award holders	528	40	125	9	702

This table shows 1981 as a year of transition. Only the most urgent training courses figure in the table for the 1981/82 academic year, pending the establishment of a multiannual training programme for each ACP State.

The Commission can provide any ACP State that so requests with technical assistance to help decide on the degree of priority to be accorded to training within the national indicative programme or within national projects on the basis of the future deployment of human resources.

Training and further training in the field of regional cooperation received special attention, as follows:

- i. training sessions for students and junior management from ACP countries studying in Europe were centred on precise subjects connected with their current studies (e.g; agriculture, medicine, banking); they served to make these young people familiar with the practical situation in these fields in Europe and therefore better prepared for conducting a dialogue in the framework of ACP-EEC cooperation.

- ii. retraining and further training sessions for top- and middle-rank ACP management and civil servants were held in liaison with African regional institutions (OCAM, CEAO, etc.) or in specific development fields. The ACP States have always shown an interest in such training sessions.

Ex-post evaluation of projects in the fields of training and education, undertaken in 1980, confirmed a finding already made in other fields, namely that specific training must be aligned on the options chosen within the general framework of development policy.

III.9. Water engineering

The year 1981 was a remarkable one from several points of view for water engineering (water supply and sanitation) projects. Although, generally speaking, the small share of the total earmarked for this sector by the ACP States in their programmes hardly corresponds to the general policy statements made when the United Nations Water and Sanitation Decade was proclaimed, commitments in 1981 reached a high level, mainly because of the large sum allocated to the major project for improving the Addis Ababa water supply (loan and grant totalling 53m ECU). This city is expanding very rapidly (pop. 1980 = 1.3m; forecast for 1990 = 2m) and most of the people living there have a very low income; it is becoming an international centre in addition to its role as a hub of trade and industry. Hence, this financing operation is to help improve and extend the network of water treatment plants, pipe the additional water to the town and instal the reservoirs and pumps needed to cope with demand as it will develop up to 1990. This will solve the present shortage, which has led the authorities to impose rationing (the town has been divided into two parts, each being supplied with water for 12 hours out of 24). The financing for this project is the highest single sum ever granted by the Commission. Two other capitals (Banjul and Brazzaville) received Community aid in 1981 for sanitation projects (1).

However, commitments in the field of water engineering also involved smaller towns and rural areas. One particularly interesting aspect of urban water supply projects in medium-sized towns is illustrated in two projects in Tanzania - the water supplies to M'Beya and M'Twara. Tanzania's policy here is to develop regional centres in order to reduce the imbalance in economic and social growth compared with the capital, Dar es-Salaam. Four regional centres have been chosen for development, namely Mwanza and Arusha in the north and M'Twara and M'Beya in the south. Seen from this angle the water supply project has a dual aim - to improve the inhabitants' standard of living and to make it easier to establish industrial, commercial and other activities. It is based on programmes

(1) For Banjul see "Cofinancing" above (I.4).

worked out by the Public Health Ministry to clean up the environment, kill off mosquitoes and so on. These guidelines played a part when the Commission took the decision in 1981 to finance projects in M'Beya and M'Twara; a decision on the Mwanza project is expected in 1982.

There are other projects which, although admittedly not so spectacular, contain elements that could, in practice, make considerable changes to the everyday life of the people. These are the rural water engineering projects. In this field, one particular project in Upper Volta marked a turning point in the Community's approach to such schemes. It involves the construction of some 660 water points and aims not only to satisfy the drinking-water requirements of people that have hitherto had very poor facilities but also - and perhaps especially - to give the recipient communities a sense of responsibility by involving them in the actual construction work, in order to see that they learn how to use the installations correctly and how to maintain them. The works will go hand in hand with a health education programme to be carried out by the Health Ministry. The whole operation is based on the population's manifest desire to have a water point and on its undertaking to maintain the facility prior to commencement of the work.

This approach was adopted for other projects started in the last few months of 1981 in Ivory Coast and Guinea. In Ivory Coast, for example, the health education programme - the details of which are to be worked out on the basis of earlier experience in a study which is currently under way - will set out to make people aware of water problems and will be based on the appointment by each village of two voluntary villagers, who will be given a short training course and will then be responsible for maintenance and simple repairs to the water points. These guidelines are based on the application of the "basic principles" worked out jointly by ACP and EEC experts at a meeting in Bamako in November 1979.

Another project, financed in 1981, is original in that it is both industrial and rural. It is the study on the water supply for the ICS (Industries chimiques du Sénégal) industrial complex at Taïba. Firstly, the water would be used by the factory and would thus contribute towards obtaining a better return on subsoil resources and strengthening inter-state trade (ICS aims to supply fertilizer not only to Senegal but also to Ivory Coast and possibly other west African states); secondly, the work would mean that all the villages along the pipeline could be supplied with water. It is planned to finance the actual works in 1982, on fifth EDF funds.

Lastly, a water project of a very different nature was financed in the Central African Republic; it was a scheme to improve the operation of the national water board (SNE) by improving premises and depots, supplying tools and equipment and technical assistance to make an inventory on the state of repair of the structures, update the plans of existing watersupply networks and start up consultancy within SNE, training the necessary personnel. Although the project involves a limited sum of money it could strengthen the existing national structures considerably.

This description of the schemes started in 1981 in one sector gives an idea of how flexible and adaptable Community financial and technical cooperation can be when the ACP States present dossiers containing the elements needed to mobilize the financing.

The analysis proposed above should not lead to the conclusion that there are no grey areas, no difficulties or even misunderstandings in relations between the ACP States' departments and the Commission's. In fact, apart from the difficulties already mentioned, the biggest obstacles to the smooth running of cooperation relate to monetary problems and service contracts.

In the monetary sphere, the water-supply projects in Tanzania are suffering from the repercussions of currency fluctuations and, in this particular case, from the appreciation of the Tanzanian shilling. The estimates made a few months earlier are completely out, and this applies all the more so to the amounts envisaged during the programming exercise. The departments responsible for execution have to do financial and technical gymnastics in order not to depart too much from the original plans. There are examples of problems of this nature in other sectors, too - notably with road projects.

As regards service contracts, the use of the invitation to tender instead of mutual agreement contract has caused serious delays in many cases. For example, in Sierra Leone no contract had been concluded by 31 December 1981 for a study (1) on which a financing decision had been taken in February 1980, despite the fact that the terms of reference had been worked out jointly by the national authorities and the Commission. The latter had suggested a mutual agreement contract but the administration had called for tenders and this led to various negotiations which nevertheless failed to produce a contract. Similarly, Trinidad and Tobago had refused to use the mutual agreement procedure for a preparatory study on the Saint Patrick Water Supply project and for drafting the invitation-to-tender dossier on the same project, and had issued an invitation to tender instead. The financing decision on the study had been taken early in 1980 but by 31 December 1981 no consultancy had been chosen although the (local) invitation to tender had been issued in March that year and tenders received in April.

(1) Study on the evaluation of water engineering for human purposes and the identification of a fifth-EDF project.

CHAPTER IV - SPECIFIC AREAS OF ACTION

IV.1. Trade promotion

The implementation of trade promotion under the first Lomé Convention proved somewhat disappointing. This area had been rather neglected from the outset, i.e. when resources were programmed, and commitments at 31 December 1981 represented only just over 1% of the total.

The signatories of the second Convention sought a more ambitious pattern for trade promotion. Article 22, which refers to the possibilities open to the ACP States when drawing up their national indicative programmes, goes on to provide that a sum of 40m ECU will be earmarked within the framework of the regional cooperation programmes for trade promotion activities of common interest to several ACP States or specialized regional organizations.

Under Article 20 of Lomé II, trade promotion measures are to extend from the production stage to the final stage of distribution. This means that all such programmes and measures commence upstream of production and end downstream with improvements to the marketing process and efforts to find new markets (in the Community or elsewhere). This may involve agricultural, agro-industrial and craft products and also services, including tourism. These measures and programmes may also cover the internal market.

This new pattern means that trade promotion, with its vast field of application and given the varied range and flexibility of the programmes and measures which can be undertaken, is likely to become an increasingly important instrument of development policy.

The possibilities which Lomé II offers to the ACP States are therefore broader and more suitable than those offered under Lomé I, where trade promotion primarily involved concentrating on exports and existing markets.

Although it is still too early to assess, even tentatively, how Lomé II has operated in this sphere, it is clear nevertheless that the wider application of trade promotion is a reflection of greater interest on the part of the ACP States. The reasons are as follows:

- i. 50 States have so far included such measures in their indicative programmes (compared with five when Lomé I started operating);
- ii. under Lomé II, trade promotion represents 2.6% of the overall resources (national and regional) made available to the ACP States by the EDF, compared with 1.7% under Lomé I.

With a view to optimum utilization of these resources, emphasis has been placed primarily on:

- i. the establishment or consolidation of public, semi-public or private bodies and organizations concerned with promoting production and consumption and with national and international marketing;
- ii. the improvement of marketing systems (product collection, storage, transport and distribution) and producer and consumer pricing policies;
- iii. the development of small- and medium-sized craft, trade and service enterprises;
- iv. vocational training for the staff of such promotional bodies and enterprises;
- v. development and/or consolidation of the internal market.

Under the first Convention, 35 countries benefited from trade promotion measures; 77 national and 16 regional projects totalling 34.2m ECU have been, or are being, carried out.

Under the second Convention, 50 countries included trade promotion activities representing 33.6m ECU in their programmes. In addition to these national allocations a further sum of 14m ECU was made available for financing regional trade promotion activities.

As regards trade events, in 1981 37 ACP States and two regional bodies took part in 18 trade fairs and five special exhibitions. The number of appearances and stands organized with the help of the Commission totalled 160.

In the scale of potential trade promotion measures the ACP States continue to give high priority to trade fairs, though these are quite clearly the final stage in the marketing process. Most developing countries require assistance at the production stage, to develop and adapt their products, and to boost the competitiveness of their goods first on the internal market and subsequently on external markets. Participation in trade fairs should, in short, be based on a trade policy and clearly determined objectives and also on a competitive production capacity.

Two trade cooperation bodies, the Liaison Committee for the production and marketing of tropical fruits and out-of-season vegetables (COLEACP) and the Federation for the Development of Utilitarian Artisanat (FEDEAU) were again active in 1981.

EDF finance enabled:

- i. COLEACP to continue promoting direct sales to consumers in all the Member States of the European Community, to stimulate exports of mangoes and lychees and to carry out an information mission in the Caribbean ACP States;
- ii. FEDEAU to send five product selection missions to ACP States with craft industries and to organize in Europe seven exhibitions on various themes (basketwork, textiles, toys, etc.), chosen specifically to impress on potential consumers the quality of the utilitarian crafts produced in the countries in questions.

Lastly, a number of ACP States made several request for assistance in the field of craft activities.

IV.2. Emergency aid

The resources available for coping as effectively as possible i.e. with optimum speed, with natural disasters or comparable extraordinary circumstances confronting the ACP States (see Article 59 of Lomé I and Article 137 of Lomé II) were improved in Lomé II. The difference is that in future emphasis is to be placed on the emergency aspect. Such aid has, therefore, an essentially humanitarian objective, namely to provide immediate assistance to those whose lives are endangered. Furthermore, the Convention specifies a time limit for the use of the funds (in principle, within six months of the implementing arrangements being established). Finally, with the agreement of the recipient state emergency aid may be implemented via specialized agencies or directly by the Commission, the aim always being to use the most speedy and effective means possible.

Since the funds earmarked under Lomé I (150m ECU) ceased to be available on 31 December 1980, it was under Article 137 of Lomé II (maximum allocation 200m ECU) that 36 emergency aid decisions were taken in 1981 involving the allocation of a total sum of 24.4m ECU to 27 different countries. Seventeen of those operations were implemented by specialized agencies (UNHCR, Médecins sans Frontières, the Red Cross, etc.), 17 by the authorities in the recipient countries and two by Commission Delegations.

The funds thus allocated were used to remedy the effects of many different kinds of events. Like the year before, aid for refugees and displaced persons again accounted for the bulk of the sum approved (14m ECU, of which 10.5m ECU for the Horn of Africa alone). Moreover, the persistent drought in West Africa necessitated several allocations of emergency aid (2.7m ECU in all).

IV.3. Microprojects

Microprojects, introduced experimentally under the first Lomé Convention, were well received by the mainly rural local communities for which they were designed. The second Convention has therefore maintained this form of assistance and extended its scope to cover items such as small rural electrification schemes and rural landing strips, together with urban sanitation, social assistance centres, etc. (Article 146 of Lomé II). Moreover, microprojects are no longer subject to any overall limit and can therefore be as large as is considered necessary by each ACP State. The ceiling placed on each individual scheme has been raised from 75 000 ECU to 250 000 ECU.

The situation under Lomé I at 31 December 1981 was that 57 annual microprojects programmes involving nearly 2 000 microprojects totalling 18.2m ECU, had been committed. These programmes are being implemented satisfactorily, although more slowly than might be expected for simple schemes given considerable priority by the local communities benefiting. Delays have been due mainly to difficulties of supply of basic materials and to problems encountered by the authorities concerned, particularly with the setting up and staffing of projects. However, the microprojects have on balance shown very favourable results.

In the case of Lomé II, examination of the indicative programmes shows that nearly 4% of the programmed resources - i.e. 80 to 90m ECU - could be allocated to this type of assistance. In 1981, 10 annual programmes costing a total of 7.2m ECU were initiated. The EDF contribution amounts to 48% of the total cost of the programmes, with the recipient countries contributing an average of 30% (4.3m ECU) and the beneficiary communities 22% (3.3m ECU).

The Commission, in the interests of responding rapidly to the initiatives of local communities, has further relaxed the accelerated procedure introduced for the approval of microproject programmes.

This approval will be based in future on annual programmes setting out the types of projects to be carried out at the request of the communities concerned. The microprojects most often adopted under the fourth ADF involved social infrastructure, economic infrastructure, road infrastructure, rural water-engineering and production development. The establishment of microprojects is approved by the Commission Delegate as and when they are submitted by the local communities and is subject to the agreement of the government concerned. This rapid method of responding to requests cannot but increase the effectiveness of the system.

By comparison with Lomé I, the scale of annual commitments has increased substantially, the average EDF contribution per programme having increased from 320 000 ECU under Lomé I to 720 000 ECU under Lomé II.

IV.4. Stabex

Under the two Lomé Conventions, Stabex has been governed by different provisions from those which relate to financial and technical cooperation proper. However, notwithstanding the separate report on the system, the results of Stabex - which is one of the new cornerstones of the overall Lomé Policy - have been customarily presented in the Article 41 reports (now the Article 119 reports).

The inclusion of Stabex transfers (payment of which is virtually immediate) in the disbursement statistics certainly increases the average rate of disbursements; however, the transfers are useful to the economies of the countries concerned in the same way as other aid and form part of the overall financial flows to the recipient countries, as envisaged by the OECD's Development Assistance Committee (DAC).

The Stabex system, improved and broadened in scope by the second Lomé Convention with regard to the list of products covered, the system of coverage and the resources available, continued to function in 1981.

The transfer decisions taken in July 1981 relating to the first year of application of the system introduced under Lomé II offset all or part of the losses in export earnings incurred by 29 ACP States in 1980. The amounts disbursed totalled 143m ECU (ACP allocation 138m ECU and OCT allocation 5m ECU) and represented all the resources available under the system in 1981 (see Table XIV attached). Under the terms of the Convention, these resources comprised the annual instalment (110m ECU), the balance of Stabex funds from Lomé I (6m ECU) and advances on 1982 (22m ECU) approved by the ACP-EEC Council of Ministers. This sum was not supplemented by any replenishment of previous loan transfers, since the conditions laid down in the Convention were not met.

The requests for the year under review amounted to 266m ECU and therefore exceeded the resources available. To cope with this situation, following a decision by the Committee of Ambassadors acting on the authority of the ACP-EEC Council and in accordance with Articles 34(2) and 46(2), the disbursements were broken down as follows: 47.4% of transfer requests for six States and 59.5% for 15 States listed in Article 155(3). However, 10 States, whose transfers were less than 1m ECU or which qualified for aid from the adequately funded OCT allocation, received their transfer in full.

The year under review will be notable, as far as Stabex is concerned, for exceptionally large requests both in terms of volume (36 disbursements) and value (266m ECU), though hopefully this is a short-term phenomenon. Of these requests 46% arose from problems of production in the groundnut sector and 39% from marketing problems plus production problems in some countries experienced by coffee exporting States.

The Commission also disbursed advance on transfers for 1981 totalling 23.1m ECU for Senegal, Gambia, Uganda and Samoa.

IV.5. Cooperation in the mining sector: Sysmin

This form of cooperation is covered by a separate title in the second Lomé Convention. Its objective is to meet the needs of those ACP States whose economies are largely dependent on mining and exporting mineral products. The provisions adopted reflect the two main features of a large mining sector: its vulnerability and its economic potential, which depends on the scope for development. Since a new form of cooperation is involved, a brief analysis of the provisions governing the system is called for, followed by a summary of the initial decisions taken with regard to their implementation.

The aim of Sysmin is to maintain existing production and export capacity. The system was allocated 280m ECU committable in annual instalments of 56m ECU, the funds being made available as loans on special terms.

Although there is a certain similarity with Stabex, Sysmin differs notably in design and operation and funds are made available not by financial transfers but through the financing of projects.

The decision-making procedures for Sysmin were finalized by the Commission and the Council early in 1981. It was eventually decided in favour of a two-stage procedure:

- i. First, the Community has to decide on the admissibility of the application for aid made by the State concerned. The Commission studies this applications in close collaboration with the ACP State. The Commission then decides whether the application is admissible, following the delivery of an opinion by the relevant Community authorities. This first stage ends with the Commission and the ACP State signing a document confirming by common accord that the conditions for aid have been fulfilled (Article 53(3) of the Convention);
- ii. Subsequently, the Commission appraises the projects or programmes, following which a financing decision is taken.

In 1981, two applications for aid in respect of copper and cobalt were presented to the Commission by Zaire and Zambia. These were examined by the Commission and declared admissible on 21 October. Statements of common accord for both Zambia and Zaire were signed at the beginning of 1982. For Zambia the second stage was concluded at the beginning of 1982 and for Zaire it is still in progress.

Action financed by the EIB in the mining sector and extractive industries was referred to in the previous chapter.

IV.6. Measures to assist small and medium-sized enterprises (SME)

The development of SME in the ACP States was one of the innovations of Lomé I and has seen its scope enlarged under the second Convention. To facilitate economic diversification and job creation and make development more evenly balanced geographically, the Convention provides for a number of types of assistance, including aid channelled through local financing bodies and specialized agencies operating in this field.

In 1981 the Bank granted six global loans totalling 22.5m ECU (11.5m ECU in the form of loans from the Bank's own resources and 11m ECU from risk capital) to four development banks in Zaire, Lesotho, Zambia and Tonga and to a regional bank in West Africa. Two risk capital operations involved the EIB acquiring holdings on behalf of the Community and at the latter's risk in the West African Development Bank (1.68m ECU) and the Banque de Développement des Comores (0.17m ECU). In addition 0.5m ECU was granted to Tonga to help the government increase its holding in the Tonga Development Bank.

The total sum of 24.85m ECU accorded to development banks was used to finance nine operations representing approximately 12% of the Bank's activities in 1981.

The main purpose of this type of aid is to facilitate the establishment and expansion of small and medium-sized enterprises whose needs fall specifically within the Bank's sphere of action. Naturally, for industrial development to be possible, undertakings must generally be of a certain size and capable of giving a substantial stimulus to the economy; however, there is also a need for a network of small and medium-sized production units which are sometimes better able to meet the varied needs of what are often small markets. Moreover, in a number of ACP States, small and medium-sized enterprises constitute, at present at any rate, the only possible channel for industrial development. Smaller industries generally have a higher manning level, which eases the employment situation; however, they frequently find difficulty in financing their investments, particularly those involving foreign currency expenditure. In such cases the EIB is able to assist enterprises through the agency of development banks which, being acquainted with local conditions and with their potential clients and because of the technical assistance that they are able to provide, are in a better position to assess the risks of such investments and their prospects of success.

There are several ways in which the Bank places the funds which it administers at the disposal of development banks:

- i. It can grant global loans (lines of credit) from its own resources or from risk capital from which the institution concerned assigns, with the EIB's agreement and on a case-by-case basis, a certain sum for the financing of small and medium-sized investments. In this connection, it is important to mention that under the second Lomé Convention the purposes for which risk capital may be used by development financing institutions have been amplified substantially.
- ii. Another form of EIB contribution using risk capital involves either acquiring directly on behalf of the Community a holding in development banks, or granting an ACP State aid with which to finance a holding in a development bank.
- iii. Lastly, risk capital may be used by the EIB to grant to development banks, on particularly suitable terms, aid to enable them either to acquire holdings themselves in industrial undertakings or provide the latter with quasi-capital aid, or to participate in the financing of pre-investment studies in industry, agro-industry, mining, tourism and energy production linked to investment in these sectors; the particular aim of such studies is to prepare investment projects that can be financed by the development bank or possibly by the EIB itself.

The conditions governing the use of global loans (e.g. size of projects, sector of activity, maximum and minimum allocation limits) are fixed during the appraisal of each operation.

Since the entry into force of Lomé II, a relatively much larger proportion of operations have been financed from risk capital (46% of operations in favour of development banks compared with 6.3% during Lomé I) as a result of the Convention's new provisions. This trend also reflects a move towards the financing of industrial and tourism development in the poorest countries where small and medium-sized productive investments are often the only kind possible. Moreover, ACP development banks have recently made wider use of the opportunity offered by the Lomé Conventions to acquire holdings in undertakings and finance pre-investment studies by means of global contributions in the form of risk capital. In all cases, the EIB endeavours to help the staff of development banks to improve their investment evaluation methods, which can, to some extent, help to increase the efficiency and quality of the management of those institutions.

The 163 allocations made up to 31 December 1981 are fairly evenly distributed over the various sectors of industry and tourism and apportioned in a manner reflecting the importance of such sectors in the context of small and medium-sized industrial and tourism investment in the ACP States.

It will be seen that manufacturing industry, where food production ranks foremost, accounts for nearly 80% of all the resources allocated.

On account of the modest size of the undertakings financed and because their competitiveness is limited in many cases, which handicaps them on external industrial markets, import substitution activities designed to meet the needs of the local market account for over three quarters of allocations, where the opportunity sometimes exists to export a limited proportion of production.

One of the key objectives of global loans is to facilitate the participation of ACP promoters (private and public) in the implementation and financing of productive investments. This objective would seem to have been adequately attained since, in the case of allocations made between the end of 1977 and March 1982, principally under the first Lomé Convention, nationals of the ACP States held over 83% (of which nearly 72% accounted for by private operators alone) of the capital of the undertakings financed.

In terms of jobs (1), value added and economic return, industrial investments financed from global loans compare favourably with projects financed directly. The latter, however, do often have greater multiplier effects, being responsible for the emergence or extension of new activities. The fact is that the two types of investment are complementary and help to establish an industrial fabric in the process of diversification.

In the year under review the Commission approved a financing proposal for the second instalment of a line of credit for Guyana. Since the entry into force of the first Lomé Convention, 17 decisions have thus been taken, representing a total sum of 16m ECU. The method of assistance employed was a line of credit (Article 13 of Protocol No 2), which is a means of providing credit facilities for SME too small to have access to bank credit and, also, of providing technical assistance to intermediate agencies to bolster the lines of credit and thereby make them as effective as possible.

Lastly, a complex project was initiated for the benefit of Malawi, covering a range of financial and technical assistance measures and including the progressive creation of artisanal zones. The beneficiaries of these schemes will be very small undertakings for which financial assistance has necessarily to be supplemented by appropriate technical assistance.

(1) For investments financed between 1976 and 1981 from global loans, the average cost per job directly created was 27 800 ECU, whilst the cost of industrial and tourism projects financed directly by the EIB amounted to some 50 000 to 55 000 ECU.

IV.7. Institutional aspects of industrial cooperation

In the institutional sphere, 1981 saw steps being taken to enable the Committee on Industrial Cooperation (CIC) to play a more substantial role and to increase the resources of the Centre for Industrial Development (CID).

The Committee on Industrial Cooperation continued preparing and finalizing the draft decisions on its composition and operating procedures, the Centre for Industrial Development's statutes and rules of procedure (adopted on 8 and 9 April) and the Centre's staff regulations and financial regulation (adopted in September).

Besides the finalization of implementing provisions, the Committee devoted much of its time to its task of guiding, supervising and monitoring the CID. Measures taken included the adoption in March of the CID's 1981 budget and work programme, thus marking the end of the transitional period and making possible the setting-up of a reinforced and enlarged organization, taking into account the increased resources made available to the Centre and the adoption in December 1981 of the budget and work programme for 1982.

Furthermore, in accordance with Annex X to the second Lomé Convention, a high-level group of ACP and EEC experts was instructed to study ways of tapping additional financial resources for industrial development in the ACP States.

Their report, which was submitted in March, deals principally with the measures required to encourage the identification and development of viable industrial projects, the boosting of promotional activities to encourage potential business involvement (national and foreign firms) and measures directed towards obtaining external finance for industrial projects in the ACP States. The Community examined carefully the conclusions of the experts and on 25 November 1981 transmitted its response to the ACP-EEC Committee of Ambassadors which had been instructed by the Council to study the report.

The Centre for Industrial Development, which as a result of its new structure and the adoption of priority guidelines acquired the means to play a larger future role, will see 1981 as having been a key year.

In this connection, mention should be made of the priority to be given to SME, to the rehabilitation and extension of existing enterprises, to the adaptation of technology within the framework of joint ventures, and to the least-developed countries.

The CID's prime objective during the year was to consolidate its presence in the ACP States with a view to expediting and refining applications for assistance so as to enable aid to be granted. In particular, this involved the sending of missions to 45 ACP States, the establishment of branches (institutional and private) in most ACP States and the provision of itinerant experts responsible for "fleshing out" projects identified in specific sectors.

The CID also held two regional seminars - one in Fiji for the Pacific ACP States and the other in Kingston for the Caribbean ACP States - principally with the aim of informing those countries of the scope for assistance and identifying sectors with development potential.

With a view to harmonizing the action undertaken, the Commission and the EIB maintain close contact with the CID.

IV.8. Institutional aspects of agricultural cooperation:
The Technical Centre for Agricultural and Rural Cooperation

By giving agricultural cooperation a separate title (Title VI), the Lomé Convention negotiators underlined the fundamental importance of promoting the welfare of the rural community in the development process. As well as defining the objectives and the means of attaining them, the Convention emphasises the importance of technical assistance enabling the ACP States to improve the planning and execution of rural development projects adapted to their needs. This is the role that is to be played by the Technical Centre for Agricultural and Rural Cooperation provided for under Article 88 of the Convention.

The Centre's main task will be to provide the ACP States with improved access to scientific and technical information on agricultural and rural development, in particular with regard to agricultural research and test findings and the training of cadres.

The Centre will accordingly act as a link between, on the one hand, specialized research and training organizations in the Community and the ACP States and, on the other hand, the authorities in the ACP States responsible for rural development. It will draw on the work of such organizations and on that of international organizations concerned with the same area of development, thereby avoiding duplication of effort.

The Committee of Ambassadors is the Centre's supervisory authority. It will be assisted in this task by the Subcommittee for Cooperation on Agricultural and Rural Development, made up of representatives of the Member States, the Commission and the ACP States. This subcommittee was set up in December 1980 and to date it has met on 30 January 1981 and 20 January 1982.

A sum of 6m ECU is to be drawn from the funds earmarked for regional cooperation. This sum is intended to cover the operating budget (3.8m ECU for a period of five years) whilst an additional allocation of 2.2m ECU will be required to finance specific activities such as seminars and publications.

The legal texts laying down the Centre's operating procedures, the conditions of employment of its staff and its financial regulation were adopted by the ACP-EEC Committee of Ambassadors in March 1981.

At the second meeting of the Subcommittee for Cooperation on Agricultural and Rural Development (20 January 1982), an agreement in principle was reached between the Community and its ACP partners on the Centre's location, its organizational structure and the qualifications required of its director. The Centre will be located at Wageningen in the Netherlands. A branch office will also be set up in Brussels. This office will be at the disposal of the management of the Centre in order to provide contact with the authorities to which it is responsible, in particular the Subcommittee for Cooperation on Agricultural and Rural Development. It was agreed that the Centre's Director would be a national of an ACP State.

Following his appointment by the Committee of Ambassadors, the Director of the Centre will draw up for the benefit of the Committee the Centre's draft budget estimate.

IV.9. Technical cooperation

The situation in this sphere has not changed greatly since 1980 and the details on this subject given in the preceding report are still applicable.

The rules governing the placing and award of service contracts continue to be those laid down in Protocol No 2 of the first Lomé Convention pending a decision by the Council of Ministers (Article 142 of Lomé II).

In all, at the end of 1981, the funds committed for technical cooperation amounted approximately to:

- i. under Lomé I: 350m ECU, of which approximately 120m ECU for general technical cooperation including study and training awards; this made it possible to initiate, by expedited procedure, nearly 400 project-linked technical cooperation operations (project appraisal) and 130 operations involving general technical cooperation;
- ii. under Lomé II: nearly 50m ECU (of which 25m ECU for general technical cooperation including study and training awards) making it possible to initiate 50 operations involving project preparation and 30 involving general technical cooperation.

The table in Annex XVI shows the overall sectoral breakdown in 1981 of the technical assistants working in all ACP States. It will be seen that:

- i. the total number was up on 1980 (854 compared with 652), which indicates an increasing number of requests by the ACP States;
- ii. 64.3% of these were assigned to the least-developed ACP States, which is bound to have an effect on the rate of commitment and disbursement of Community aid in those countries (see I.3, page 3);

- iii. 66% were assigned to the productive sector (46% to agriculture and 20% to industry).

At the early meetings of the Article 108 Committee, the ACP States made it clear that they regarded the Community as having sometimes shown partiality by imposing technical assistance in certain cases even where it had not been requested.

It is true that in certain cases (by no means numerous) the Commission has insisted on the inclusion of technical assistance in the services financed by the project, where it considered that the country in question could not provide the necessary specialists. The Commission can equally point to cases where the government has rejected technical assistance, with the result that the project, due to a shortage of technical staff, has been seriously jeopardized, to the extent that the ACP State has subsequently had to make an urgent request for the technical assistants initially refused. Lastly, there have been cases, particularly in the sphere of general technical assistance, where the Commission has had to oppose requests by the ACP States for technical assistance that was not absolutely essential.

The Commission's position on the question of technical assistance is essentially unequivocal and based on an unassailable fact, namely the shortage of local experts and cadres, a problem well known to analysts of development policy.

CHAPTER V - EVALUATION OF AID - INFORMATION

V.1. EVALUATION

V.1.1 Areas covered

Evaluation undertaken or started in 1981

With assistance from independent experts the Commission, acting in conjunction with the ACP States' administrations (Article 118(2)(a)), undertook the evaluation of two cooperation instruments, technical assistance and the export earnings stabilization system (Stabex). Its findings, and the conclusions to be drawn from the Stabex evaluation, are summarized below at V.1.2.2.

The Commission also continued its evaluation of projects in two sectors and prepared a synthesis of its findings on road-building operations (summarized at V.1.2.1). Finally, working with German, French, UK and Netherlands aid evaluation departments, it started to look at stock-farming projects, and should be in a position to submit conclusions around mid-1982.

Processing of evaluation results

Experts from the ACP States and the Member States discussed the results of the evaluation of agricultural development projects at a meeting in Lomé in March 1981, jointly agreeing on a set of "basic principles" which the Commission submitted to the appropriate ACP-EEC institutions.

The Commission also convened a meeting of senior officials from the Member States concerned with education and training to discuss the conclusions drawn from evaluation in this field and prepare for the meeting with ACP States' experts which took place in March 1982 in Addis Ababa.

As usual, the European Parliament's Committee on Development was informed of the results of the Commission's evaluation work, and discussed the report on "Comparative Evaluation of Projects Cofinanced with NGOs and Microprojects" (SEC-81-1052).

The lessons of evaluation

As the ultimate aim of evaluation operations is to bring about more efficient cooperation between the Community and the ACP States, the Commission has tried to monitor the impact of past evaluations. At its

invitation, independent experts looked at the evaluation work undertaken by the Commission since 1975 to see just what effect it had had.

They noted the following improvements in water supply projects as a result of the conclusions drawn from evaluation in this field:

- i. a determination to involve the local community at every stage - design, implementation and maintenance - of a project;
- ii. at the design stage, the future users had the service, maintenance and cost implications of the type of project chosen explained to them;
- iii. projects now included a training component to familiarize villagers with the installations and teach them about water hygiene;
- iv. local communities were now given greater responsibility for the maintenance of facilities;
- v. in towns, the utilities responsible for water distribution received more assistance.

In the field of health projects, the experts found that as a result of evaluation greater emphasis was being placed on the need for projects to concentrate on improving and building up the basic system.

As a result of the evaluation of Community-financed microprojects carried out with the cooperation of the communities and governments concerned, procedures in this area were revised, with the stress on grass-roots participation, viability and rapid identification and implementation of projects. The Commission has made an effort to speed up and decentralize procedures for the preparation and financing of each year's instalment of micro-project aid and of the projects themselves - in future, there will be no need to draw up an estimate for every project covered by a yearly instalment before the Commission takes the financing decision and the financing agreement is signed. Instead, the funds will be committed on the strength of a programme simply outlining types of operation - social infrastructure, schools, small-scale irrigation, storage facilities, water supply and so on. The financing decision for each project will be taken by agreement between the administration and the Commission Delegate. This should considerably shorten the lag between a community's identification of a project and its financing.

Cooperation with Member States' and ACP States' evaluation departments

Since Parliament's resolution on aid evaluation (17 September 1981), the Commission has improved coordination of its own evaluation with the work undertaken by the bilateral donors (see V.1.1).

But joint evaluation with the ACP States is still up against the limitations caused by staff shortages in the departments concerned, although, as has often been noted, ACP administrations are increasingly conscious that joint evaluation could help them refine national policy and practice, something which is crucial if ACP-EEC cooperation is to be made more efficient. The Commission is therefore willing to give ACP States assistance in improving their own evaluation departments should they so request.

V.1.2 Results of the latest evaluations

V.1.2.1 Roadbuilding projects

These have always represented a sizeable share of Community development aid. Over the first four EDFs they accounted for an average 20% of commitments (approximately 1 000m ECU at mid-1980). All the same, the proportion has gradually been declining, from 28.5% under the first EDF to 17.4% under the fourth; not surprisingly, as once basic infrastructure needs have been met, the recipient countries' requirements become more varied.

The EDF has concentrated on key trunk roads, with the aim of creating or improving the skeleton of a road network. Accordingly, many road projects have been concerned with sections of what will be the Transafrica highway system. These roads are not only of economic importance, they cement national unity, provide links between countries, and open up routes for landlocked states. This last point has proved crucial, with the increasing dilapidation of the railway system, and of course for obvious reasons, certain landlocked countries have been keen to acquire alternative routes to the coast.

The evaluation covered 45 stretches of road in eight countries, Burundi, Malawi, Mali, Niger, Senegal, Somalia, Togo and Upper Volta. Most of them formed part of trunk routes such as Ouagadougou-Lomé or Ouagadougou-Niamey-Zinder, etc. The total cost of the 45 stretches of road was approximately 286m ECU, 29 % of the total devoted to road projects under the first four Funds.

Main effects noted

The direct effects of road projects are on traffic growth and transport costs.

The growth of commercial traffic has fallen somewhat short of predictions. This is partly a result of - in some cases unforeseeable - local factors, but is in the main attributable to the 1973 oil crisis and its aftermath. However, the increase in both private and commercial traffic on Community-financed road sections has generally been above the national average, and the growth of private motoring has mostly exceeded the original forecasts. Undoubtedly, road projects have:

- i. encouraged the trend towards motorized transport, and thus increased mobility, improving access to health, educational and administrative facilities with an undoubted impact in terms of social and cultural development, though one which is hard to quantify;
- ii. opened the way for commercial vehicles with a much greater axle load, thus lowering transport costs.

In some cases competition from a new or improved road has caused a decline in the use of other, probably cheaper, forms of transport such as railways or waterways.

It is very difficult to generalize about transport costs with road projects, but savings brought about as a result of EDF projects have been estimated at between 17% and 37% for heavy vehicles and between 17% and 33% for light vehicles (at constant prices). For most projects it was assumed that the fall in carriers' costs would be reflected in a lowering of the rates charged to customers (e.g. small farmers) and thus in a decrease in the prices of consumer goods. In the event, however, market structures and rigid price policies practised by some governments have prevented the cost savings being fully passed on to users.

Evaluation also showed that savings on transport costs (i.e. the reduction in vehicle operating costs, the time saved, and in some cases lower accident costs) gradually dwindled, quite markedly in fact, if the new roads were not maintained - often the case unfortunately.

Main factors having a bearing on project effectiveness

Project preparation

It emerged from the evaluation that many of the problems encountered in carrying out roadworks had been due to ill-conceived technical studies. The reasons:

- i. A number of ACP countries' highway departments lack experience and continuity. Officials are moved on too often, and expatriate experts on attachment do not stay long enough.
- ii. Competition between consultancies is increasingly keen, so they try to trim the cost of studies by hiring inadequately qualified staff or cutting down the length of time taken.
- iii. In the last ten years or so the best-qualified people have been more and more reluctant to take up expatriate contracts, particularly given the current economic climate in Europe; they may well be unable to find another job when the contract expires.
- iv. Some European engineers who take on consultancy work are inadequately prepared for the job.

Project execution

The evaluation revealed not only that the length of time taken to carry out a project had gone up by 16% from the first to the third and fourth EDFs, but also that overruns were 19% longer for third and fourth EDF projects. The reason for this is that some of the recipient countries may tend to set contractors too tight a schedule initially.

The work has therefore got more difficult in recent years. There have been problems in several areas:

- i. miscalculations on the part of firms tendering;
- ii. factors external to the work itself - political conflicts or exceptional weather conditions, for instance - causing supply problems and often halting operations;
- iii. major modifications to the project after work has been started, sometimes without any clear understanding of the consequences on the part of the project authority requesting them.

Maintenance

It was found that the amount of maintenance actually carried out was usually less than was needed to keep roads in their original condition and thus provide users with a consistent service. The reasons:

- i. administration tended to give new construction preference over maintenance, a tendency reinforced by some aid donors' rules (refusal to pay for current maintenance, which is left entirely up to ACP States, while agreeing to finance rehabilitation and major repairs to inadequately maintained roads - obviously a false economy - and refusal or inability to take steps to see that at all events maintenance is carried out either by the beneficiary country or, in some circumstances, by the donor);
- ii. inefficiency in the management of maintenance operations generally; overmanning, lack of qualified staff, scarcity of maintenance equipment but also over-reliance on direct labour, which is hard to control, rather than contracting work out, which would incidentally also be a way of encouraging the formation of local companies.

V.1.2.2 Evaluation of Stabex operations under the first Lomé Convention (1975-79)

The evaluation was based on a sample of ten countries, including the five major recipients of Stabex transfers, Senegal, Sudan, Mauritania, Niger and Tanzania. Together with the other five countries in the sample, Gambia, Western Samoa, Comoros, Cameroon and Fiji, they account for over half (specifically over 200m ECU) of Stabex transfers under Lomé I.

Thirty-five out of thirty-nine transfer operations analysed were based on applications for transfers with the lower dependence and fluctuation thresholds (2.5% rather than 7.5%). Two countries, Western Samoa and Comoros, were eligible for all-destinations cover and three - Cameroon, Fiji and Senegal - were required to repay transfers. Groundnuts and groundnut products occasioned 64% of transfers in the sample, iron ore 18% and sisal 9%. Stabex advances went to three countries in the sample, Senegal, Mauritania and Gambia.

Main conclusions

Stabex operations were nearly always triggered by a drop in the volume of exports to the Community. Sometimes, as in the case of iron ore or timber, a fall in export prices was involved, but it was almost never the sole or decisive cause of the intervention. A third of all transfers were used wholly to cover expenditure unrelated to the commodity concerned (inter alia debt servicing, supplementary or local currency financing of infrastructure projects and coverage of day-by-day administrative costs). Where transfers were partly used in the export sector concerned, the money was spread fairly evenly between projects, price support and income support measures for farmers.

The conclusions regarding the stabilizing effect of Stabex at sectoral level are as follows:

- i. in the majority of cases (and wherever groundnuts were involved) the transfers did not really make it possible to restore stability to production or exports;
- ii. in some cases there was a beneficial effect on growers' incomes, particularly as a result of the cancellation of small farmers' debts.

The impact of Stabex on government revenue varied widely; in half of the countries studies transfers more than covered the fiscal loss (in export taxes and indirect taxes) resulting from the drop in export earnings. As Stabex provided recipient countries with a sometimes considerable extra injection of untied capital, it gave them a margin of manoeuvre in their development policy and could be used to finance a further tranche of expenditure.

Obviously, the inflow of capital was not enough to correct the structural balance of payments deficits of most of the sample countries. However, in three cases transfers were on such a scale and concentrated over such a short period that they successfully shored up a sagging economy by giving governments a breathing space to tackle urgent external imbalances and negotiate longer-term structural adjustment programmes.

It is not easy to assess the extent to which Stabex has helped spur on economic growth and development. Only in a minority of cases were transfers used for ordinary expenditure and public consumption rather than development expenditure. Where they were used to prevent a fall in agricultural earnings, there are indications that other sectors of the economy were able to develop more rapidly than would otherwise have been the case. In some instances transfers were also used to complete a range of infrastructure, communications, food production and storage projects. Often, Stabex funds provided the money to complete the project and thus avoid a time-consuming hunt for financing with its consequent delays and the implications for production.

Main factors having a bearing on the effectiveness of Stabex operations

It seems, therefore, that Stabex money has largely been used outside the sector in respect of which the application was made, and accordingly has had comparatively little sectoral stabilizing effect. There are a number of reasons for this:

- i. ACP governments do not feel any obligation to use transfers to help producers in the sectors concerned. As there are no firm rules for use of transfers, nor any obligation to spend Stabex money on the sector concerned, the recipient government assesses the prospects for that sector when the transfer comes through, sets them against other export or sectoral priorities and allocates the Stabex funds accordingly;
- ii. where the sector in respect of which the transfer was applied for was facing urgent problems which could be solved by an injection of public money, governments usually went ahead using the resources available rather than waiting for a Stabex application to bear fruit;
- iii. some recipient states were constitutionally obliged to allocate any untied transfers received to certain public spending priorities;
- iv. governments sometimes wanted to diversify the economy to become less dependent on the product in respect of which the transfer was applied for, or less dependent on commodity exports generally, and to be able to spend some of the money on marginal expenditure items.

Apart from the question of how Stabex funds are used, the efficiency of the system as a cure for the problems of a specific sector also depends on two factors:

- i. whether the transfer is on a scale adequate to cope with the sectoral problem, which in turn depends on factors such as the share of total exports going to the Community and the trend of domestic consumption;
- ii. speed of disbursement and whether advances are given.

V.2. INFORMATION

V.2.1 The ACP-EEC Courier

The Courier continued in 1981 to constitute a source of information and background material (particularly the Dossier section), a link between the EEC and ACP and between the ACP States themselves, and a forum for the exchange of ideas, where prominent ACP and European figures of all nationalities and persuasions can express themselves freely. It also has its own part to play in the Lomé cooperation process as a shop-window for the CID (yellow pages), as well as reporting on the state of Community development operations in the ACP States, the OCT, Maghreb and Mashreq countries and non-associated developing countries (blue pages).

The Courier still comes out every two months. Taking white, yellow and blue pages together, it does not exceed 140 pages. In 1981 the total print-run stabilized at 78 500 copies, 41 000 in French and 37 500 in English.

In each of the year's issues the Dossier section featured a report on a particular topic:

- No 65 contained an up-to-date survey of animal husbandry in the ACP States, a subject previously examined in 1976 (No 37).
- In No 66 the Dossier on rice was the latest in a series on important ACP commodities which has looked at coffee, tea, cotton and cocoa.
- "Air Transport" (No 67) and "Shipping" (No 70) have been added to the comprehensive review of transport in the ACP countries, following "Railway Prospects" (No 56) and "The main African road projects" (No 54).
- In No 68 the Dossier looked at handicrafts, potentially an important source of earnings for ACP countries, to be set aside tourism which was looked at in 1980 (No 63).
- The 1980 Development Report (No 69) reviewed Community development operations in the ACP States, the OCT, MMI and the non-associated developing countries, and outlined the Community's role in the North-South dialogue.

As in previous years, the "ACP" section of the Courier contained economic reports on various countries, generally two per issue. In 1981 in-depth surveys including interviews with VIPs were published on the following countries (in order of publication):

- Togo (including an interview with the President),
- Cape Verde (Prime Minister),
- Zimbabwe (Prime Minister),
- Ghana (President),
- Papua New Guinea (Prime Minister),
- Solomon Islands (Prime Minister),
- Mauritania (Head of State),
- Malawi (Minister of Finance),
- Comoros (President),
- Belize (Prime Minister),
- Gabon (President), and
- Surinam (President).

The reports illustrate development needs and priorities, give prominent representatives a chance to discuss ACP-EEC relations, and familiarize readers in the Community, ACP countries and elsewhere with the countries reviewed.

In 1981 the Overview section featured interviews with Claude Cheysson, the former development commissioner, and Gaston Thorn, and dealt at length with the Europe-Caribbean seminar and the intra-ACP trade and development conference.

The section on Europe contained an interview with Giovanni Bersani, co-chairman of the Joint Committee, and also ran more general articles on the composition of the new Commission and the common agricultural policy.

The arts section discussed the Chasle report on cultural cooperation, reported on 25 years of UNESCO activity, and covered the Caribbean festival (Carifesta) in detail.

Efforts to improve the three parts of the News Round-up - "The Convention at Work", "General Information" (on developing countries) and "European Community" - have continued. In 1981 featured items were, in chronological order, the accession of Zimbabwe to the second Lomé Convention, the SADCC 2 Conference (1) at Maputo, the Joint Committee meeting in Freetown, Sierra Leone, the ACP-EEC Council of Ministers in Luxembourg, the arrival at the Commission of Mr Pisani replacing Mr Cheysson, and the Consultative Assembly meeting in Luxembourg.

More frequent and regular press conferences and communiqués on the activities of the ACP Ambassadors Committee have also enabled the News Round-up to provide fuller coverage of the Committee's views.

(1) Southern Africa Development Coordination Conference.

No 66 included a leading article by Thomas Okelo-Odongo, Secretary General of the ACP Group, discussing ways of improving cooperation.

V.2.2 Other Information

1981 was the first year of application of the second Lomé Convention, and the Commission's information service took the opportunity to explain to people how it differed from Lomé I. Whenever possible, the Commission sought the cooperation of the ACP Secretariat and governments.

Information publications in 1981 stressed the major aspects of EEC-ACP cooperation, including the topic of new and renewable sources of energy, commodities in the context of the North-South dialogue, relations between the Community and the southern Mediterranean countries, NGOs, southern Africa and regional cooperation.

As always, the Commission arranged visits to Europe for ACP journalists and helped organize visits to ACP countries for European journalists.

In the audio-visual field radio, cinema and television activities have been continued and expanded as follows:

- i. radio: continuation of the usual type of recorded programme supplied to radio stations in the ACP States, and more cooperation with European radio authorities broadcasting on short wavebands to ACP countries;
- ii. cinema and television: continuation of the "Europe Pictorial" programme.

The Commission's information service has continued to cooperate with Commission Delegations in the ACP States and European non-governmental organizations specializing in development. However, the flow of information from Europe to the ACP States needs to be made more systematic, and perhaps augmented in new ways.

L O M E I

TABLE I - Breakdown, by country, of commitments at 31.12.1981
(4th EDF + EIB ordinary loans)

(million ECU)

	EDF			EIB	TOTAL
	administered by Commission	EIB	Total	Ordinary loans	
Bahamas	1.9	.	1.9	.	1.9
Barbados	2.9	1.3	4.2	7.5	11.7
Benin	55.6	.	55.6	.	55.6
Botswana	22.2	3.0	25.2	6.5	31.7
Burundi	56.1	0.5	56.6	.	56.6
Cameroon	60.8	9.3	70.1	32.6	102.7
Cape Verde	6.5	3.6	10.1	.	10.1
Central African Rep.	47.6	.	47.6	.	47.6
Comoros	9.6	0.02	9.6	.	9.6
Congo	34.8	3.1	37.9	.	37.9
Ivory Coast	54.2	10.2	64.4	47.4	111.8
Djibouti	3.6	1.0	4.6	.	4.6
Dominica	4.6	.	4.6	.	4.6
Ethiopia	106.6	.	106.6	.	106.6
Fiji	16.0	4.4	20.4	24.0	44.4
Gabon	17.3	.	17.3	.	17.3
Gambia	20.3	2.4	22.7	.	22.7
Ghana	57.9	4.7	62.6	16.0	78.6
Grenada	2.6	.	2.6	.	2.6
Guinea	66.9	0.7	67.6	4.4	72.0
Guinea-Bissau	31.4	.	31.4	.	31.4
Equatorial Guinea	7.1	.	7.1	.	7.1
Guyana	13.7	3.2	16.9	.	16.9
Upper Volta	72.7	9.6	82.3	8.0	90.3
Jamaica	20.2	0.1	20.3	.	20.3
Kenya	75.6	10.3	85.9	52.4	138.3
Kiribati	0.5	.	0.5	.	0.5
Lesotho	20.6	0.1	20.7	.	20.7
Liberia	32.5	1.6	34.1	7.4	41.5
Madagascar	79.1	2.3	81.4	.	81.4
Malawi	71.0	4.0	75.0	14.5	89.5
Mali	82.8	6.3	89.1	.	89.1
Mauritius	18.0	2.6	20.6	12.5	33.1
Mauritania	73.0	3.6	76.6	25.0	101.6
Niger	100.0	1.9	101.9	6.0	107.9
Nigeria	9.4	9.6	19.0	50.0	69.0
Uganda	86.9	0.3	87.2	.	87.2
Papua New Guinea	6.0	3.1	9.1	7.0	16.1
Rwanda	67.0	3.0	70.0	.	70.0
Saint Lucia	2.1	0.2	2.3	.	2.3

TABLE I (cont'd)

(million ECU)

	EDF			EIB	TOTAL
	administered by Commission	EIB	Total	Ordinary loans	
St Vincent and Grenadines	0.5	.	0.5	.	0.5
Solomon Islands	6.7	.	6.7	.	6.7
Samoa	7.5	.	7.5	.	7.5
Sao Tome and Principe	2.2	.	2.2	.	2.2
Senegal	127.3	10.8	138.1	12.0	150.1
Seychelles	2.3	0.6	2.9	.	2.9
Sierra Leone	31.6	.	31.6	.	31.6
Somalia	73.2	0.3	73.5	.	73.5
Sudan	140.0	6.5	146.5	.	146.5
Suriname	8.7	.	8.7	.	8.7
Swaziland	25.6	2.9	28.5	12.0	40.5
Tanzania	125.4	8.5	133.9	5.0	138.9
Chad	59.8	7.5	67.3	.	67.3
Togo	41.2	7.5	48.7	16.3	65.0
Tonga	4.3	.	4.3	.	4.3
Trinidad and Tobago	6.6	1.6	8.2	10.0	18.2
Tuvalu	0.6	.	0.6	.	0.6
Zaire	117.8	5.2	123.0	.	123.0
Zambia	62.6	5.2	67.8	10.5	78.3
Regional aid	254.9	0.7	255.6	3.0	258.6
Non-allocated aid	33.8	.	33.8	.	33.8
	2 650.2	163.3	2 813.5	390.0	3 203.5
Risk capital cancellations		- 2.3	- 2.3		- 2.3
Blocked appropriations	3.0	2.4	5.4	.	5.4
TOTAL	2.653.2	163.4	2 816.6	390.0	3 206.6

L O M E I

TABLE II - Breakdown of commitments at 31.12.1981 by sector and method of financing.

(million ECU)

	Grants and special loans	Stabex	Contribution to risk capital formation	EIB ordinary loans	Total	%
I. <u>DEVELOPMENT OF PRODUCTION</u>					1 466.1	45.7
1. Industrialization (of which projects with an energy bias)	407.4 (142.1)		92.45 (3.4)	381.2 (130.9)	879.0 (276.4)	27.4 (8.6)
Risk capital cancellations			-2.1		881.1 -2.1	
2. Tourism	2.3		5.85	8.8	16.7	0.5
Risk capital cancellations			-0.2		16.9 -0.2	
3. Rural production	570.4				570.4	17.8
II. <u>ECONOMIC INFRASTRUCTURE</u>						
Transport and communications	634.1				634.1	19.8
III. <u>SOCIAL DEVELOPMENT</u>	398.5				398.5	12.4
IV. <u>TRADE PROMOTION</u>	32.4				32.4	1.0
V. <u>EXCEPTIONAL AID</u>	145.4				145.4	4.5
VI. STABEX		377.5			377.5	11.8
VII. <u>OTHER</u> (including the operating costs of Commission Delegations up to 1.3.1980)	147.2				147.2	4.6
VIII. <u>BLOCKED APPROPRIATIONS</u>	3.0		2.4		5.4	0.2
TOTAL	2 340.7 ¹	377.5	98.4	390.0	3 206.6	100,0 %

¹ of which 398.8 million ECU in special loans.

L O M E I

TABLE III : Financing situation at end 1981 by method of financing and by administrative body.

	(million ECU)							
	Total volume (Art. 42 of the Convention)		Commitments at 31.12.1981				Total	
	Amount	%	Amount	%	Amount	%	Amount	%
<u>EDF Resources</u>	3 074.4355	88.7	2 653.2	100.0	163.4	29.5	2 816.6	87.8
- Grants	2 149.8505	62.0	1 876.9	70.7	65.0 ¹	11.7	1 941.9	60.5
of which : microprojects	(25.0)	(0.7)	(18.2)	(0.7)			(18.2)	(0.6)
interest rate subsidies	(97.5)	(2.8)			(65.0)	(11.7)	(65.0)	(2.0)
exceptional aid	(150.0)	(4.3)	(145.4)	(5.5)			(143.4)	(4.5)
- Special loans	445.585	12.9	398.8	15.1			398.8	12.4
- Risk Capital	99.0	2.8			100.7 ²	17.8	98.4	3.1
- cancellations					-2.3			
- Stabex	380.0	11.0	377.5	14.2			377.5	11.8
<u>EIB Resources</u>	390.0	11.3			390.0	70.5	390.0	12.2
- Loans from EIB resources	390.0	11.3			390.0	70.5	390.0	12.2
<u>Total</u>	3 464.4355	100.0	2 653.2	100.0	553.4	100.0	3 206.6	100.0

1

² including appropriations of 2.4 million ECU pending utilization from the overall authorization for studies.

L O M E I

TABLE IVa : Sectoral summary, at 31.12.1981, showing percentage breakdown, method of financing and administrative body.
(projects and programmes)

	Development of production				Economic infra- structure (2)	Social develop- ment (3)	Trade promotion (4)	Short- term aid programmes (5)	TOTAL (1 to 5)
	Industri- alization	Tourism	Rural production	Total (1)					
(million ECU)									
1. <u>Aid administered by the Commission</u>									
Programmable grants and special loans	343.9	0.8	570.4	915.1	634.1	398.5	32.4	27.7	2 007.8
Breakdown in %	17.1	0.04	28.4	45.6	31.6	19.8	1.6	1.4	100 %
2. <u>Aid administered by the EIB</u>									
Loans from EIB resources	381.2	8.8		390.0					390.0
Interest rate subsidies	63.5	1.5		65.0					65.0
Risk capital	92.5	5.8		96.0					96.0
- Cancellations	-2.1	-0.2							
Total	535.1	15.9		551.0					551.0
Breakdown in %	97.1	2.9							100 %
3. <u>Grand total</u>	879.0	16.7	570.4	1 466.1	634.1	398.5	32.4	27.7	2 558.8
Breakdown in %	34.3	0.7	22.3	57.3	24.8	15.6	1.2	1.1	100 %

L O M E I

TABLE IVb : Sectoral summary, at 31.12.1981, showing percentage breakdown, method of financing and administrative body

	(million ECU)					
	Projects and programmes (see Table IVa) (1 to 5)	Other and operating costs (6)	Exceptional aid (7)	Stabex (8)	Blocked appropriations (9)	TOTAL (1 to 9)
<u>1. Aid administered by the Commission</u>						
Programmable grants and special loans	2 007.8	119.5			3.0	2 130.3
Exceptional aid			145.4			145.4
Stabex				377.5		377.5
Total	2 007.8	119.5	145.4	377.5	3.0	2 653.2
Breakdown of total in %	75.7	4.5	5.5	14.2	0.1	100 %
<u>2. Aid administered by the EIB</u>						
Loans from EIB resources	390.0					390.0
Interest rate subsidies	65.0					65.0
Risk capital	96.0				2.4	96.0
Total	551.0				2.4	553.4
<u>3. Grand total</u>	2 558.8	119.5	145.4	377.5	5.4	3 206.6
Breakdown of total in %	79.8	3.7	4.5	11.8	0.2	100 %

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TABLE V - Situation of commitments and payments at 31.12.1981

(million ECU)

	EDF resources administered by		Total EDF commitments (3)=(1+2)	Total EDF payments (4)	Payments as % of commitments (5)=(4:3)
	Commission (1)	EIB (2)			
Bahamas	1.9	.	1.9	0.5	26.3
Barbados	2.9	1.3	4.2	2.9	69.0
Benin	55.6	.	55.6	43.6	78.4
Botswana	22.2	3.0	25.2	18.5	73.4
Burundi	56.1	0.5	56.6	37.1	65.5
Cameroon	60.8	9.3	70.1	47.8	68.2
Cape Verde	6.5	3.6	10.1	7.6	75.2
Central African Rep.	47.6	.	47.6	32.6	68.5
Comoros	9.6	0.02	9.6	4.7	49.0
Congo	34.8	3.1	37.9	34.5	91.0
Ivory Coast	54.2	10.2	64.4	44.7	69.4
Djibouti	3.6	1.0	4.6	3.7	80.0
Dominica	4.6	.	4.6	4.4	95.6
Ethiopia	106.6	.	106.6	68.5	64.3
Fiji	16.0	4.4	20.4	15.8	77.4
Gabon	17.3	.	17.3	15.0	86.7
Gambia	20.3	2.4	22.7	15.3	67.4
Ghana	57.9	4.7	62.6	32.3	51.6
Grenada	2.6	.	2.6	1.6	61.5
Guinea	66.9	0.7	67.6	44.9	66.4
Guinea-Bissau	31.4	.	31.4	26.3	83.8
Equatorial Guinea	7.1	.	7.1	2.0	28.2
Guyana	13.7	3.2	16.9	8.8	52.1
Upper Volta	72.6	9.6	82.3	54.0	65.6
Jamaica	20.2	0.1	20.3	11.9	58.6
Kenya	75.6	10.3	85.9	61.6	71.7
Kiribati	0.5	.	0.5	0.1	20.0
Lesotho	20.6	0.1	20.7	13.0	62.8
Liberia	32.5	1.6	34.1	20.7	60.7
Madagascar	79.1	2.3	81.4	43.0	52.8
Malawi	71.0	4.0	75.0	48.8	65.1
Mali	82.8	6.3	89.1	77.6	87.1
Mauritius	18.0	2.6	20.6	9.4	45.6
Mauritania	73.0	3.6	76.6	66.6	86.9
Niger	100.0	1.9	101.9	82.2	80.7
Nigeria	9.4	9.6	19.0	12.9	67.9
Uganda	86.9	0.3	87.2	43.7	50.1
Papua New Guinea	6.0	3.1	9.1	4.6	47.2

TABLE V (cont'd)

(million ECU)

	EDF resources administered by		Total EDF commitments (3)=(1+2)	Total EDF payments (4)	Payments as % of commitments (5)=(4:3)
	Commission (1)	EIB (2)			
Rwanda	67.0	3.0	70.0	52.5	75.0
Saint Lucia	2.1	0.2	2.3	1.9	82.6
St Vincent and Grenadines	0.5	.	0.5	0.5	100.0
Solomon Islands	6.7	.	6.7	0.9	13.4
Samoa	7.5	.	7.5	6.3	84.0
Sao Tome and Principe	2.2	.	2.2	1.3	59.1
Senegal	127.3	10.8	138.1	113.2	82.0
Seychelles	2.3	0.6	2.9	1.7	58.6
Sierra Leone	31.6	.	31.6	19.8	62.7
Somalia	73.2	0.3	73.5	48.0	65.3
Sudan	140.0	6.5	146.5	88.9	60.7
Suriname	8.7	.	8.7	4.4	50.6
Swaziland	25.6	2.9	28.5	23.5	82.5
Tanzania	125.4	8.5	133.9	78.6	58.7
Chad	59.8	7.5	67.3	43.1	64.0
Togo	41.2	7.5	48.7	35.2	72.3
Tonga	4.3	.	4.3	3.9	90.7
Trinidad and Tobago	6.6	1.6	8.2	4.0	48.8
Tuvalu	0.6	.	0.6	0.3	50.0
Zaire	117.8	5.2	123.0	58.1	47.2
Zambia	62.6	5.2	67.8	51.1	75.4
Regional aid	254.9	0.7	255.6	137.3	53.7
Non-allocated aid	33.8	.	33.8	21.8	64.5
Total	2 650.2	163.3	2 813.5	1 859.5	66.1
Risk capital cancellations		- 2.3	- 2.3		
Blocked appropriations	3.0	2.4	5.4		
GRAND TOTAL	2 653.2	163.4	2.816.6	1.859.5	66.0

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TABLE VI : BREAKDOWN of works contracts by nationality of contractor
of supply contracts by origin of goods
of technical cooperation contracts by nationality of contractor

4th EDF - Situation at 31.12.1981

Nationality of firms	(in '000 ECU)											
	Works contracts			Supply contracts			Technical cooperation contracts			Total contracts		
	Amount	% 31.12. 81	% 31.12. 80	Amount	% 31.12. 81	% 31.12. 80	Amount	% 31.12. 81	% 31.12. 80	Amount	% 31.12. 81	% 31.12. 80
Germany	70 838	7.63	5.58	67 344	20.14	21.01	62 287	20.81	19.08	200 469	12.84	11.58
Belgium	61 291	6.60	6.97	14 792	4.42	4.61	24 834	8.30	8.70	100 917	6.46	6.84
France	217 402	23.43	25.48	76 093	22.75	21.11	59 818	19.98	20.33	353 313	22.63	23.50
Italy	104 258	11.23	10.25	49 491	14.80	18.41	33 973	11.35	11.07	187 722	12.02	12.12
Luxembourg	-	-	-	21	0.01	0.01	4 547	1.52	1.54	4 568	0.29	0.32
Netherlands	31 850	3.44	3.93	14 442	4.31	4.27	21 918	7.32	7.55	68 210	4.37	4.75
Denmark	2 309	0.25	0.34	1 968	0.59	0.25	6 090	2.03	2.46	10 367	0.67	0.76
United Kingdom	31 496	3.39	3.81	61 836	18.49	15.10	42 486	14.19	14.01	135 818	8.69	8.27
Ireland	-	-	-	38	0.02	0.02	5 078	1.69	1.48	5 116	0.32	0.31
ACP-OCT	398 369	42.93	42.28	28 324	8.47	9.19	36 825	12.30	13.26	463 518	29.67	29.40
Third countries	10 254	1.10	1.36	20 055	6.00	6.02	1 528	0.51	0.52	31 837	2.04	2.15
Total	928 076	100.00	100.00	334 404	100.00	100.00	299 384	100.00	100.00	1 561 855	100.00	100.00
	59.42 %			21.41 %			19.17 %			100 %		

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TABLE VII : Breakdown of commitments in 1981 by country and by sector
(5th EDF and EIB ordinary loans)

	Development of production			Economic infra- structure	Social develop- ment	Trade promotion	Emergency aid	Stabex	Other	Total
	Industri- alization	Tourism	Rural production							
Bahamas			0.01		0.1					0.1
Barbados			1.2		0.4					1.6
Benin					0.4	0.1			0.1	0.6
Botswana				1.5	0.5					2.0
Burundi	4.0		0.05		0.4			11.0		15.5
Cameroon				13.8	0.4	0.01			0.3	14.5
Cape Verde					0.2		0.5	0.2		0.9
Central African Republic					0.2		0.5	1.0		1.7
Comoros	0.2			0.2	0.2		0.2	1.1		1.9
Congo	0.4		0.05	0.1	2.6					3.2
Ivory Coast					12.0	2.3		19.2		33.5
Djibouti	1.8				0.1		0.1			2.0
Dominica			0.1	0.1	0.03		0.5	2.5		3.2
Ethiopia	0.1				53.5		0.2			53.8
Fiji	16.0				0.4	0.03	0.3	0.8		17.5
Gabon	29.2				0.1	0.01				29.3
Gambia					3.6	0.01	0.06	8.1		11.8
Ghana			0.6	7.0	0.5	0.01	0.1			8.2
Grenada			0.03		0.2	0.01				0.2
Guinea			0.4		0.5		0.5			1.4
Guinea-Bissau			0.5		0.3			1.5		2.3
Equatorial Guinea					0.05					0.05
Guyana					0.5	0.1				0.6

(million ECU)

TABLE VII (cont'd 1)

	Development of production			Economic infra- structure	Social develop- ment	Trade promotion	Emergency aid	Stabex	Other	Total
	Industri- alization	Tourism	Rural production							
Upper Volta			1.2	17.0	11.1		0.02			29.3
Jamaica			0.1		0.2			3.3		3.6
Kenya	9.7		14.5		0.4	1.0	0.3	10.0	0.2	36.1
Kiribati			0.05		0.05			0.5		0.6
Lesotho	3.0	0.05			0.4	0.03		0.2	0.2	3.9
Liberia	0.7				0.1					0.8
Madagascar	2.2		8.0		0.2	0.01	0.2	1.2		11.8
Malawi			0.05		3.8	0.1	0.1	1.3		5.4
Mali			17.0		0.5		0.6	2.6		20.7
Mauritius			0.03			1.6				1.7
Mauritania				0.5	0.8	0.01				1.3
Niger	13.6		0.4	19.4	0.2		0.8		0.4	34.8
Nigeria					0.4		0.3			0.7
Uganda			4.4	0.2	0.3		3.3		0.2	8.4
Papua New Guinea	52.0		0.04		0.1	0.03				52.2
Rwanda	2.2		14.5		0.8			6.6	0.1	24.2
Saint Lucia			0.06	1.1	0.02			1.3		2.5
Saint Vincent and Grenadines					2.3		0.2			2.5
Solomon Islands										-
Samoa	8.0				0.05			1.2		9.3
Sao Tome and Principe			0.05	0.03	0.03					0.1
Senegal	15.2		0.9		2.7		0.2	38.6		57.5
Seychelles							0.04			0.04
Sierra Leone		0.1	1.4		0.2			1.0		2.7
Somalia			0.04	11.0	0.5	0.01	10.5	1.9		24.0
Sudan			1.5				0.5	13.4		15.4
Suriname			0.2	0.8		0.05				1.0
Swaziland	8.9				0.4	0.02				9.3

TABLE VII (cont'd 2)

(million ECU)

	Development of production			Economic infra- structure	Social develop- ment	Trade promotion	Emergency aid	Stabex	Other	Total
	Industri- alization	Tourism	Rural production							
Tanzania	7.5				5.1	0.01	0.1	6.3		19.0
Chad					0.5		1.5	2.6		4.6
Togo	0.1		3.1	5.9	0.8	0.02				9.9
Tonga	1.0							0.6		1.6
Trinidad and Tobago			0.5		0.7					1.2
Tuvalu			0.1					0.01		0.1
Vanuatu										-
Zaire	6.0		0.1	0.1	1.0		2.0			9.2
Zambia	41.9				5.7	0.8	0.8			49.2
Regional projects	12.5		3.4	6.3	1.1	6.6			6.6	36.5
Grand Total	236.2	0.2	74.6	85.0	117.6	12.9	24.4	138.0	8.1	697.0

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TABLE VIII : Breakdown of commitments in 1981 by sector and method of financing.

(million ECU)

	Grants	Special loans	Stabex	Contribut. to risk capital formation	EIB ordinary loans	Total	%
<u>I. DEVELOPMENT OF PRODUCTION</u>						311.0	44.6
<u>1. Industrialization</u>						236.2	33.9
General	8.1			15.6	11.5	35.2	5.1
Extractive industries	6.8			12.0 ¹	65.0	83.8	12.0
Chemical industries				3.9 ¹	-	3.9	0.6
Manufacturing industries	4.5			4.0	16.5	25.0	3.6
Agricultural and food industries	0.9			0.7		1.6	0.2
Projects with energy bias	23.4			12.3	51.0	86.7	12.4
<u>2. Tourism</u>	0.2					0.2	0.03
<u>3. Rural production</u>						74.6	10.7
General	1.0					1.0	0.1
Plantations	0.2					0.2	0.03
Hydro-agricultural schemes	8.2					8.2	1.2
Agriculture	36.4					36.4	5.2
Stock-farming	6.7					6.7	1.0
Fisheries	0.4					0.4	0.06
Forests	0.5					0.5	0.07
Microprojects and other	7.3					7.3	1.0
Integrated projects with agriculture bias	13.9					13.9	2.0

¹-0.2 risk capital cancellation.

TABLE VIII (cont'd 1)

(million ECU)							
	Grants	Special loans	Stabex	Contribut. to risk capital formation	EIB ordinary loans	Total	%
<u>II. ECONOMIC INFRASTRUCTURE</u>						85.0	12.2
4. <u>Transport and communications</u>						85.0	12.2
General	0.2					0.2	0.03
Roads and bridges	64.4					64.4	9.2
Railways	3.8	0.5			10.0	14.3	2.1
Ports and inland waterways	1.6				4.4	6.0	0.9
Telecommunications	0.1					0.1	0.01
<u>III. SOCIAL DEVELOPMENT</u>						117.6	16.9
5. <u>Education and training</u>						22.2	3.2
Education infrastructure	0.5					0.5	0.07
Specific projects, vocational training and provision of instructors	2.0					2.0	0.3
Study and training grants	19.7					19.7	2.8
6. <u>Health</u>						7.6	1.1
Infrastructure	7.3					7.3	1.1
Health campaigns and tech. cooperation	0.3					0.3	0.04
7. <u>Water engineering, housing and urban infrastructure</u>						87.8	12.6
General	48.4	5.0				53.4	7.6
Village water supply	14.8	8.0				22.8	3.3
Urban water supply	5.6					5.6	0.8
Urban drainage	6.0					6.0	0.9

TABLE VIII (cont'd 2)

	(million ECU)						
	Grants	Special loans	Stabex	Contribut. to risk capital formation	EIB ordinary loans	Total	%
IV. <u>TRADE PROMOTION</u>	12.9					12.9	1.8
V. <u>EMERGENCY AID</u>	24.4					24.4	3.5
VI. <u>STABEX</u>			138.0			138.0	19.8
VII. <u>OTHER</u> Information, documentation, seminars, planning, general technical cooperation	8.1					8.1	1.2
TOTAL	338.6	13.5	138.0	48.5	158.4	697.0	100 %

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TABLE IX : Financing situation in 1981 by method of financing and by administrative body.

(million ECU)

	Total volume (Art. 95 of the Convention)		Commitments in 1981				TOTAL	
			Aid administered by the Commission		Aid administered by the EIB			
	Amount	%	Amount	%	Amount	%	Amount	%
<u>EDF Resources</u>	4 637	87.1	453.8	100.0	84.8	34.9	538.6	77.3
- Grants	2 996	56.3	302.3	66.6	36.3	14.9	338.6	48.6
of which : interest rate subsidies	(175)	(3.3)			(36.3)	(14.9)	(36.3)	(5.2)
exceptional aid	(202)	(3.8)	(24.4)				(24.4)	(3.5)
- Special loans	518	9.7	13.5	3.0			13.5	1.9
- Risk capital	284	5.3			48.5	20.0	48.5	7.0
- Stabex	557	10.5	138.0	30.4			138.0	19.8
- Mineral products (Sysmin)	282	5.3	-		-		-	
<u>EIB Resources</u>	685	12.9			158.4	65.1	158.4	22.7
- Loans from EIB resources	685	12.9			158.4	65.1	158.4	22.7
<u>Total</u>	5 322	100.0	453.8	100.0	243.2	100.0	697.0	100.0

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TABLE Xa : Sectoral summary, in 1981, showing percentage breakdown, method of financing and administrative body (projects and programmes)

	Development of production				Economic infra- structure (2)	Social develop- ment (3)	Trade promotion (4)	Other (5)	Total (1 to 5)
	Industri- alization	Tourism	Rural production	Total (1)					
(million ECU)									
<u>1. Aid administered by the Commission</u>									
Programmable grants	12.7	0.2	74.6	87.5	64.8	104.6	12.9	8.1	277.9
Special loans					0.5	13.0			13.5
Total:	12.7	0.2	74.6	87.5	65.3	117.6	12.9	8.1	291.4
Breakdown in %	4.3	0.07	25.6	30.0	22.4	40.4	4.4	2.8	100 %
<u>2. Aid administered by the EIB</u>									
Loans from EIB resources	144.0				14.4				158.4
Interest rate subsidies	31.0				5.3				36.3
Risk capital	48.5								48.5
Total:	223.5				19.7				243.2
Breakdown in %	91.9				8.1				100 %
<u>3. Grand total</u>	236.2	0.2	74.6	311.0	85.0	117.6	12.9	8.1	534.6
Breakdown in %	44.2	0.04	13.9	58.2	15.9	22.0	2.4	1.5	100 %

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TABLE Xb : Sectoral summary, in 1981, showing percentage breakdown, method of financing and administrative body.

(million ECU)

	Projects and programmes (see Table Xa) (1 to 5)	Emergency aid (6)	Stabex (7)	Sysmin (8)	Total (1 to 8)
<u>1. Aid administered by the Commission</u>					
Programmable grants	277.9				277.9
Special loans	13.5				13.5
Emergency aid		24.4			24.4
Stabex			138.0		138.0
Total:	291.4	24.4	138.0		453.8
Breakdown in %	64.2	5.4	30.4		100 %
<u>2. Aid administered by the EIB</u>					
Loans from EIB resources	158.4				158.4
Interest rate subsidies	36.3				36.3
Risk capital	48.5				48.5
Total	243.2				243.2
<u>3. Grand total</u>	534.6	24.4	138.0		697.0
Breakdown of total in %	76.7	3.5	19.8		100 %

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TABLE XI : Ordinary loans and risk capital committed by the EIB in 1981
- Geographical breakdown -

ACP	(million ECU)								
	Ordinary loans from own resources			Risk capital from EDF resources			Total		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
Burundi	-	-	-	2	4.00	8.2	2	4.00	1.9
Cameroon	1	10.00	6.3	-	-	-	1	10.00	4.8
Comoros	-	-	-	1	0.17	0.3	1	0.17	0.1
Djibouti	-	-	-	1	1.80	3.7	1	1.80	0.9
Fiji	1	12.00	7.6	-	-	-	1	12.00	5.8
Gabon	2	22.00	13.9	-	-	-	2	22.00	10.6
Kenya	1	6.50	4.1	1	1.55 ²	3.2	2	8.05	3.9
Lesotho	-	--	-	1	3.00	6.2	1	3.00	1.5
Liberia	-	-	-	1	0.70	1.4	1	0.70	0.3
Madagascar	-	-	-	1	2.17	4.5	1	2.17	1.1
Niger	1	10.00	6.3	-	-	-	1	10.00	4.8
Papua New Guinea	1	40.00 ¹	25.2	1	12.00	24.8	2	52.00	25.1
Samoa	-	-	-	1	3.00	6.2	1	3.00	1.5
Senegal	1	10.00	6.3	1	2.30	4.7	2	12.30	6.0
Swaziland	1	7.00	4.4	-	-	-	1	7.00	3.4
Tanzania	-	-	-	1	7.50	15.5	1	7.50	3.6
Togo	1	4.40	2.8	-	-	-	1	4.40	2.1
Tonga	-	-	-	2	1.00 ¹	2.1	2	1.00	0.5
Zaire	-	--	-	1	6.00	12.4	1	6.00	2.9
Zambia	2	31.50	19.9	1	1.50	3.1	3	33.00	15.9
Regional	1	5.00	3.2	1	1.80	3.7	2	6.80	3.3
Total	13	158.40	100.0	17	48.49	100.0	30	206.89	100.0

¹The Ok Tedi ^{non-}subsidized loan was provided under Article 59 and Annex XXXI of the Second Lomé Convention, which stipulate that the EIB may, in accordance with its Statute, commit additional sums (200 million ECU) for mining and energy investment projects of mutual interest to the Community and the State concerned.

²-0.2 cancellation.

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TABLE XII : Ordinary loans and risk capital committed by the EIB in 1981
- Breakdown by sector -

Sector	Ordinary loans from own resources			Risk capital from EDF resources			(million ECU) Total		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
<u>Industrialization</u>									
General (including lines of credit)	2	11.5	7.3	8	15.64	32.3	10	27.14	13.1
Mines and extractive industries	2	65.0	41.0	1	12.00	24.7	3	77.00	37.2
Chemical industries	-	-	-	2	3.85	7.9	2	3.85	1.9
Manufacturing industries	2	16.5	10.4	2	4.00	8.3	4	20.50	9.9
Agro-industrial complexes	-	-	-	1	0.70	1.4	1	0.70	0.4
Projects with energy bias	<u>5</u>	<u>51.0</u>	<u>32.2</u>	<u>3</u>	<u>12.30</u>	<u>25.4</u>	<u>8</u>	<u>63.30</u>	<u>30.6</u>
Total:	11	144.0	90.9	17	48.49	100.0	28	192.49	93.1
<u>Infrastructure</u>									
Railways	1	10.0	6.3	-	-	-	1	10.00	4.8
Ports and inland waterways	1	4.4	2.8	-	-	-	1	4.40	2.1
<u>Grand total</u>	13	158.4	100 %	17	48.49	100 %	30	206.89	100 %

L O M E II

TABLE XIII : Interest rate subsidies in 1981

(million ECU)			
Country	Name of project	Amount of loan	Amount of subsidy
Cameroon	TRANSCAMEROON RAILWAY	10.00	3.81
Fiji	F E A III	12.00	3.96
Gabon	POUBARA	7.00	2.19
	COMUF	15.00	4.97
Kenya	BAMBURI CEMENT	6.50	1.63
Niger	SONICHAR	10.00	3.56
Senegal	SOCOCIM	10.00	2.91
Swaziland	S E B	7.00	1.89
Togo	PORT OF LOME	4.40	1.52
Zambia	D B Z	6.50	1.72
	N C C M	25.00	6.82
Regional	B O A D	5.00	1.34
TOTAL ACP		118.40	36.32

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TABLE XIV - A: Stabex 1981 payments to ACP States

(million ECU)

Recipient ACP State	Product	Amount of transfer
Burundi	raw or roasted coffee	11.0
Cape Verde	fresh bananas	0.2
Central African Republic	raw or roasted coffee	1.0
Comoros	copra	0.2
	essential oils	0.9
Ivory Coast	raw or roasted coffee	19.2
Dominica	fresh bananas	2.5
Fiji	coconut oil	0.8
Gambia	groundnut oil	3.2
	oil-cake	1.1
	groundnuts, shelled or not	3.8
Guinea Bissau	groundnuts, shelled or not	1.2
	palm nuts and kernels	0.3
Jamaica	fresh bananas	3.3
Kenya	raw or roasted coffee	10.0
Kiribati	copra	0.5
Lesotho	mohair	0.2
Madagascar	vanilla	1.2
Malawi	tea	1.3
Mali	groundnut products	2.6
Rwanda	raw or roasted coffee	6.6
Saint Lucia	fresh bananas	1.3
Samoa	cocoa beans	1.2
Senegal	groundnut products	30.4
	oil-cake	8.2
Sierra Leone	palm nuts and kernels	1.0
Somalia	fresh bananas	1.5
	raw hides and skins	0.4
Sudan	groundnuts, shelled or not	13.4
Tanzania	raw or roasted coffee	6.3
Chad	cotton, not carded or combed	2.6
Tonga	copra products	0.6
Tuvalu	copra	0.01
	TOTAL:	138.0

B: Stabex payments to ACP States continuing to benefit from the OCT appropriation

(million ECU)

Recipient APC State	Product	Amount of transfer
St Vincent and Grenadines	fresh bananas	0.9
Vanuatu	copra/coconut oil	3.8
	cocoa beans	0.4
	TOTAL:	5.1

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TABLE XV : Situation of commitments and payments at 31 December 1981

Country	EDF resources administered						(million ECU)		
	by the Commission Commitments			by the EIB Commitments			Total EDF commit- ments	EDF Payments	Payments as % of commit- ments
	Projects and pro- grammes (special loans and grants)	Stabex	Emergency aid	Total	Risk capital	Interest rate subsidies			
	(1)	(2)	(3)	(4)= (1 to 3)	(5)	(6)	(7)= (4+5+6)	(8)	(9)=(8:7)
Bahamas	0.1						0.1		
Barbados	1.6						1.6	0.9	56.3
Benin	0.6						0.6	-	-
Botswana	2.0						2.0	-	-
Burundi	0.5	11.0			4.0		15.5	11.0	71.0
Cameroon	0.7					3.8	4.5	3.9	86.7
Cape Verde	0.2	0.2	0.5				0.9	0.2	22.2
Central African Republic	0.2	1.0	0.5				1.7	1.5	88.2
Comoros	0.4	1.1	0.2		0.2		1.9	1.1	57.9
Congo	3.2						3.2	0.2	6.3
Ivory Coast	14.3	19.2					33.5	19.2	57.3
Djibouti	0.1		0.1		1.8		2.0	0.3	15.0
Dominica	0.2	2.5	0.5				3.2	2.9	90.6
Ethiopia	53.6		0.2				53.8	0.2	0.4
Fiji	0.4	0.8	0.3			4.0	5.5	4.8	87.3
Gabon	0.1					7.2	7.3	7.2	98.6
Gambia	3.6	8.1	0.06				11.8	8.2	69.5
Ghana	8.1		0.1				8.2	0.03	-
Grenada	0.2						0.2	0.08	40.0
Guinea	0.9		0.5				1.4	0.2	14.3
Guinea-Bissau	0.8	1.5					2.3	1.5	65.2
Equatorial Guinea	0.05						0.05	-	-
Guyana	0.6						0.6	0.04	6.7

TABLE XV (cont'd 1)

(million ECU)

Country	EDF Resources administered						Total EDF commit- ments	EDF Payments	Payments (8) as % of commit- ments (7)
	by the Commission Commitments			by the EIB Commitments					
	Projects and pro- grammes (special loans and grants)	Stabex	Emergency aid	Total	Risk capital	Interest rate subsidies			
	(1)	(2)	(3)	(4)= (1 to 3)	(5)	(6)			
Upper Volta	29.3		0.02				29.3	1.0	3.4
Jamaica	0.3	3.3					3.6	3.2	88.9
Kenya	16.2	10.0	0.3		1.5	1.6	29.6	12.3	41.5
Kiribati	0.1	0.5					0.6	0.5	83.3
Lesotho	0.7	0.2			3.0		3.9	0.2	5.1
Liberia	0.1				0.7		0.8	-	-
Madagascar	8.2	1.2	0.2		2.2		11.8	3.0	25.4
Malawi	4.0	1.3	0.1				5.4	1.3	24.1
Mali	17.5	2.6	0.6				20.7	3.1	15.0
Mauritius	1.7						1.7	-	-
Mauritania	1.3						1.3	-	-
Niger	20.4		0.8			3.6	24.8	3.6	14.5
Nigeria	0.4		0.3				0.7	0.3	42.9
Uganda	5.1		3.3				8.4	0.3	3.6
Papua New Guinea	0.2				12.0		12.2	0.01	-
Rwanda	17.6	6.6					24.2	6.6	27.3
Saint Lucia	1.2	1.3					2.5	1.4	56.0
Saint Vincent & Grenadines	2.3		0.2				2.5	-	-
Solomon Islands							-	-	-
Samoa	5.1	1.2			3.0		9.3	1.2	12.9
Sao Tome and Principe	0.1						0.1	0.02	20.0
Senegal	3.5	38.6	0.2		2.3	2.9	47.5	41.8	88.0
Seychelles			0.04				0.04	-	-
Sierra Leone	1.7	1.0					2.7	1.0	37.0

TABLE XV (cont'd 2)

(million ECU)

Country	EDF resources administered						Total EDF commit- ments	EDF Payments	Payments (8) as % of commit- ments (9)=(8:7)
	by the Commission Commitments			by the EIB Commitments					
	Projects and pro- grammes (special loans and grants)	Stabex	Emergency aid	Total	Risk capital	Interest rate subsidies			
	(1)	(2)	(3)	(4)= (1 to 3)	(5)	(6)			
Somalia	11.6	1.9	10.5				24.0	9.1	37.9
Sudan	1.5	13.4	0.5				15.4	14.3	92.9
Suriname	1.0						1.0	-	-
Swaziland	0.4					1.9	2.3	1.9	82.6
Tanzania	5.1	6.3	0.1		7.5		19.0	6.3	33.2
Chad	0.5	2.6	1.5				4.6	3.0	65.2
Togo	4.0					1.5	5.5	1.6	29.1
Tonga		0.6			1.0		1.6	0.6	37.5
Trinidad and Tobago	1.2						1.2	-	-
Tuvalu	0.1	0.01					0.1	0.01	10.0
Vanuatu							-	-	-
Zaire	1.2		2.0		6.0		9.2	1.5	16.3
Zambia	6.9		0.8		1.5	8.5	17.7	2.5	14.1
Zimbabwe							-	-	-
Regional	28.4				1.8	1.3	31.5	5.6	17.8
Total	291.4	138.0	24.4		48.5	36.3	538.6	190.7	35.4

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TABLE XVI : Number of technical cooperation staff employed in ACP countries in 1981

Sector	Total ACP	of which least-developed ACP countries	%
Planning and administration	45	27	60.0
Public utilities	68	56	82.3
Agriculture	392	252	64.3
Industry	170	119	70.0
Trade	32	11	34.4
Training	70	43	61.4
Health	26	21	80.8
Social services	14	8	57.1
Multi-sector	37	12	32.4
Total	854	549	64.3

DRAFT

RESOLUTION BY THE ACP-EEC COUNCIL OF MINISTERS

OF _____

on financial and technical co-operation

THE ACP-EEC COUNCIL OF MINISTERS,

Having regard to the second ACP-EEC Convention, signed at Lomé on 31 October 1979 (hereinafter referred to as the "Convention"), and in particular Article 108 (6) and Article 119 thereof,

Having regard to the Report and the Draft Resolution submitted by the Article 108 Committee,

HEREBY ADOPTS THE FOLLOWING RESOLUTION :

CHAPTER I : OVERALL ORIENTATION OF EFFORTS

1. General

Financial and technical co-operation *should have immediate and lasting effects for the ACP States. To this end, both parties should take all necessary steps to expedite and improve the implementation of national indicative programmes as well as of ACP regional and interregional co-operation projects.*

With a view to rendering financial and technical co-operation more effective, joint efforts will be directed so as to:

- organize, encourage and promote rational economic development efforts as are indispensable to the balanced development of all sectors of the economy ;
- foster initiative on the part of the various types of economic operators both public and private, including local communities, in mobilizing their own resources and improving knowledge of potential national resources ;
- contribute to the promotion of joint undertakings ;
- strengthen intra-ACP co-operation, inter alia by developing trade, transport and communications infrastructures.

2. Criteria and procedures

Both parties agree that, in order to improve aid strategy, it is crucial to adopt suitable and flexible criteria and procedures with regard to assistance granted to the ACP States. These criteria and procedures should, in particular, include the following :

- adaptation of financial criteria to take also fully into account the longer-term social rate of return ;
- provision of increased assistance to help the ACP States identify, plan, design, prepare and implement their programmes and projects, with a view to expediting the approval and implementation of projects ;
- financing of local costs and, during an appropriate phasing-out, recurring and maintenance costs of both capital and technical assistance development projects ;
- joint efforts to attract the *most suitable and effective technical assistance personnel and to ensure the most urgent response to the technical assistance needs of the least developed ACP States;*
- rapid training of local replacement personnel ;
- involvement, in the process of consultation, of the ACP States representatives including diplomatic missions in Brussels in all stages leading to and after a financing decision ;
- acceleration of commitments and payments and, in this connection, reduction of bureaucracy to the minimum.

CHAPTER II : APPLICATION OF CERTAIN SPECIFIC PROVISIONS OF THE CONVENTION

1. Measures in favour of the least developed, landlocked and island ACP States

The Council takes note of the financial commitments from which several ACP States listed in Article 48 of the first Lomé Convention have benefitted up to 31 December 1980. Nevertheless the measures taken under the first Lomé Convention in favour of these States are yet to show significant results.

In the implementation of the Convention, the Council therefore recommends:

- that these commitments be *implemented expeditiously in all the ACP States listed in Article 155(3) of the Convention;*
- that the most flexible and effective means of action authorized under the Convention be applied in implementing projects in the said States ;
- that appropriate schemes be put in hand in order to enhance the development of the least developed, landlocked and island countries.

2. Regional co-operation

Close regional co-operation between the ACP States is important if their capacity to resolve common problems which transcend national boundaries is to be increased. Greater support including administrative assistance should be given by the Community to bring about easier identification, development and implementation of such projects and programmes which have a real impact on the human and economic development at regional level. .../...

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

- that closer co-operation be set up between the ACP States and the Community on the basis of the provisions laid down in Chapter 8 of Title VII of the Convention in favour of regional co-operation so that a genuine regional development process can be set in motion and strengthened;
- that the Commission should be guided in its decisions in the allocation of the Regional Fund by the priorities established by the States in the region concerned in the context of programming and by the need to give effect to the provisions of Article 135(2) of the Convention;
- that the funds available for regional co-operation be used in such a way as to play a stimulating and catalysing role in diversifying resources;
- that in determining seminars, symposiums, etc. to be financed from the regional fund prior consultation should be had with the ACP States concerned and, where appropriate, with the ACP Committee of Ambassadors.

3. Micro-projects

The implementation of micro-projects programmes has had some encouraging results, in particular from the point of view of a lasting increase in the self-development capabilities of the population. Initiatives by local populations or by their groupings or bodies are deserving of appropriate technical and financial support to enhance the effects of micro-projects.

The Council recommends that the experience gained in the implementation of micro-projects programmes will be applied in other fields, and takes note of the existence of simplified procedures which are applied in order to ensure that micro-projects to which both parties attach great importance are implemented speedily.

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

a) Choice of projects

In their choice of projects the ACP States should pay attention to the possible negative effects of large-scale projects on economic and social conditions, bearing in mind the fact that very often development is a result of the concomitant and complementary implementation of large, medium and small-scale projects.

b) Technical assistance

The aim of external technical assistance at the request of the ACP States is to assist in the efficient and rapid implementation and operation of projects. It must also contribute to the training of nationals who must replace such external assistance as early as possible. However, the manpower used in such programmes should not exclude such expertise as is available in the ACP States.

Technical assistance component of projects should be scaled down in costs without prejudicing efficient and rapid implementation of projects.

c) Technologies to be applied

The materials and technologies used must be adapted as far as possible to the needs of the beneficiary country.

d) General comments

The Council recommends to the ACP States and the Community that they do all in their power to ensure that the opportunities available under the 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 development of the ACP States and that they complement the efforts undertaken in other areas of financial and technical co-operation.

CHAPTER III : SECTORS OF INTERVENTION

1. Industrialization

The industrial sector benefitted from about one third of the appropriations committed up to the end of 1980 for projects and programmes. The role played in this connection by the Development Banks, to which the EIB granted 20 global loans under the first Lomé Convention, should be enhanced.

2. Rural projects

The Council stresses the potential importance of developing the agricultural resources of each of the ACP countries, both in general and from the more specific angle of combating hunger in the world.

From this point of view the Council considers that the share taken by the development of rural production in the total amount of commitments is already substantial, but could usefully be increased, particularly as regards food crops.

The prices for agricultural products paid to producers are one of the factors for the success of projects aimed at increasing production capacities. It is therefore desirable that the ACP States benefit from all necessary support from the Community.

3. Energy projects

Many projects concern the development of the utilization of various types of energy other than oil. These efforts must be intensified, and more sustained attention be paid to afforestation and flora protection projects.

4. Training of supervisory staff and vocational training

In addition to multi-annual programmes and specific training projects, certain projects involve training aspects - an approach which should be retained and expanded significantly.

The Council recommends to both parties :

- that training of personnel be undertaken on the basis of general and specific programmes drawn up by the ACP States taking into account their priorities ;
- that sufficient flexibility be maintained in implementing these programmes so as to take account of possible bottlenecks ;
- that activities undertaken in connection with the training of supervisory staff, in particular middle-level managers, administrators and civil servants, and those concerning vocational training, be intensified and, where appropriate, be more closely linked to 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 considers that in this way it will be possible to overcome the need for technical assistance and to ensure the efficient management of investments.

CHAPTER IV : PRINCIPLES OF INTERVENTION

1. Viability of operations

Sustained improvement in the self-development capability of the ACP populations and their technical cadres should be the subject of special attention from the point of view of the viability of operations after their completion. The various partners collaborating in this long-term endeavour must be closely associated with it.

Development projects should be assessed in the light of their *economic and financial viability, particular attention being paid also to social benefits, indirect and long term effects.*

2. Integrated projects

Experience shows that integrated development projects are all the more important in that their size is related to the size of the human groups concerned and that they are implemented flexibly, taking into account the implications for the socio-economic and ecological environment.

3. Participation of the local population

Efforts should continue to be made to ensure maximum possible local participation in the projects and programmes determined by the governments of the ACP States as national priorities.

4. Operation and maintenance of investments

Within the limits of the Convention, the ACP States and the Community must utilise all the means available with a view to

improving the maintenance of projects. Regular maintenance of projects, particularly in the areas of social and transport infrastructures, deserves sustained attention. This maintenance is facilitated by the use of materials and equipment adapted to local conditions.

Pursuant to Articles 152 and 153 of the Convention, the Council recommends that, when projects are selected, particular attention be paid by both parties to the problem of the operation and maintenance of investments carried out with the help of Community financing.

5. Participation of the ACP States in contracts financed by the EDF

The Council 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 populations be applied.*

In this connection, the number of contracts awarded to ACP undertakings while significant should be increased nevertheless.

To attain these objectives the Council lays emphasis on those provisions of the Convention whose application affords ACP undertakings the possibility of effective participation in studies on and the execution of projects.

CHAPTER V : IMPLEMENTATION OF FINANCIAL AND TECHNICAL CO-OPERATION

As regards the effective acceleration and improvement of the implementation of financial and technical co-operation, the Council takes note and recommends to both parties :

1. Implementation of Article 41 of the first Lomé Convention

The Council recommends that the ACP States endeavour to submit their observations on the management and implementation of financial and technical co-operation.

2. Quality of the Commission's Report

The Council recommends that in the framework of Article 119 of the Convention the content of reports to be submitted by the Commission should be comparable to that of the 1980 report and wherever possible improved upon.

3. Commitments and disbursements

The Council recommends acceleration of commitments and payments and, in this connection, reduction of bureaucracy to the *minimum*.

4. Complexity of procedures

The Council recommends that *the rules governing the procedures of financial and technical co-operation should be interpreted flexibly so as to speed up the implementation of operations.*

5. Programming

The Council takes note that :

- the Convention contains procedures which are simplified in relation to the first Lomé Convention ;

- the Community post programming exercise is part of the internal procedures of the Community and does not and will not infringe on the sovereignty of the ACP States in their choice;
- the indicative programme drawn up by the programming mission can never and will never be unilaterally amended by the Community.

6. Project preparation and appraisal

The Council takes note that the documents already prepared and circulated by the Commission on preparation and appraisal of dossiers do not include any ACP inputs.

Consequently, the Council recommends that the criteria for project preparation and appraisal should be jointly formulated.

The Council takes note that the dossiers of projects and programmes submitted by the ACP States must be completed as provided for in Article 111 of the Convention. To this end, the Community should, where requested, provide adequate technical assistance for the preparation of dossiers.

7. Financing decisions

The Council calls for the streamlining of information gathering in respect of financing decisions in order to avoid repeated requests for information which lead to delays.

The Council recommends that the internal procedures of the Community shall not impede the speedy implementation of financial and technical co-operation.

8. Financing of overruns

The Council takes note that the Community, which increasingly issues invitations to tender prior to the financing decision, considers that the suggestion by the ACP States to issue invitations to tender prior to the financing decision would provide a better estimate of the foreseeable cost of projects and therefore limit the risks of overruns.

The Commission will however apply Article 33 of Protocol N° 2 of the first Lomé Convention and Article 117 of the Convention with flexibility when an overrun cannot be covered by these provisions (e.g. inflation) and thus will, where appropriate, finance overruns resulting from causes outside the control of the ACP States.

9. Commission's payment procedures

The Council takes note that the Commission is currently organizing a procedure whereby, at the request of any ACP State which so desire, the system of direct payments by the Commission would be applied to special loans as already applied in the case of grants or subsidies.

10. Participation of third countries in contracts financed by the EDF

The Council recommends that the Community should show understanding, in particular for countries in special geographical situations, on derogations which are justified in accordance with the criteria laid down in Article 56 of the first Lomé Convention and in Article 125 of the Convention.

11. Selection of successful tenderer

The Council takes note that, while price criteria cannot be overlooked, it should however not be the sole selection criteria. Qualifications and guarantees offered by the tenderers, nature and conditions of implementation of the works or supplies, price, operating costs and technical value of the works or supplies must all be assessed together, according to Article 130 of the Convention.

12. Preferences for ACP undertakings

The Council recommends that maximum use should continue to be made of the physical and human potential of the ACP States *and that the potential for increase in ACP capabilities should be enhanced. In this regard, while the number of contracts already awarded to ACP undertakings is significant, nevertheless this share should even be increased further.*

13. Service contracts financed by the EDF

The Council takes note that the Community intends to forward shortly its proposal to the ACP States in the context of the resumption of discussions on the way in which service contracts are concluded (Article 142 of the Convention). This proposal is aimed at improving the system criticized by the ACP States, and is intended to give a greater role to the invitation to tender procedures in relation to direct negotiation of contracts with short-lists.

The present short-list system must not be transformed into a consultation or a request for a price. The ACP States have to choose the consultant in the light of his references and qualifications. Hence, when the ACP State has chosen from the Commission short-list the consultant with whom

it intends to conclude a contract, it has no further need of Commission authorization to negotiate and conclude the contract except that it must do so (as stated in Article 26 of Protocol n° 2 of the first Lomé Convention) in participation and agreement with the Commission Delegate on the spot.

14. Programme Aid

The Council takes note that:

- *the Community has initiated an in-depth study of the respective advantages of project or programme assistance and will inform the ACP States in due course of the outcome of its study;*
- *this study will not delay or prevent the adoption of financing decisions regarding requests already submitted ;*
- *the ACP States request that the Community should orientate part of its aid towards programmes and especially where the needs and priorities of the ACP States require this.*

15. Assessment of completed schemes

The Council recommends that to ensure that the objectives laid down in the 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 Commission and of the ACP States shall regularly carry out appraisals, taking into account the provisions of Article 118 of the Convention, on 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, if possible as from 1983, of the initial conclusions which can be drawn from the joint appraisals.

Done at Libreville,

By the ACP-EEC Council of Ministers
The President