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# THE LOME CONVENTION

## ESSENTIAL FEATURES

The Lomé Convention, a comprehensive co-operation agreement between the European Community (EEC States) and the ACP Group of African, Caribbean and Pacific countries, was first signed in 1975 and renewed, after fresh negotiations, in 1979, 1984 and 1989. An example of North-South dialogue in practice, it offers:

- a partnership in which the political, social, cultural and economic options of each partner are respected;
- secure and lasting co-operation based on a freely negotiated and legally binding contract;
- permanent dialogue, through 3 joint institutions:
  - ACP-EEC Council of Ministers
  - ACP-EEC Committee of Ambassadors
  - ACP-EEC Joint Assembly;
- overall, flexible co-operation using the full range of aid and trade development instruments.

## AID AND TRADE

### Aid

The European Development Fund (EDF) provides grants and risk capital, and the European Investment Bank (EIB) provides loans, for national and regional development programmes.

Also included in the EDF are five specific funds:

- Stabex - for cash transfers to offset serious losses on agricultural exports
- Sysmin - for mining industries in difficulty
- Emergency aid - for disaster relief
- Refugee aid - for serious refugee situations
- Structural adjustment aid - for countries undergoing economic reforms

### Trade

The main arrangements are:

- duty and quota-free access to the EEC market for almost all ACP exports
- guaranteed purchase by the EEC of up to 1.3 million tonnes of ACP sugar at EEC prices
- funds for trade promotion and development.

## LOME IV

### DURATION

10 years (1990-2000)

### MEMBERSHIP

12 EEC States

69 ACP States, including three new members: the Dominican Republic, Haiti, and, after independence, Namibia.

### FINANCIAL RESOURCES

	million ECU
LOME I (1975-1980)	3 450
LOME II (1980-1985)	5 700
LOME III (1985-1990)	8 500
LOME IV (1990-2000)	
Financial Protocol (1990-1995)	<b>12 000</b>
made up of:	
European Development Fund (EDF VII)	
Grants for national and regional programmes	6 215
Structural adjustment	1 150
Stabex	1 500
Sysmin	480
Emergency aid	250
Refugee aid	100
Interest rate subsidies	280
Risk capital	825
European Investment Bank (EIB)	
Loans for national and regional projects	1 200

Of the total amount of 12 000 million ECU (EDF + EIB), 1 250 million are set aside for regional co-operation.

## □ ACP COUNTRIES

### AFRICA

Angola  
Benin  
Botswana  
Burkina Faso  
Burundi  
Cameroon  
Cape Verde  
Central African Republic  
Chad  
Comoros  
Congo  
Côte d'Ivoire  
Equatorial Guinea  
Ethiopia  
Gabon  
Gambia  
Ghana  
Guinea  
Guinea Bissau  
Jibuti  
Kenya  
Lesotho  
Liberia  
Madagascar  
Malawi

Mali  
Mauritius  
Mauritania  
Mozambique  
Namibia  
Niger  
Nigeria  
Rwanda  
Sao Tome Principe  
Senegal  
Seychelles  
Sierra Leone  
Somalia  
Sudan  
Swaziland  
Tanzania  
Togo  
Uganda  
Zaire  
Zambia  
Zimbabwe

### CARIBBEAN

Antigua and Barbuda  
Bahamas  
Barbados  
Belize  
Dominica  
Dominican Republic  
Grenada  
Guyana  
Haiti  
Jamaica  
Saint Christopher & Nevis  
Saint Vincent  
Saint Lucia  
Suriname  
Trinidad & Tobago

### PACIFIC

Fiji  
Kiribati  
Papua New Guinea  
Solomon Islands  
Tonga  
Tuvalu  
Vanuatu  
Western Samoa



## ■ EEC COUNTRIES

Belgium  
Denmark  
F.R. Germany  
France  
Greece  
Ireland  
Italy  
Luxembourg  
Netherlands  
Portugal  
Spain  
United Kingdom

# FROM LOMÉ III

Continuity and change in a

## BACKGROUND TO THE NEGOTIATIONS

When the third Lomé Convention was negotiated in 1983-84, food shortages were a serious problem for many ACP countries. Their causes were variously seen as drought, increasing deforestation and neglect of the small farmer. Lomé III consequently placed great emphasis on food security, rural development and measures to halt soil erosion and the advance of the desert.

Five years later, cash shortages had become the biggest worry for many ACP States. Faced with a «financial famine» aggravated by continuously falling agricultural commodity prices (their average 1988 value was 54% of their 1980 value, according to UNCTAD) and a debt burden which, by the World Bank's calculations, had doubled between 1980 and 1987, the ACP negotiators were looking for help with immediate economic difficulties as well as with longer-term development. They summed up their situation in the following words: «Over the last decade the standard of living has deteriorated in a large number of ACP States. A significant part of this decline took place during the life of the third Lomé Convention. The fourth Convention should be seen as a major instrument in arresting and reversing the economic crisis in ACP States».

The text of Lomé IV, signed on 15 December 1989 after 14 months of detailed negotiations, retains the long-term development aims of Lomé III while containing measures to help arrest the economic crisis.

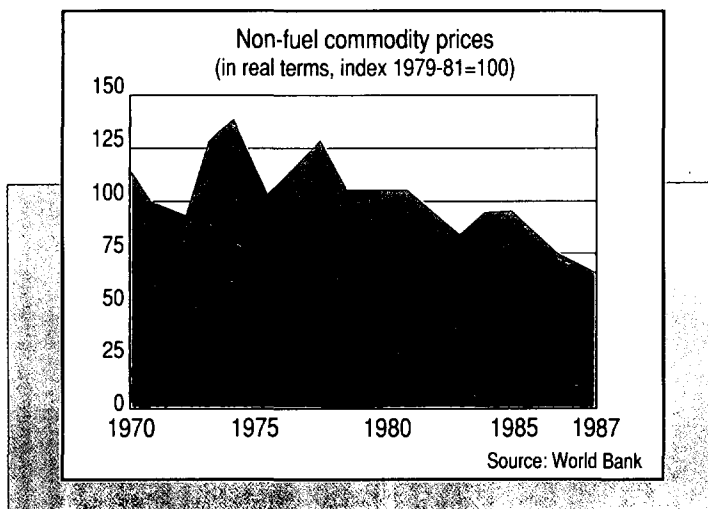
## CONTINUITY...

Lomé III (1985-1990) recognized the long-term nature of many of the problems facing the ACP States - food security, rural development, drought and desertification. It drew attention to the need for each ACP country to devise a long-term economic plan or strategy, to be discussed in a «policy dialogue» with the Community and other donors. It called for concentration of Community aid on one sector, to avoid ineffective dispersal of resources.

In keeping with this approach, the ACP States devoted the bulk of their Lomé III funds (in many cases between 60% and 90% of their national indicative programmes) to one area - often, though not always, the agricultural sector. Concentration on a focal sector, policy dialogue, the importance of rural development and of food security: all these elements have been retained and consolidated, sometimes with a new emphasis, in Lomé IV.

### A longer Convention

Continuity is further assured by the decision to double the life of the Convention, from five to ten years. The new arrangement - renewal of the Financial Protocol after five years, with perhaps some adjustments to the text - is not only a practical improvement which will avoid the time, effort and expense of a major renegotiation every five years; it is also the guarantee of a long-term Community-ACP commitment, and as such should increase the security and confidence of investors.



# TO LOMÉ IV

changing world.

*The Presidents of the ACP Group and the Council of the European Communities sign the new Convention, Lomé (Togo), 15 December 1989.*

## AND CHANGE...

### Short-and medium-term economic aid

The 1980s were a period of severe economic difficulties for the majority of ACP States. To balance their budgets, many of them had to turn to the International Monetary Fund and the International Bank for Reconstruction and Development (World Bank) for financial assistance. To obtain credit, they had to accept drastic economic reforms (structural adjustment programmes) designed by the IMF or the World Bank. The Washington doctor's medicine was unpalatable, the prognosis depressing: «Things may get worse before they get better».

By 1988 more than half the ACP States were under structural adjustment of one sort or another, and many of them were finding the social consequences of these reforms particularly harsh.

The inclusion in Lomé IV of financial and technical support for structural adjustment should help ACP States to continue economic reforms which are considered necessary, while making them socially easier to bear. The funds provided (1,150 million ECU, supplemented by counterpart funds) will be additional to normal EDF development aid, and will be grants not loans. ACP recipients will have a major say in their use.

As for ACP indebtedness, the Community cannot provide direct debt relief because it is not a major creditor, but it has improved the terms of its aid, to ensure that Lomé IV will not add to the ACPs' debt - all Community aid will now be non-reimbursable except for risk capital and EIB loans.

### Longer-term innovations and improvements

Changes are not confined to the short term. Looking ahead, the negotiators have placed renewed emphasis on investment, and more generally on industrial co-operation. Lomé IV, which contains a new chapter on «enterprise development», assigns a greater role to the private sector, particularly smaller businesses, in ACP countries, and envisages investment protection to attract more foreign investors.

In addition, there is new emphasis on the protection of the environment, the question of population, avoided in previous Conventions, and the involvement in ACP-EEC co-operation of more people outside central government, such as local authorities, peasant co-operatives or women's groups. A new chapter entitled «Widening participation in co-operation activities» reflects the importance attached to «decentralized co-operation» (also known as participatory development), regarded as a step on the road to democracy as well as an outlet for local ideas and energies.

## ... IN A CHANGING WORLD.

### No protectionism

The Lomé IV negotiations took place while progress towards the completion of the Community's internal market was quickening. Talk of a «fortress Europe» fuelled ACP fears of a more protectionist Community after 1992.

The trade provisions of the new Convention should dispel such fears. Not only do they maintain the existing unrestricted access to the Community market for the vast majority of ACP exports, they also offer significant new concessions for a number of agricultural products, more liberal rules of origin and a promise of post-1992 protection for ACP bananas and liberalisation for rum.

The traditional Lomé instruments for assisting ACP commodities, Stabex and Sysmin, have both been improved and strengthened financially, and Lomé IV promises renewed efforts to develop the ACPs' processing capacity and build up ACP domestic and regional markets.

### Increased aid

The final stages of the negotiations coincided with sudden political changes in Eastern Europe and immediate offers of economic aid from the industrialized countries.

These events gave rise in some quarters to fears of a possible reduction in Community support for the ACP States.

Far from diminishing its support, the Community has substantially increased the volume of its aid for the first five years of Lomé IV, up from 8,500 million ECU to 12,000 million ECU, an increase of over 40% in nominal terms and over 20% in real terms (allowing for inflation). More than 90% of the seventh EDF will be in the form of grants, as against some 70% of the sixth Fund; and, as in the past, food aid and NGO co-financing will be additional to Lomé resources.

# INNOVATIONS

*The principal innovations in the text concern structural adjustment, debt, the role of the private sector, the environment, population and «decentralized» co-operation.*

## STRUCTURAL ADJUSTMENT

When Lomé III was negotiated in 1983-84, structural adjustment was not the dominant issue that it has since become, although many ACP States were already short of hard currency to buy imports, and were finding difficulty in maintaining existing plant and infrastructure. The third Convention recognized the problem by allowing more systematic resort to maintenance and import aid, but otherwise concentrated on long-term development.

By late 1987, structural adjustment had become the major development issue. The IMF and World Bank had by then loaned a total of 15 billion \$ for stabilisation or structural adjustment programmes to 50 developing countries, which included no fewer than 29 ACP States in Africa and the Caribbean.

The economic reforms undertaken were drastic: sweeping cuts in government expenditure, removal of price controls, devaluation, privatisation. The time allowed was short - 3 to 5 years as a rule. ACP countries, while agreeing that the reforms were necessary, began to crack under the strain - more than one experienced food riots and violent demonstrations.

The Community, not hitherto directly involved, reacted by approving more and more «quick-disbursing» aid, a special 600 million ECU programme of import purchases for heavily indebted, low-income African countries, and, in 1988, a Resolution stating that:

- it approved the aim of structural adjustment,
- the mixture and pace of reforms should be suited to each country's circumstances,
- more attention should be paid to the social dimension,
- ACP governments should have more say in planning the reforms.

### A new fund

The result of the Lomé IV negotiations, which have officially brought the Community into the structural adjustment process, is a fund of 1,150 million ECU additional to normal EDF funds for development projects and programmes. This amount may be supplemented by a limited proportion of each country's national indicative programme, and by other counterpart funds generated from Community instruments. The fund will not necessarily be shared out amongst all ACP States. Those undergoing agreed structural reforms will have a right of request. Other requests will be examined on their merits.

### Its uses

- a) Sectoral or general import programmes
- b) Technical assistance with structural adjustment programmes
- c) «Social dimension» measures (e.g. payment of redundancy benefits, re-training, job-creation schemes...) by using counterpart funds.

### Who decides?

The ACP States are to be primarily responsible for analysing the problems and preparing reforms. Once undertaken, these will be jointly assessed by the ACP country and the Community.

Greater ACP involvement in planning should lead to reforms better suited to individual countries, and to a more realistic timetable.

It is hoped that this first example of a negotiated text on structural adjustment, and the significant financial contribution made in Lomé IV, will give the Community a say in the design of future IMF/World Bank reforms.

## DEBT

Until recently the Community, as a marginal creditor responsible for under 2% of ACP debts, had taken the view that it could do little about a problem which chiefly concerned its member States' commercial banks and governments.

The inclusion, for the first time in an ACP-EEC Convention, of a section on debt reflects the worsening of total ACP indebtedness - for example, the African ACP countries' debt rose from 56 billion \$ in 1980 to 128 billion \$ in 1987, when they were repaying more than they were receiving in aid - and recognition of the fact that debt repayments had become a real obstacle to development.

Lomé IV will help in several ways:

- special loans will be replaced by more grant aid;
- all Stabex transfers will be non-reimbursable;
- Sysmin operations will be in two stages - grants for ACP governments, loans for final borrowers;
- EIB loans from the Bank's own resources will be cheaper (3%-6% interest for the ACP borrower, instead of 5%-8% under Lomé III) and loans from risk capital will carry a maximum interest rate of 3% (instead of 5%).

These measures, designed to avoid increasing ACPs' debt, will raise the proportion of grants to 92% of the seventh EDF, as against some 75% of the sixth EDF.

In addition, the Community will, if requested, provide technical assistance in areas such as external debt management and international financial negotiations. As for more general debt problems, it is ready to discuss these with ACP States, without intervening in the work of specialised groups like the Paris or London Clubs.



## THE PRIVATE SECTOR

Lomé II contained a brief reference to encouraging private investment. Lomé III devoted a whole chapter to the need to improve the investment climate in order to attract more private investors. Lomé IV places still greater emphasis on the role of the private sector in stimulating growth and diversifying ACP economies.

The negotiators have included a new chapter on «Enterprise development» which states very clearly that «the private sector needs to be made more dynamic and play a greater role, in particular through small and medium-sized enterprises, which are better suited to conditions prevailing in the ACP economies».

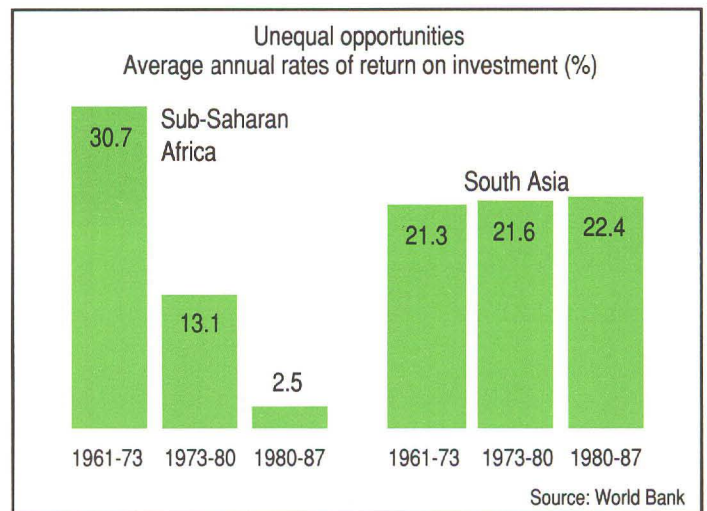
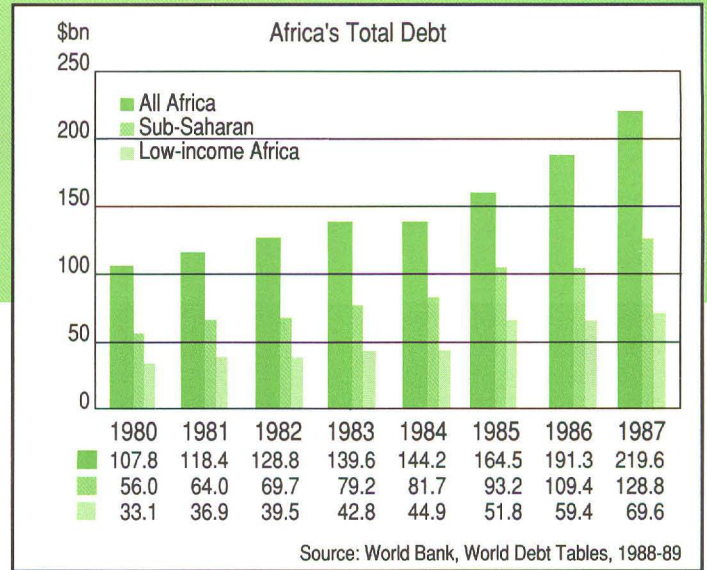
### Encouraging SMEs

To strengthen the private sector, the Convention urges full use of:

- **technical assistance**, to provide help and advice with the legal and fiscal regulations for small businesses, to get ACP chambers of commerce to play a greater role, and to provide technical and management training;
- **structural adjustment funds** where appropriate, e.g. in encouraging laid-off civil servants to start up in productive business;
- **risk capital**, regarded as the principal financial instrument. Resources have been increased from 600 million ECU to 825 million ECU. A significant proportion will be used to promote investment in the private sector. Loans will be cheaper and, as an added incentive, the Community will bear part of the exchange rate risk (which arises when, for example, an ACP firm, borrowing and having to pay back in hard currency, is earning non-convertible currency). Risk capital will also be available to a wider range of financial intermediaries. The EIB, which had tended to concentrate on development banks, may now acquire temporary holdings in ACP institutions financing private investment. By increasing their capital, this should help to restore confidence in ACP banks and so "mobilise domestic savings", in other words tempt private savings out from under the mattress and into productive bank deposits.

### Investment protection

To create a more attractive investment climate, Lomé III had proposed a study on a joint ACP-EEC insurance and guarantee system. Nothing came of this, but instead Lomé IV contains a new section on investment protection, with in particular an agreement to study the main clauses of a model protection agreement. This would cover such issues as legal guarantees and equal treatment (non-discrimination) for foreign investors, protection in the event of expropriation or nationalization, and the free transfer of capital and profits. This proposal recognizes the need for a standard agreement in an area where only bilateral agreements exist at present.



## ENVIRONMENT

Mentioned here and there in Lomé III, mainly in connection with drought and desertification control, the protection of the environment has been promoted in the new Convention, where it has a title to itself at the head of Part Two (areas of ACP-EEC co-operation).

The reason for this meteoric promotion is not so much European preoccupation with the greenhouse effect and the ozone layer as the belief that ministers and others in positions of responsibility must think of the effects on the environment **before**, and not after, approving development projects.

To encourage this «environmental reflex», Lomé IV promises jointly approved check-lists, inventories of natural resources, environmental impact assessment of large-scale projects, and efforts to have the subject taught in schools.

As proof that they mean to take the protection of the environment seriously, the ACP States and the Community have agreed, in a specific article, to **ban** the shipment between them of hazardous and radioactive waste. In doing so, the ACP States - despite their financial problems - are giving up possible multi-million dollar disposal contracts ...



## DECENTRALIZED CO-OPERATION

Fifteen years' experience of supporting both micro-projects - which the Community co-finances with local communities in ACP countries - and the work of European and ACP non-governmental organisations (NGOs) has shown that «decentralized co-operation» has certain definite advantages: it is democratic because it involves the beneficiaries in the decisions and responsibilities of the development process, it complements large-scale investment, it is good for transferring "appropriate technology", and it is relatively cheap and flexible.

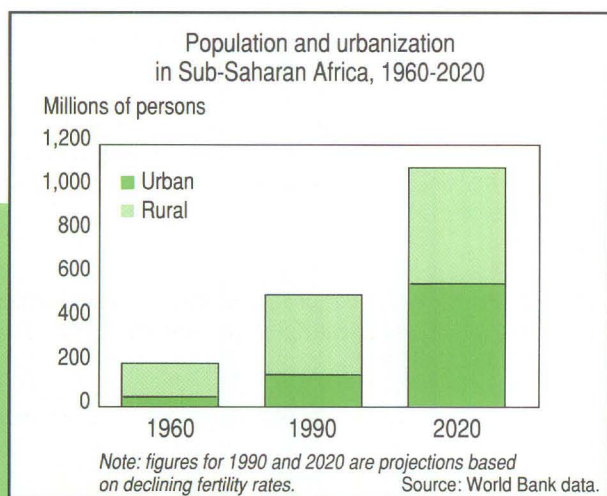
Under Lomé III, microproject programmes grew in popularity, while from 1984 to 1988, the Community contributed some 100 million ECU in all from its annual budget to NGO projects in ACP countries. Lomé IV is enthusiastic about this kind of «participatory» or grassroots development, devoting a new chapter to the subject, in which it recommends using a wider range of local partners - decentralized public authorities, firms, trade unions and teaching and research centres are mentioned as well as NGOs, co-operatives and rural and village groupings, acting on their own or in combination with European counterparts.

Greater non-governmental participation is not seen of course as a means of sidestepping central government, whose approval and support will be required, but as a way of building up an intermediate network of responsible, officially recognized partners; of encouraging local ideas; mobilising additional energies, skills and resources, in Europe as well as in ACP countries; and achieving one of the Convention's central aims: self-reliant and «people-centred» development.

## POPULATION

One of the principal threats to the environment comes from the pressure on the land of a rapidly growing population. More generally, the high birth rate that still exists, in most African countries at least, clearly makes social and economic development much harder to attain. "No region of the world has ever managed to develop with so high a rate of population growth", says a recent World Bank report which forecasts that sub-Saharan Africa will have over one billion inhabitants in 30 years time, half of them in towns, if present trends continue.

The inclusion, for the first time in an ACP-EEC Convention, of a section on population and demography (inserted under Cultural and Social Co-operation) suggests that the problem is acknowledged to be a serious one. Population policies are envisaged - Lomé IV resources could help to strengthen statistical services, information campaigns and training - and there is even a reference to voluntary family planning, something of a taboo in the past.



# IMPROVEMENTS

*Every aspect of EEC-ACP co-operation was carefully examined and a number of instruments and procedures have been improved.*

## CULTURAL AND SOCIAL CO-OPERATION

This title, introduced in Lomé III, has been reorganized: all matters cultural come first (reflecting the great importance which the ACP States attach to this non-material aspect of co-operation), while social co-operation is clearly divided into education and training, scientific and technical co-operation (on research, especially), women in development, health and nutrition, population and demography.

On the cultural side, the text calls for an «intercultural dialogue» to promote better understanding of different cultures, through for instance intra-ACP and ACP-EEC contacts and meetings between groups of young people (who make up 50% of ACP populations). It also recognizes the role of the ACP-EEC Foundation for Cultural Co-operation, set up in Brussels in 1986, which will receive regular financial support from the EDF to organize jointly approved studies, research and exchanges on cultural matters.

On the social side, in addition to population, renewed emphasis is placed on the role of women in development, on the nutritional aspect of health care and on primary education.

## REGIONAL CO-OPERATION

Although notoriously difficult and often very slow in practice, the need for regional co-operation is increasingly clear in a shrinking, competitive world. Lomé IV recognizes this, and 1,250 million ECU have been set aside for regional operations (1,000 million under Lomé III).

Particular attention will be paid to regional economic integration, i.e. to providing or strengthening services which will make for easier intra-ACP trade, such as clearing houses for international payments between traders using different currencies, transit agreements to accelerate the movement of goods and reduce slow, expensive customs formalities, etc.

To speed up regional co-operation, and concentrate efforts on fewer areas, both sides have agreed:

- to programme regional funds at the beginning of the 5-year cycle;
- to identify focal sectors for Community regional aid;
- to hold annual meetings between National Authorizing Officers, Commission delegates and regional project managers to keep an eye on progress in the field.



during the negotiations; some areas will receive more attention as a result,

## INDUSTRIAL CO-OPERATION

As well as looking at ways to strengthen the private sector and attract investment, the negotiators took a long hard look at the Centre for the Development of Industry, which will have a budget of 60 million ECU from Lomé IV regional funds (40 million under Lomé III).

They agreed:

- to define the Centre's priorities much more clearly, to avoid dispersal of efforts and projects;
- to give the Executive Board of outside experts a greater say in CDI decision-making;
- to decentralize the Centre's activities by, for example, reinforcing the network of correspondents in ACP countries, who are better placed to identify and assess many local ventures and submit realistic projects for financing.

## TRADE AND COMMODITIES

### - Trade arrangements

The basic principles - duty and quota - free access to the EEC market for almost all ACP exports, coupled with non-reciprocity - are maintained. The treatment of ACP agricultural and food exports (the only ones which do not benefit from entirely free access), although already preferential, has been further improved by the reduction of existing restrictions on some forty products, several of them - molasses, sorghum, millet, rice, fruit and vegetables - of considerable importance to ACP countries. For example, the EEC levy normally applicable to third-country imports will be waived or reduced for substantial tonnages of sorghum, millet and molasses (used as animal feed in the EEC), while customs duties will be progressively reduced or abolished, at least during the off-season, and controls on quantities relaxed, for ACP fruit and vegetables.

The special arrangements for beef, veal and rum have also been improved:

- beef and veal - the 90% reduction of the normal EEC import levy will apply to a total quantity of 39 100 tonnes a year, and the obligation for the ACP to apply an export tax will be withdrawn;
- rum - the ACP quota of duty-free imports will be increased from 1993 and abolished after 1995.

The Community has also undertaken to safeguard the interests of its traditional suppliers of bananas after the completion of the internal market.

The rules of origin - to determine whether or not an article is a genuine ACP product and therefore eligible for exemption from customs duties - have been clarified and simplified, and further relaxed:

- ACP States will be able to obtain derogations (exemptions) from

normal rules for products of mixed origin if they can prove to have added at least 45% to their value (as against 60% under Lomé III), as long as no market disturbance is entailed;

- derogations requested by ACP States will be **automatically** granted, usually for 5 years, if the Community has not replied within 3 months;
- in future, all ACP products can contain up to 10% of "foreign" components without being disqualified (5% under Lomé III);
- the rules will be waived, on request, for up to 1 500 tonnes a year of non-originating canned tuna (and up to 2 500 tonnes a year from 1993 onwards).

### - Development of trade and services

In a determined attempt to increase the ACP countries' disappointingly small share of world trade, the previous Convention emphasised the need for a comprehensive trade strategy, involving market research, product identification, personnel training and marketing.

The need for more intra-ACP and "South-South" trade, and the importance of tourism and of back-up services such as insurance and credit institutions were also stressed.

A joint declaration annexed to Lomé IV, which expresses a strong feeling that much more could and should be done to develop trade and services, confirms the Lomé III approach and calls for the systematic inclusion of a «commercial analysis and trade development element» in agricultural and industrial programmes.

To encourage ACP countries to think out a proper marketing strategy, the Community will fund ACP attendance at trade fairs and exhibitions under Lomé IV only if these form part of an overall trade programme. The amount set aside for regional trade promotion goes up from 60 to 70 million ECU.

More attention will be paid to the development of services, which are the subject of a separate chapter in the new Convention. Efforts will be made, inter alia, to strengthen ACP banking, export credit and insurance services; to develop and support tourism; to improve transport services; and to build up telecommunications and transfer modern information technology.

As regards international trade in services - a vast area covering banking, advertising and computer services, as well as tourism, transport and te-

lecommunications - both sides have agreed to consider more detailed provisions on EEC-ACP trade in this area once the outcome of the current multilateral negotiations in GATT (the Uruguay Round) is known.

#### - Commodities

These continue to be of crucial importance for most ACP countries, and are now the subject of a separate title of the Convention. Three differences from Lomé III are apparent:

- mineral as well as agricultural products are now covered;
- the realities of commodity markets are recognized (references to «market signals» and «market trends» suggest that EDF funds will not be invested in, for example, cocoa production if the cocoa market is saturated);
- more importance is attached to providing support for, and encouraging investment in, processing, marketing, distribution and transport activities that will diversify and add value to ACP commodities.

#### - Stabex

The system, of increasing importance for many ACP countries as a result of the downward trend of agricultural commodity prices, has been thoroughly overhauled and improved in several ways.

The fund will be substantially larger - 1500 million ECU, 62% more than the initial Lomé III allocation - and all transfers will be grants. With the inclusion of octopus and cuttlefish and three other items, the system will cover 49 products in all.

As regards the use of Stabex transfers, the obligation to use them either in the sector which recorded the loss of export earnings, or in other agricultural sectors, will now form the basis of a binding agreement between the Commission and the recipient State.

A new reference period will be used - the 6 years preceding each year of application less the two years with the highest and lowest figures (instead of just the 4 previous years). This will reduce the impact of exceptionally good or bad years, and thus give a truer idea of average export earnings.

The dependency thresholds will be lowered - the system will be applicable to the products covered if they represent 5% of an ACP country's total export earnings, or 1% for least-developed, landlocked or island countries (as against 6% and 1.5% under Lomé III).

Finally, the CIF value and not the FOB value of ACP exports will be the basis of Stabex calculations in future. This will make Stabex easier for the Commission to administer, because it will be able to use EEC import statistics, which provide a single, readily accessible source of information.

#### . Sysmin

An amount of 480 million ECU will be set aside from the 7th EDF for Sysmin operations (415 million ECU from the sixth EDF). Formerly special loans, these will now be grants to ACP States, which can on-lend them to mining companies.

Under Lomé III, Sysmin loans were available to help restore "economic viability" to troubled mining companies in ACP States which a) obtained at least 15% of their export earnings from one of six products (copper and cobalt, phosphates, manganese, bauxite and alumina, tin, iron ore), or b) derived at least 20% of their export earnings from all mineral products except precious metals, oil and gas (10% and 12% for least-developed, land-locked and island countries).

Under Lomé IV more ACP countries should be able to benefit from the system, because the list of products covered will now include uranium, and gold exports will in future be counted when calculating whether a country derives 20% of its export income from mineral products.

In addition, Sysmin aid may be requested in future if an ACP State records a substantial fall (i.e. of about 10%) in its mineral export earnings, even if its mining industry is still economically viable (i.e. profitable enough to pay for repairs and renewal of productive equipment without external aid).

Similarly, the use of Sysmin funds to diversify production will be possible even where profitability could be restored after a disruption; and preventive operations - such as modernization of equipment - will be encouraged.

## FINANCIAL AND TECHNICAL CO-OPERATION

As well as offering easier terms of financing (more grant aid, lower interest rates, partial acceptance by the Community of the exchange rate risk), and more economic aid (in the form of import programmes and counterpart funds for structural adjustment measures), Lomé IV should make traditional project aid more effective and easier to administer, by providing inter alia for:

- greater delegation of powers to the National Authorizing Officer and the Commission Delegate, who will for instance be able to approve local works contracts of up to 5 million ECU and supply contracts of up to 1 million ECU without going through Brussels;
- more systematic, independent evaluation of EDF-financed operations, coupled with determined efforts to incorporate the main findings in the design and execution of future projects;
- improvements to the rules on participation in EDF-financed contracts, in particular improved preferences for ACP firms and ACP supplies;
- retro-active financing (reimbursement by the EDF, once a financing decision has been taken, of certain project-related expenditure incurred by an ACP State pending the decision), to avoid undesirable delays or interruptions of on-going projects.

As regards technical co-operation, an area dominated so far by European experts and consultants, the new Convention calls for the employment of more ACP personnel as technical assistants. In line with the Community's involvement in structural adjustment, Lomé IV also provides for technical assistance with ACP States' debt-servicing and balance-of-payment problems.