

TEN YEARS OF LOME

**A RECORD OF EEC-ACP PARTNERSHIP
1976 to 1985**



Ten Years of Lomé

A Record of ACP-EEC Partnership 1976-1985

Report on the implementation of financial and technical
cooperation under the first two Lomé Conventions

Report prepared by the Directorate-General for Development
of the Commission of the European Communities

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10 YEARS OF LOMÉ

FOREWORD BY LORENZO NATALI
VICE-PRESIDENT OF THE EUROPEAN COMMISSION



With the coming into force of the third Lomé Convention on 1 May 1986, the European Community, now reinforced by the inclusion of Spain and Portugal, is launched on a second decade of development cooperation with its African, Caribbean and Pacific partners, among whom we now welcome Angola and Mozambique.

To mark the first 10 years of Lomé, the Commission has prepared a report on the implementation of financial and technical cooperation under the first two Lomé Conventions.

This Report is designed in the first instance to assist the ACP-EEC Council in its examination of the degree of success in achieving the objectives of financial and technical cooperation. In it, we take stock of the achievements and, indeed, of the difficulties experienced. The strength of the ACP-EEC partnership will undoubtedly help us to rise to the formidable challenges facing the ACP States in the second half of the 1980s and beyond.

We have attempted in our negotiations on the third Lomé Convention to benefit from the lessons of our experience under the earlier Conventions and so to forge instruments capable of tackling the tasks which lie ahead.

I present this report to the Council and to all those concerned with the economic and social development of the African, Caribbean and Pacific States. It provides evidence both of past efforts and of the dedication of the European Community to continue and to strengthen its efforts in working with our ACP partners to raise living standards and to improve the quality of life in their countries.

A handwritten signature in dark ink, appearing to read 'L. Natali', written in a cursive style.

Lorenzo Natali

PREFACE

Article 119 of the second Lomé Convention provides for the preparation each year by the Commission, in collaboration with the European Investment Bank, of a report on the management of financial and technical cooperation under the Convention. The report is intended to assist the ACP-EEC Council of Ministers in its annual examination of the extent to which the objectives of financial and technical cooperation are being attained and what general problems result from the implementation of that cooperation. The last Article 119 report was presented to the Council in 1984* and covered the year 1983.

At its meeting in Luxembourg on 21 June 1985, the ACP-EEC Council requested that the Commission should submit its next report on the management of financial and technical cooperation in the form of a report covering the ten years of cooperation under Lomé I and II. The present report, presented to the Council on 22 July 1986, is designed to meet that request.

* COM(84)398 final dated 17 July 1984.

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1. Introduction

1.1 Lomé: its Origins and Characteristics

The year 1975 was an important one in the history of development cooperation. On 28th February, the First Lomé Convention was signed and on 6th June, the group of African, Caribbean and Pacific States (ACP) was set up in Georgetown, Guyana.⁽¹⁾

The present report covers the period from the entry into force of the First Lomé Convention on 1 April 1976 up to the end of 1985. Its purpose is to examine in an objective manner, on the basis of available information, quantified insofar as that has been possible, the way in which financial and technical cooperation provided under the first and second Lomé Conventions has been implemented.

At the outset, however, it is useful to briefly survey the Lomé Conventions in the framework of more than a quarter of a century of Community development cooperation. Development policy evolved almost as an afterthought of the negotiations leading up to the Treaty of Rome when a number of countries, led by France, sought to find an accommodation in the new European Community for continuing economic relationships with their former overseas possessions. The resulting policy was written into Part IV of the Treaty to which was annexed an agreement implementing for a period of five years the measures for association of former overseas countries with the Community. This agreement also set up the European Development Fund (EDF) which provides the resources for Community financial and technical cooperation⁽²⁾ with the associated countries.

Starting from 1960, a large number of the former overseas countries and territories, notably those in Africa, attained independence. As a result, new links for development cooperation were established between the Community and the 18 associated African States and Madagascar (EAMA) in the first Yaoundé Convention which covered the five years to 1969 and were continued for a further five years in the second Yaoundé Convention. The foundation for these Conventions was the recognition of the national sovereignty of the participating countries.

With the enlargement of the European Community in 1973 to include Denmark, Ireland and the United Kingdom, it again became necessary to expand the

scope of Community development policy, this time to embrace former British overseas countries and territories. This led to the first Lomé Convention in 1975 covering the period from 1 April 1976 up to December 1980 which was continued up to 28 February 1985 in the second Lomé Convention. The Third Lomé Convention was signed on 8 December 1984 and came into operation on 1st May 1986. It has effect up to the end of February 1990.

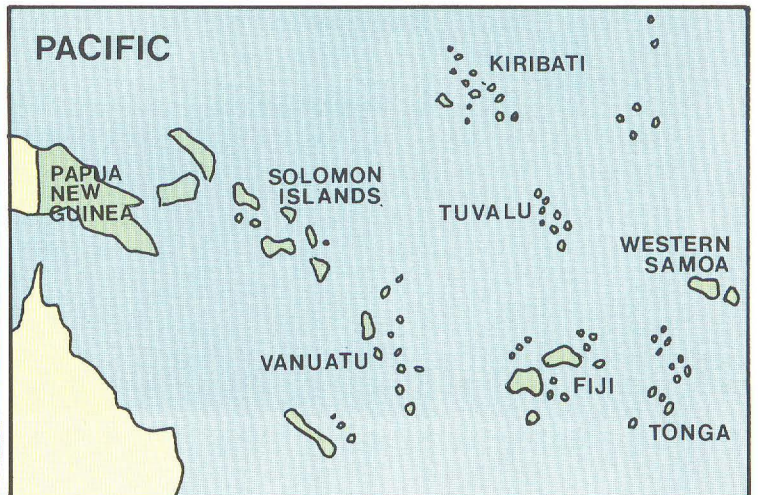
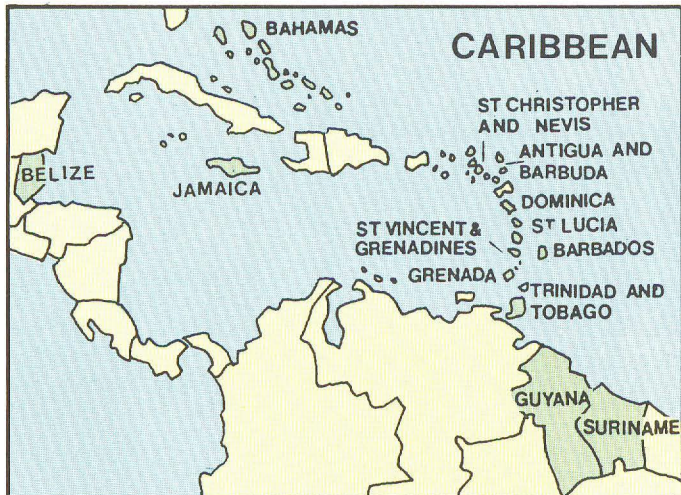
The new Lomé Convention associates the Community and 66 independent ACP countries. These include all of independent Africa south of the Sahara, now that Mozambique and Angola are parties to the new Convention. For the small number of overseas countries and territories (OCT) such as St. Helena, the Netherlands Antilles or New Caledonia similar arrangements exist under the Decision of the Council of Ministers of the EEC on the association of the OCT with the EEC⁽³⁾.

At the level of political structures, the Lomé Convention provides for a Council of Ministers, a Committee of Ambassadors and a Joint Assembly, while the ACP States have their own administrative structure based on the Secretariat General which has its headquarters in Brussels.

(1) A list of ACP States is given in Annex 1.

(2) The cooperation discussed here relates to that covered by the Lomé Conventions and their antecedents. It does not deal with development cooperation in Mediterranean countries and in non-associated developing countries which are financed not from the EDF but from the general budget of the Community.

(3) Council Decision 283/86 dated June 30 1986. This report does not, in general, deal with the evolution of Lomé activities in the OCT. The total provision in the Third Lomé Convention for the ACP amounts to 7,400 million ECU (plus 1,100 million ECU for own resource loans from the EIB). The corresponding figures for the OCT are 100 million ECU (plus 20 million ECU for EIB loans).



BOX 1.1

The European Development Fund (EDF) Principal Characteristics and Procedures

Each ACP-EEC Convention provides for a general envelope of aid to be allocated from the EDF during the Convention. In addition, it provides for loans by the European Investment Bank (EIB) from its own resources which may benefit from interest rate subsidies from the EDF.

Aid from the EDF consists of

- (i) *Programmed aid* (approximately 70 % of total aid)
 - grants, representing the bulk of financial aid
 - special loans (40 year duration, 10 years grace, interest at 1 % - 0.75 % for least developed ACPs, under Lomé II)
- (ii) *Non-programmed aid* (30 % of all aid)
 - stabilization of export earnings from agricultural commodities (STABEX)
 - special financing facilities for mining products (SYSMIN)
 - emergency aid
 - risk capital (managed by EIB)*
 - interest subsidies on loans from the own resources of the EIB

Details of the amounts provided under the various aid headings under Lomé I, II and III are as follows:

million ECU

	Lomé I	Lomé II	Lomé III
Total Convention	3462	5409	8500
EDF	3072	4724	7400
- grants	2150	2999	4860
- special loans	446	525	600
- risk capitals	99	284	600
- STABEX	377	634	925
- SYSMIN	-	282	415
EIB "own resources" loans	390	685	1100

The procedures for allocation of *non-programmed aid* are based on the relevant provisions contained in the corresponding Articles of the Lomé Conventions.

At the beginning of each Convention, the Commission informs each ACP State of the total *programmed aid* to be allotted to it. Under Lomé I, fixed amounts were allocated but under Lomé II the idea was introduced of minimum and maximum figures for each indicative programme to make it possible, when revising the allocations in mid-Convention, to take into account the amount of non-programmed aid received by each ACP country.

The award of *programmed aid* is very much dependent on the EDF decision cycle. Broadly speaking, five distinct stages can be identified:**

1. Preparation of *indicative programmes* by ACP States in agreement with the Commission and the EIB;
2. *Project preparation* by the ACP States and their examination by the Commission;
3. *Project approval* by the Commission of a project financing proposal, following favourable opinion of the EDF Committee*** referred to as "*approvals*" or "*primary commitment*";
4. *Project execution* on the basis of contracts awarded by the ACP States following invitation of international tenders open to firms in the Member States and ACP States (referred to as "*commitment*" or "*secondary commitment*";
5. *Payments of aid* to contractors. Such payments are made in European currency to contractors in the Member States or in national currency, where the contractors are nationals of the ACP State concerned.

While there is some overlapping between the five stages discussed above - increasingly the approval and commitment phases are being telescoped - most of the programming of aid takes place in the early years of each Convention, approval and commitment stages are spread out over several years and payments may be made over a number of years. As a rule of thumb, the total period for disbursement of amounts provided in each Convention is about 11 years. In this regard, while each Lomé Convention runs for up to five years, the Community legislation (the Internal Agreement and the Financial Regulation) relating to each EDF remains in force until the funds provided by the relevant Convention are paid out.

* Under Lomé III, part of the amount provided for risk capital has been included in the national allocation of the indicative programmes for least developed ACP States.

** Some aspects of the stages in the allocation of programmed aid also apply to non-programmed aid e.g. the payment stage is related to placing of contracts and the commitment of funds whether programmed or not. For further details of the programming concept see Box 2.1 and Box 6.1.

*** The EDF Committee is composed of representatives of the Member States and is chaired by the Commission representative.

Table 1.1 summarises the main scope of Community development cooperation in African, Caribbean and Pacific States as it has evolved over the last 28 years, culminating in the Third Lomé Convention.

Table 1.1

Scope of Community development cooperation

Convention (Fund)	Date entered into force	No. of Countries	Total Population (millions)	Total aid (millions of UCE/ECU) ⁽⁴⁾	
				EDF	EIB Own Resources
Treaty of Rome Part IV (EDF 1)	1.1.58	31 ⁽⁵⁾	55	581	–
Yaoundé I (EDF 2)	1.7.64	18	69	666	64
Yaoundé II (EDF 3)	1.1.71	19	80	843	90
Lomé I (EDF 4)	1.4.76	46	250	3072	390
Lomé II (EDF 5)	1.1.81	57	348	4724	685
Lomé III (EDF 6)	1.5.86	66	413	7400	1100

The group of 66 ACP States presents an impressive picture both in terms of its size – more than one third of the States represented in the United Nations Organisation – and diversity; alongside the continent of Africa and the States of the Indian Ocean (45 countries in all), we find 13 Caribbean and 8 Pacific States. There is a wide range of populations – from over 95 million in Nigeria to less than 100,000 in some Caribbean and Pacific islands and in the Seychelles. There are also wide diversities of language, of political systems and, most notably, of economies; some of the poorest countries in the world are found among the ACP countries while there are also those States which have achieved reasonably high standards of development and industrialisation.

1.2 Lomé: The Principle and Content of Financial and Technical Cooperation

Over the years, two guiding principles have applied to Community development cooperation. The first is to maintain as far as possible the qualitative and quantitative benefits which had been obtained by the overseas countries associated with the Community. Thus we find a high grant element in EDF aid amounting under Lomé II to 94%⁽⁶⁾, outright grants representing 62% of the total European Development Fund.⁽⁷⁾

The volume of the Fund in real terms has also been more than maintained over the years. Funds allocated under Lomé I were more than double the Yaoundé II allocation in real terms, this large increase reflecting, in particular, the rise in the number of States and in the population covered by the first Lomé Convention.

The increase of almost 75% in the Lomé II envelope was designed to maintain the real value of the EDF as compared with Lomé I. In presenting its proposals for Lomé III, the Commission estimated that a rise of 50% would be sufficient to compensate for inflation in the period between the 2nd and 3rd Conventions. In fact, even allowing for the accession of Angola and Mozambique, the Lomé III envelope of 7.400 million ECU involves a rise in the real value of the 6th EDF.

A second principle of Lomé is that of equal treatment for all partners, both old and new. Special consideration is given, however, to the least developed, landlocked and island States which have particular development problems.

Successive Conventions have also seen the introduction of new methods of financing and types of aid. Thus, the first Lomé Convention introduced the idea of financing risk capital as well as the system for stabilisation of export earnings from agricultural commodities (STABEX) which constitutes an important source of finance for the ACP countries. Another form of support to commodity production is provided by the protocol on sugar which assures guaranteed prices for sugar producers and exporters.

The idea of financing programmes of microprojects carried out with the active participation of local communities in ACP countries was also introduced in Lomé I and extended in the second Lomé Convention. Another innovation, in the second Lomé Convention, was the SYSMIN system for assisting countries with high dependence on mining products to adapt to reductions in the receipts from exports of those products to the Community. The second Lomé Convention also improved the mechanisms for priority financing of least developed, landlocked and island ACP States.

Over and above the texts, what is essential is the spirit, the economic and political conception to which the Lomé Convention bears witness. At a moment when the world was thinking more of confrontation than of agreement between North and South, the First Lomé Convention brought together 46 ACP countries and 9 Member States of the Community in a search for the highest degree of cooperation. It confirmed in its results, as well as in the debate between the partners, their willingness to play their part in the difficult birth of a new international economic order. All of these partners and more with them have sat around the table for the second and third Lomé negotiations and the Lomé family now numbers 66 plus the 12 Member States of the European Community, enlarged again as from 1 January 1986 to include Spain and Portugal.

(4) The ECU was introduced as the currency unit with effect from Lomé II.

(5) These countries were all OCTs, some of which became ACP States from Yaoundé I onwards. Starting with EDF 2, OCTs are excluded from the list.

(6) The grant elements in special loans and risk capital have been calculated by the Development Assistance Committee of OECD at 79 % and 56% respectively. In the case of least developed, landlocked and island ACP States, the grant element for special loans is 81 %.

(7) Grants represent 66% of the EDF provision under Lomé III.

1.3 Summary of Contents and Conclusions

As mentioned in the preface, this report is designed to present the results of EDF aid policies under the first and second Lomé Conventions. An overall view of the financial results achieved under the two Conventions is contained in Chapter 2. This chapter examines the trends in the implementation of Lomé, notably the rhythm of approval and commitment of programmed aid and of the various forms of non-programmed aid – STABEX, SYSMIN, Emergency Aid – as well as of the financing activities of the European Investment Bank. The main points which emerge from the analysis in Chapter 2 are the following :

- the higher concentration of aid on rural development. This partly explains the slowdown in rhythm of approval and commitment of EDF aid under the second Lomé Convention which Chapter 2 also shows. Another factor affecting commitment and payment rates is the change in programming procedures.
- the predictably high rate of aid concentration in Africa. Approval of this aid has, in general, been more rapid than that to some Caribbean and Pacific countries;
- the flexibility and quick response of the Community in dealing with crisis situations – STABEX in 1980 and 1981, famine in Africa in 1984 and 1985 – and the adaptability of EDF instruments in responding to needs;
- the special emphasis in Community aid on problems of least-developed, landlocked and island ACP States;
- the important role played by the European Investment Bank and the ability of the Bank to maintain its lending in face of increasing difficulties in finding creditworthy projects. The growth in risk capital financing will also be noted;
- the expanding role of cofinancing, notably in respect of large scale infrastructural investments involving multiple donors;
- the dramatic development of microprojects over the last 10 years.

In Chapter 3 the sectoral distribution of EDF aid is studied. The high and increasing share of funds going to rural development and also to industry (the latter reflecting the introduction of SYSMIN) is the main conclusion to be drawn from this chapter. Linked to this, is the drop in the share of transport and communications. A number of case histories of sectoral projects are included in the chapter in an effort to show how financial and technical cooperation is contributing to development of ACP States. A first attempt has also been made to present performance indicators for assessing the success achieved in implementing EDF aid e.g. kilometres of road, hectares of land developed, student places in schools, hospital beds etc. At this stage, these indicators must be regarded as crude measures of performance which present many problems of comparability. It is intended, however, to refine them and to incorporate such measures in future evaluations of EDF aid.

Chapter 4 examines the technical aspects of aid implementation – contracts, payment rates, implementation problems, – as well as the results of evaluation work under Lomé I and II. The most notable point in this chapter relates to the slowing down in the rhythm of payments under Lomé II, confirming the trend in approvals noted in Chapter 2. The progress made in evaluation will also be noted. Chapter 4 concludes with a description of the important part played by the Commission Delegates.

The rôle of the political institutions responsible under the Conventions for monitoring and advising on the implementation of financial and technical cooperation – the ACP-EEC Council, the Article 108 Committee and the Joint Assembly – are studied in Chapter 5. This chapter also looks at the evolution of development policy within the institutions of the Community itself, notably in the 1980s. The principal points are :

- the continuing emphasis in Council and Assembly Resolutions on increasing the effectiveness of aid and on accelerating procedures for its implementation;
- the important rôle played by the Article 108 Committee (the future Article 193 Committee) in examining different aspects of the implementation of financial and technical cooperation;
- the urgent response of the institutions – both those of the ACP-EEC partnership and of the Community itself – to particularly severe problems, e.g. famine in Africa;
- the continuing dialogue within all the institutions in relation to development of policies to meet new needs, e.g. maintenance aid.

The final chapter of the report – Chapter 6 – looks to the future of financial and technical cooperation under the new Lomé Convention focusing in particular on the new approach to programming based on support to sectoral policies. The problems facing the ACP countries, and notably Sub-Saharan Africa, are a matter of world concern. The continuing effects of world recession, of deterioration in the economies of ACP countries with which are associated severe balance of payments and indebtedness difficulties, of rapid population growth in African countries and the problems of food insufficiency and deterioration of the environment are now so well recorded as to have almost become commonplace. The hard facts of the situation are illustrated in the economic indicators annexed to this report (Annex 5).

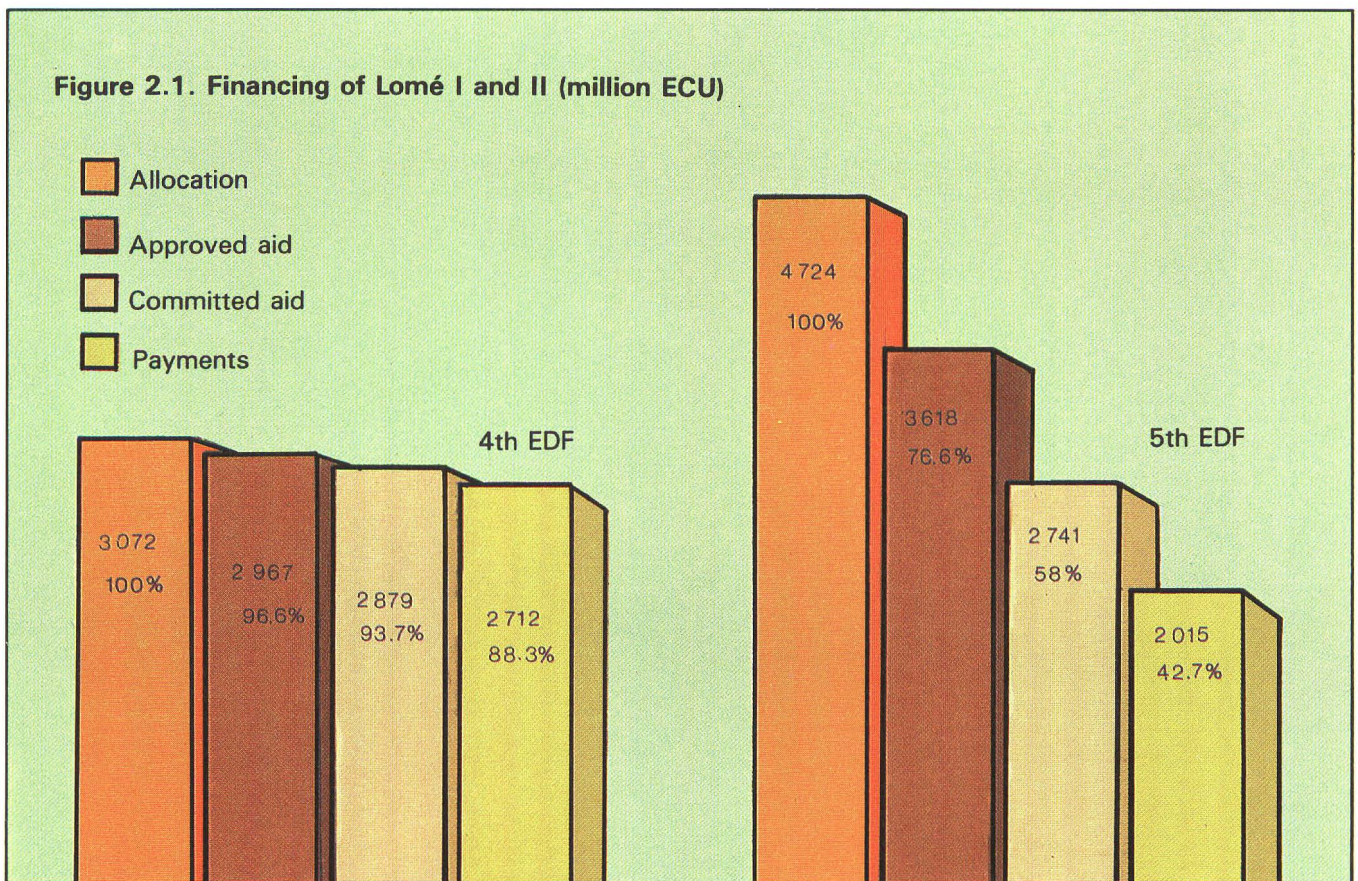
It is imperative that the developed world comes to the aid of its developing partners, because it is only through joint effort that we can all survive. We are like runners in a three legged race each tied to the other; while we run we advance together; should we stumble, we both fall. This is the reality of economic interdependence between the developed and the developing world. Because of its long association with African, Caribbean and Pacific countries, the Community has a particularly important rôle to play in ensuring that it and its ACP partners in the Lomé family continue to advance rather than to stumble.

2. European Development Fund : Overall Financial Results under Lomé I and II

2.1 Total Aid Trends

Figure 2.1 shows the overall financial results in terms of approvals, commitments and disbursements of EDF financing under the first and second Lomé

Conventions. The period covered is 1976 to December 1985.



Ten years after the coming into force of the first Lomé Convention, all but 105 million ECU (3.4 %) of the allocated aid has been approved. Only 193 million ECU (6.3 %) remains to be committed. A total of 360 million ECU, (11.7 %) of the Lomé I envelope remains unpaid. Of the unapproved aid, 50 million ECU are programmed finance, mostly grants, and 55 million ECU relate to non-programmed funds, includ-

ing interest rate rebates. These interest rebates, totaling 25 million ECU, have now been transferred to form part of the finance for the African rehabilitation programme discussed at section 2.5.3.2 below.

In the case of Lomé II, which came into operation in 1981, more than three quarters of the finance provided has been approved, 58% has resulted in firm commitments and 43 % has been paid out.

The year by year trends in the allocation of EDF 4 and EDF 5 are shown in Figure 2.2. By the end of the second year of implementation of Lomé I, over 35% of aid had been approved. Thereafter annual approvals levelled off before falling sharply in the 6th year by which time 93% of aid had been approved. Understandably, commitments lagged somewhat behind approvals and payments more so. The Lomé I experience is broadly in line with earlier Conventions (Yaoundé I & II). (1)

Under Lomé II, the pattern of approvals followed the general trend of Lomé I but at a lower level so that by the end of the 5th year, 77% of aid had been approved as against 88% during the corresponding period of Lomé I.

While there has, therefore, been some slowdown in approvals under the second Lomé Convention, actual commitments and payments of aid when related to approved aid rather than to the total EDF envelopes have been slightly higher for Lomé II. Although the approval process has been slower under the second Convention, once funds were approved, they have tended to be committed and paid at a somewhat faster

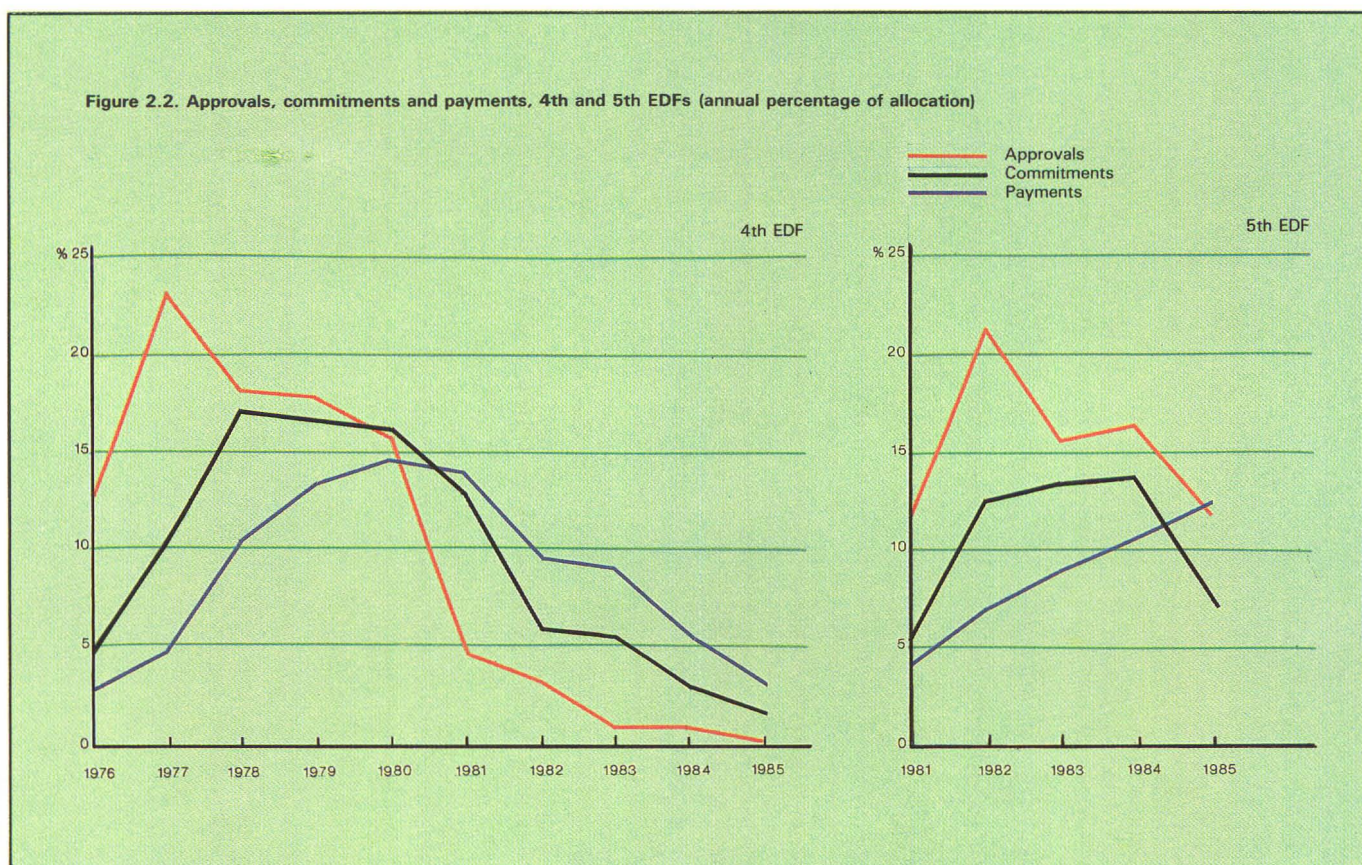
pace than for the first Lomé Convention. The question of payment rates is further discussed in Chapter 4 at point 4.2.3.

The growth in the number of ACP States, the introduction of new aid instruments (e.g. SYSMIN), the increase in the total EDF envelope from 3 billion ECU to 4.7 billion ECU all go some way to explain the problems involved in mobilising aid finance.

A recent study by the Article 108 Committee (2) has also drawn attention to problems in respect of:

- identification, preparation and appraisal of projects,
- delays in project approvals and in preparation of financing agreements and loan contracts,
- problems arising in the contract placement process,
- lengthy administrative circuits for payments authorisation.

At its meeting in Bridgetown, Barbados on 25 April 1986, the ACP/EEC Council passed a resolution calling for a whole series of actions designed to solve these problems. These are discussed further in Chapter 5, point 5.2.



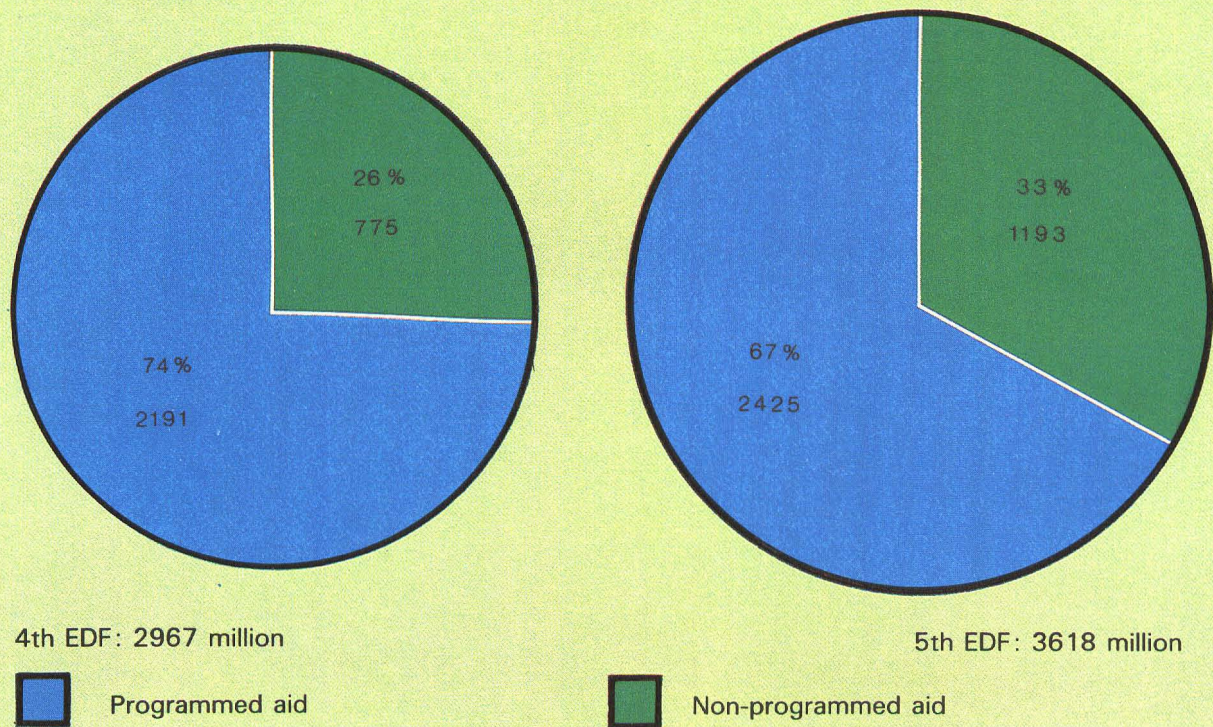
(1) Statistics of aid allocated from the EDF exclude "own resources" loans of the European Investment Bank but include the interest subsidies on such loans. They take into account additional allocations following the accession of new ACP States during the lifespan of each Convention (12 States during Lomé I, 8 States, including Zimbabwe, during Lomé II). The initial allocations in the Conventions were 3000 million ECU for the 4th EDF and 4542 million ECU for the 5th EDF.

(2) Details of the functions of the Article 108 Committee are given in Box 5.1.

2.2 Programmed and Non-programmed Aid – General

In looking for possible explanations for the slow-down in EDF approval rates, it is also necessary to distinguish between programmed finance, which represents the bulk of total aid, and non-programmed expenditure. Prima facie, the level of programmed financing would appear to be more controllable than non-programmed funds which are subject to such factors as the vagaries of markets for agricultural commodities (STABEX) and mining products (SYSMIN) or to the incidence of natural disasters (Emergency

Figure 2.3. Programmed and non-programmed aid approved under Lomé I and II (million ECU)



Aid). The first point to note here is that the share of non-programmed aid increased from 26% under Lomé I to 33% under Lomé II as can be seen in Figure 2.3. (3)

The higher share of non-programmed aid under Lomé II is accounted for by the increase in resources allocated to STABEX – 660 million ECU as against 384 million ECU in Lomé I – and by the inclusion for the first time of 280 million ECU for SYSMIN. Finance for emergency aid also rose from 150 million ECU to 200 million ECU.

The year by year trends in the approval of programmed aid (excluding regional programmes) are illustrated in Figure 2.4.

(3) As at April, 1986, total programmed aid approved under Lomé II amounted to 2516 million ECU

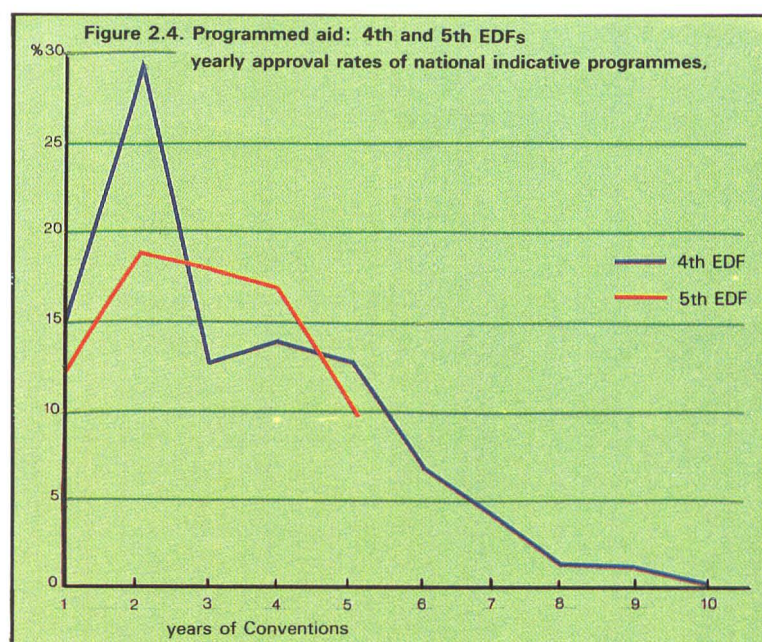
To understand the different year to year trends, it is necessary to take into account the rationale of the programming concept as it evolved under the two Conventions (see Box 2.1). Under Lomé I, the project “shopping list” approach undoubtedly facilitated the identification of projects for financing, even though it may subsequently have run into difficulties in relation to project implementation. This approach was dropped in Lomé II where the attempt at establishing programme objectives involved a more laborious process, even though it too fell short of expectations.

Another important element in Lomé II was the attempt to apply the principle of the “optimum pace” for aid approvals. This concept led to a more even year to year trend in approvals, but actual approvals were still well below the optimal pace. Whereas it was foreseen that all Lomé II funds would be authorised by the end of 1985, the actual rate of approval was only 76.6 % as can be seen in Table 2.1.

Table 2.1.
Lomé II – Optimal/Actual rate of approvals

Years	Optimal	Actual
1981	14.8	11.9
1982	38.5	33.0
1983	65.5	48.9
1984	86.5	65.3
1985	100.0	76.6

The notion of optimum pace has been omitted from the Third Lomé Convention and replaced in Article 216(2) by the more flexible idea of a timetable for approvals to be agreed on at the time of programming by each ACP State and the Community. The Article further provides that the partners “shall take the necessary steps to ensure the implementation of that timetable”.



BOX 2.1

The evolution of the programming concept in the first two Lomé Conventions*

The idea of programming EDF aid was introduced in Lomé I and was retained in modified forms in the two subsequent Conventions. The initial idea was that programming would help the ACP States to better plan their investments if they each knew in advance how much aid they were going to receive. The programming process was also intended to help the Community to tailor its aid packages to suit the development plans of the ACP countries and to coordinate their finance with that of other donors, notably the bilateral aid of the Member States.

In the event, these ideals were substantially diluted under Lomé I and programming was limited to the drawing up by each ACP State of “shopping lists” of projects to be financed by the Community. Some items were included on these lists before they had been properly thought out and the excessive numbers of projects included took too little account of available finance. Thus, while the ACP States were under the mistaken impression that the inclusion of projects in programmes was tantamount to a commitment of Community finance, the Community was faced with the need to choose between proposals, sometimes sketchily presented, whose total exceeded available funding. Another indicator of the inadequacy of the programming idea as it evolved under Lomé I was that by 1977, six of the 46 programmes

presented had been modified at the request of the ACP States concerned.

In an effort to surmount the difficulties of Lomé I, the programming approach adopted in Lomé II was based on the definition by each ACP State of objectives and development priorities which would provide the starting point for establishing indicative programmes, the latter then being adapted to take account of the characteristics of Community aid thus ensuring that “optimum use is made of the different instruments and means of cooperation provided for in the Convention”. (Art. 109.2. of the Second Lomé Convention). The analysis of objectives was also intended to help identification of priority areas for Community intervention through indicative programmes.

In practice, identification of objectives which proceeded in a rational way from broad macro-economic goals to concrete operational targets proved to be very difficult. Too often, individual sectors and, indeed, specific projects, surfaced very quickly and the analysis of objectives was somewhat lost sight of.

* Box 6.1 discusses the main features of programming under Lomé III. As the later Box makes clear, the programming approach has been considerably developed under the new Convention.

Whatever about these conceptual aspects of programming, two practical factors explain many of the delays in implementing indicative programmes :

- in some cases, aid may be concentrated on a few large projects which involve a slow programming process or call for lengthy preliminary studies. As a result, agreement on financing decisions for such projects can take a long time.
- During the planning stage of the indicative programmes, it has frequently been observed that overly optimistic feasibility studies were carried out. As a result, some projects had later to be revised or cancelled.

2.3 Programmed Aid – Geographical Characteristics of Aid Approvals

For the purpose of analysing geographical patterns of programmed aid, the ACP States are here divided into 6 groups (The countries contained in these groups are listed in Annex VI).

- East Africa,
- West Africa (subdivided between Coastal and Sahel countries),
- Southern Africa,
- Central Africa,
- Caribbean countries,
- Pacific Islands.

The vast bulk of national programmed aid goes to Africa; the Caribbean and Pacific Islands accounted for less than 7 % of the total of Lomé II aid. Under both Lomé I and II, East and West Africa were allocated over 70 % of total national indicative programmes. The share of Southern Africa rose under

Lomé II, due mainly to Zimbabwe acceding to the Convention.

The regional patterns of programmed aid allocations and approvals in the first five years of each Convention are shown in Table 2.2 . Under Lomé I, all African regions showed approval rates of about 80 % or more. All the countries in Southern Africa except Lesotho had approval rates over 90 % giving this region the highest rate of approvals. Central Africa, except for Cameroon, also performed well. In West Africa, only Benin was significantly below the group's average. While, in general, approval rates were high in East African countries, Ethiopia, Somalia and Uganda had the lowest rates of approval. In the Caribbean and Pacific Islands, very low approval rates were experienced in Suriname, Trinidad and Tobago, Kiribati and Papua New Guinea.

In line with the drop in the overall rate of approval of programmed aid in the first five years of Lomé II, significant changes occurred in the comparative performances of the six geographical groups, with substantial improvement in approval rates in Ethiopia, Uganda and Mauritius in East Africa. However, the position of some other large aid recipients in East Africa deteriorated significantly (mainly Kenya and Sudan). Most countries in Southern Africa, except Lesotho, registered declines in approval rates, particularly Zambia.

In other African regions, especially low approval rates were recorded under Lomé II among large aid recipients – for example, Sierra Leone, Zaïre and Senegal. In the Caribbean, very low rates were recorded in Suriname and, to a lesser extent, in Trinidad and Tobago. In the Pacific, low levels of aid approvals were registered for the Solomon Islands and for Papua New Guinea.

Table 2.2
*Regional characteristics of National Programmed Aid allocations and approvals**

Regional groups	Lomé I			Lomé II		
	Total Allocation million ECU	%	% Aid approved 1976-1980	Total Allocation million ECU	%	% Aid approved 1981-1985
East Africa	734	38.0	81.7	897	35.7	82.2
West Africa	687	35.5	87.9	912	36.2	77.9
Coastal	(317)	(16.4)	(88.5)	(447)	(17.8)	(70.5)
Sahel	(370)	(19.1)	(87.3)	(465)	(18.4)	(85.1)
Southern Africa	166	8.6	92.0	257	10.2	78.9
Central Africa	237	12.2	88.6	282	11.2	82.0
Caribbean	69	3.6	75.1	100	4.0	73.6
Pacific	41	2.1	72.0	68	2.7	66.6
Total	1934	100.0	85.2	2516	100.0	79.4

* Excluding regional aid.

2.4 Regional Aid

The main objectives of regional programming are reduction of ACP States dependence on imports, widening of markets and expansion of intra-ACP trade and acceleration of regional cooperation. The allocation of regional aid takes account of the policy objectives and priorities of the individual ACP States form-

ing a region. As it involves several States, the application of the different stages of regional programming is inevitably complex and slow.

Under Lomé I, as for Lomé II, allocations were made by subregion, after deduction of an amount in respect of general operations⁽⁴⁾. On the expiry dates

of the two Conventions, the breakdown of the programmed amounts was as follows:

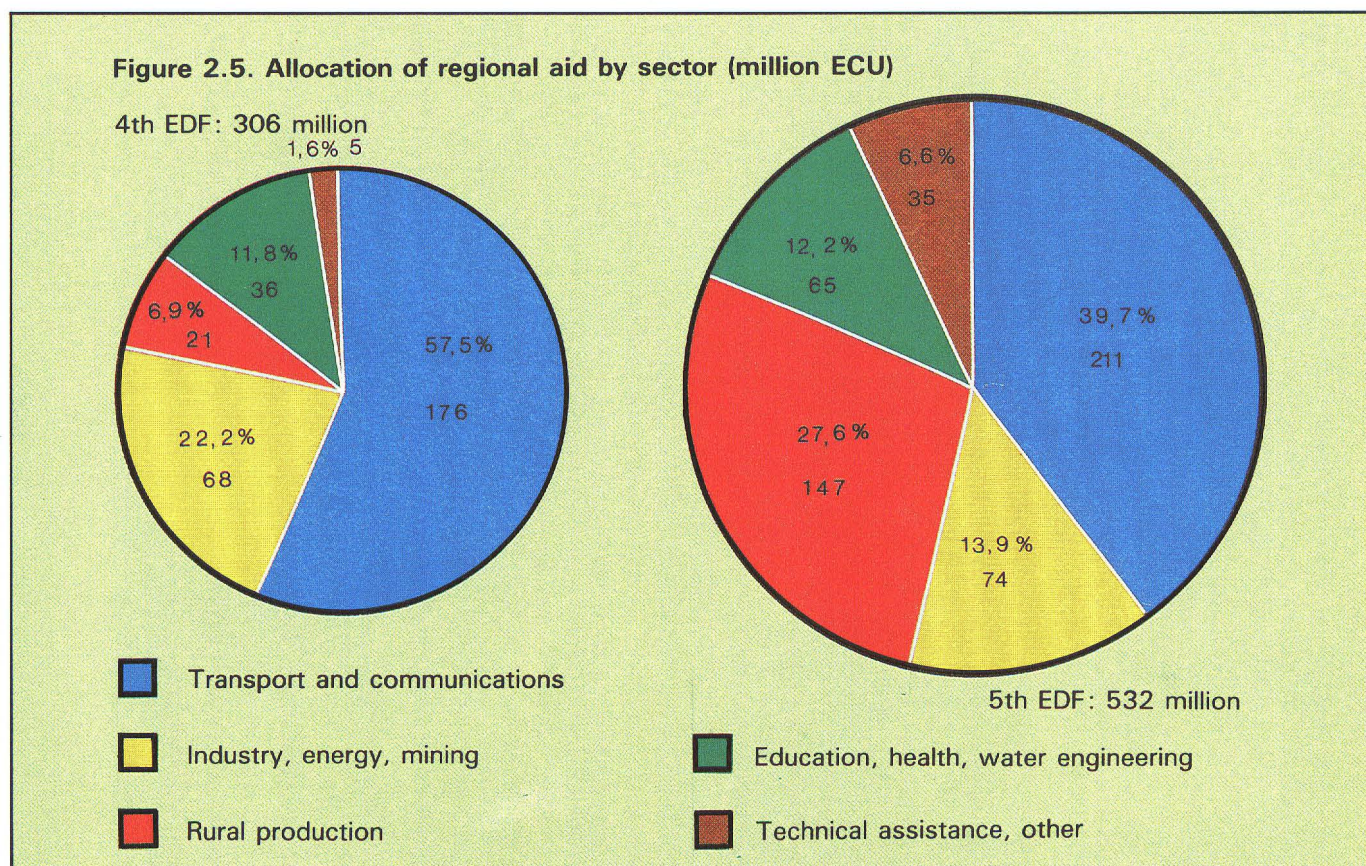
Table 2.3

Lomé I and II : Programming of regional aid by subregion

Subregion	Lomé I		Lomé II	
	Amount (million ECU)	%	Amount (million ECU)	%
West Africa	130	38	160	25
Central Africa	24	7	60	10
East Africa	79	23	140	22
Southern Africa	27	8	70	11
Indian Ocean	8	2	20	3
Caribbean	28	8	55.6	9
Pacific	10	3	25.9	4
General operations -all ACP States	33	11	100	16
TOTAL	339	100	631.5	100

Under Lomé I, West Africa's share was quite high, mainly because of EIB operations; in fact, most of EIB aid under this heading was channelled into this region. This may be attributed to the already well-established links between these States and the Community at the beginning of Lomé I. Under Lomé II, however, the percentage was reduced to a more "normal" level. In terms of the per capita allocation of resources devoted to regional cooperation, the Caribbean and Pacific groups were given special treatment under both Conventions on the grounds of their remoteness and insularity. As for Southern Africa, the accession of Zimbabwe explains the increase in its allocation.

The sectoral breakdown of regional aid is as follows:



Transport and communications was the sector which received the greatest amount of aid under the two Conventions, although its relative share dropped under Lomé II. This is explained by the opportunities, not to say the need, for real regional cooperation in this sector. Under Lomé II, the allocation for rural development increased appreciably. This increase re-

flects the stronger emphasis on this sector in national indicative programmes.

(4) General operations include, in particular, regional trade promotion and contributions to the budget of the Centre for the Development of Industry, the ACP-EEC Courier and the cost of experts attached to the ACP Secretariat.

2.5. Non-Programmed Aid⁽⁵⁾

2.5.1 STABEX

STABEX is the principal component in non-programmed aid. Its origins and main features are described in Box 2.2. The total initial provisions for STABEX in Lomé I and II were 375 million ECU and 550 million ECU – 12.2 % and 11.6 % respectively of total aid under each Convention. Supplementary allocations were subsequently made and as a result the final STABEX figures were 383.5 million ECU for Lomé I and 659.5⁽⁶⁾ million ECU for Lomé II. Between 1975 and 1979, a total of 377.5 million ECU was transferred to 31 ACP countries in respect of losses incurred in exports of 19 product categories to the European Community. The remaining balance of 5.9 million ECU was reallocated to the STABEX budget for Lomé II. Final payments of the 659.5 million ECU Lomé II total are currently being made to 46 countries in respect of 22 product categories.

Table 2.4 gives particulars of STABEX transfers by product categories under the two Conventions.

Table 2.4.
STABEX Transfers by Product Category

Product category	Lomé I		Lomé II	
	million ECU	% of total transfers	million ECU	% of total transfers
Coffee	14.5	3.8	246.6	37.4
Cocoa	1.5	0.4	148.8	22.6
Cotton	43.4	11.5	36.5	5.5
Copra and coconut	10.6	2.8	31.6	4.8
Groundnuts	139.4	36.9	133.3	20.2
Iron ore	61.8	16.4	*	*
Oilcake	17.6	4.7	14.0	2.1
Raw sisal	20.6	5.5	9.1	1.4
Wood	40.0	10.6	0.4	0.1
Remaining Products (each representing 2 % or less of total)	28.1	7.4	39.2	5.9
Total payments as at end 1985	377.5	100.0	659.5	100.0

* Less than 1 % of total transfers

In Lomé I, groundnuts together with iron ore and cotton, accounted for about two thirds of all transfers. Under Lomé II, transfers were highly concentrated on coffee, cocoa and groundnuts which between them accounted for over 75 % of total transfers between 1980 and 1985.

Table 2.5 shows the main STABEX beneficiaries under the two Conventions.

Senegal, Sudan and Mauritania were the main STABEX beneficiaries between 1975 and 1979, the principal products involved in these countries being

BOX 2.2

STABEX

STABEX – the system for stabilisation of export earnings from agricultural commodities – was first introduced in Lomé I with the objective of providing funds to ACP countries to cover shortfalls in earnings brought about by fluctuations in prices or output of agricultural products exported to EEC countries.*

A total of 383.5 million ECU was provided for the system in Lomé I and this was increased to 659.5 million ECU in Lomé II. Twenty-nine products were covered under the first Convention and this was extended to 44 under the second Convention.

Eligibility for assistance was based on the two following criteria :

1. A *product* was eligible if, the year prior to the year of application, it represented 7.5 % of a country's total export earnings to all destinations (6.5 % in Lomé II)**;
2. A *country* was eligible if there had been a drop in earnings of at least 7.5 % (6.5 % in Lomé II)** as compared to an average for the four years preceding the year of application.

Transfers have been used to maintain financial flows in the sector concerned or for the purpose of promoting diversification. While no formal accounting of the use of STABEX transfers was required in Lomé I, in the second Convention, ACP countries were required to give an account of what was done with the aid funds. STABEX aid usually takes the form of grants although, in some cases – notably in the more developed ACP States – aid may be given as interest free loans.

* While in general STABEX takes into account only exports to the EEC, by derogation from the general rule, for 13 ACP countries which, because of their geographical situation do not have the EEC as a natural outlet, exports to all destinations are taken into consideration.

** 2.5 % (Lomé I) and 2.0 % (Lomé II) for both 'product' and 'country' eligibility in the case of least developed ACP States.

(5) EDF non-programmed aid managed by the EIB is discussed in Chapter 3 Section 3.1.2.

(6) Including 8.5 million ECU of additional allocation under Lomé I and 25.7 million ECU under Lomé II voted by the ACP-EEC Council in Libreville in 1982.

groundnuts for Senegal and Sudan and iron ore for Mauritania. During Lomé II, Senegal, Ghana and the Ivory Coast benefitted most. Senegal's transfers again referred to groundnuts while in the other two countries, transfers related to cocoa and to coffee exports respectively.

Table 2.5.
*STABEX Transfers under Lomé I and Lomé II
classified by country*

Country	Total funds transferred (million ECU)	% of total STABEX funds transferred
Lomé I		
Senegal	65.1	17.2
Sudan	41.8	11.1
Mauritania	37.0	9.8
Niger	22.7	6.0
Tanzania	20.7	5.5
Uganda	20.6	5.5
Benin	20.4	5.4
Others	149.2	39.5
TOTAL	377.5	100.0
Lomé II		
Senegal	90.6	13.7
Ghana	85.4	12.9
Ivory Coast	78.4	11.9
Papua New Guinea	50.7	7.7
Kenya	44.9	6.8
Sudan	40.7	6.2
Cameroon	29.6	4.5
Togo	28.9	4.4
Others	210.3	31.9
TOTAL	659.5	100.0

Table 2.6 examines the annual rhythm of STABEX transfers. While total allocations for each EDF are divided into five equal annual instalments, the Conventions permit advances of 20 % of the following year's allocation where required.

Table 2.6.
Annual STABEX Transfers under Lomé I and Lomé II

Lomé I			Lomé II		
Year	million ECU	% of total aid	Year	million ECU	% of total aid
1975	80.0	21.2	1980	179.5	27.1
1976	37.1	9.8	1981	295.1	45.0
1977	33.7	8.9	1982	102.5	15.4
1978	164.0	43.5	1983	50.4	7.6
1979	62.7	16.5	1984	32.0	4.9
Total	377.5	100.0	Total	659.5	100.0

The early years of Lomé II were years of financial difficulties for STABEX. In 1980, justified requests exceeded available resources by 123 million ECU and available funds covered only 53 % of overall requirements. The following year, the deficit rose by nearly threefold to 341 million ECU which meant a nominal overall cover rate of only 24.7 %. The problem was partially relieved by the Council of Ministers decision taken at Libreville in May 1982. That decision provided 25.7 million ECU of compensation for losses in income from agricultural exports which was augmented by a 40 million ECU supplementary grant. A further 30.7 million ECU was granted from funds reimbursed from special loans and risk capital under previous Conventions.

The STABEX deficit in the early 1980s was essentially due to falls in commodity prices in the wake of the world recession. The partial easing of the recession coupled with subsequent inclusion of the bad years in the STABEX four year reference period reduced the burden of STABEX requests after 1982. By 1985, the system was again in balance and indeed a surplus of 127.1 million ECU will now be transferred to the countries which experienced deficits in 1980 and 1981.

2.5.2 SYSMIN

SYSMIN was first introduced in Lomé II. A note on the main features of the system is contained in Box 2.3. Of the 282 million ECU provided in Lomé II, 129 million ECU has been approved. In 1980 and 1981, Zaïre was allotted 40 million ECU and Zambia 55 million ECU in respect of their copper and cobalt industries which were hard hit by the world recession.

A further 28.0 million ECU was committed for Zambia at the end of 1985. Rehabilitation projects are currently under design to meet the prolonged difficulties in these two countries and at the end of 1985, Zaïre was declared eligible for a second SYSMIN intervention. Since the actual project has not yet been defined, no financing decision has been taken to date. In 1984 and 1985, allocations were made to Guyana (3 million ECU) and Rwanda (2.8 million ECU) relating to bauxite and tin respectively. Both these countries are still facing severe problems in their mining industries and further possibilities for aid are being examined.

Although 153 million ECU of SYSMIN funds under Lomé II are yet to be allotted, indications are that the amounts will be used shortly, after appraisal – currently under way – of requests from Liberia, Suriname and Jamaica submitted before 31 October 1985, the deadline fixed by the ACP/EEC Council of Ministers for receipt of submissions under the second Convention. Of their nature, SYSMIN projects involve slow commitment procedures since the process of organising cofinancing packages with investors aimed at reestablishing viable industries – rather than supporting dying ones – is inevitably a lengthy one. The provision

of 415 million ECU allocated to SYSMIN in Lomé III is destined for interventions based on adverse circumstances which may originate in the years 1985 to 1989.

BOX 2.3

SYSMIN

The "Special Financing Facility" or SYSMIN system was first provided for in Lomé II to assist ACP States heavily dependent on mining exports to the Community to remedy the harmful effects on their incomes of serious temporary disruptions affecting the mining sector. 282 million ECU was provided for the Facility in Lomé II, taking the form of special loans (40 years duration, 10 years grace, interest at 1% - 0.75% for least developed ACPs).

The products covered by SYSMIN are copper and cobalt, phosphates, manganese, bauxite and alumina, tin, iron ore. Countries can apply for SYSMIN aid if the relevant products have, on average, represented more than 15% of their total exports for 4 years (10% for least developed countries).

Award of aid follows case by case analysis of possibilities for reestablishing viable operations in the sector concerned. Most SYSMIN aid involves cofinance with other donors e.g. European Investment Bank, World Bank Group, African Development Bank.

2.5.3 Emergency Aid

What is termed "emergency aid" relates to humanitarian aid provided in the event of natural disasters or to meet exceptional circumstances of a similar nature. It takes the form of grants made available to Governments, beneficiary agencies and in some cases Commission Delegations. It must be provided as quickly as possible, and within six months at the latest. The first Lomé Convention provided for an allocation of 150 million ECU for emergency aid. Over the first three years, from 1976 to 1978, operations financed mainly comprised aid for industry (Zaire), agriculture (Zambia) and reconstruction (Somalia). The amounts allocated to each operation were rather large: 15 million ECU for Zaire, 7 million ECU and, again, 8 million ECU for Zambia. The Commission dealt directly with a small number of governments. Humanitarian operations as such were then negligible, but from 1979

onwards they increased steadily in number owing to the high rate of disasters in ACP States and the resultant humanitarian needs to which they gave rise. At the same time, the Commission found itself dealing to an increasing extent not just with Governments of the ACP countries but with intergovernmental bodies, the Red Cross and NGOs. Of the 150 million ECU earmarked under Lomé I, 140 million ECU was actually used. The unspent balance was used under the general plan to combat famine in Africa, which is mentioned at point 2.5.3.1.

Under Lomé II, the funds available for emergency aid were increased to 202 million ECU. At the end of December 1985, 171 million ECU had been used, 112 million ECU of it in 1984 mainly as a result of the operations decided on to combat famine in the associated African countries; these funds were intended to provide help, mainly in the form of basic essentials and primary medical care for the victims of various types of natural catastrophes (drought, cyclones, epidemics, fire, flood) and man-made disasters (refugees and displaced persons). In 1984, however, far-reaching changes were made to the system of emergency aid in an attempt to combat the worsening famine. A number of plans, including the Dublin Plan and the Rehabilitation Plan (Milan Plan), were adopted.

2.5.3.1 Famine in Africa and Community Emergency Aid

During 1984, famine spread rapidly across twenty African countries, affecting millions of people. In view of the scale of needs involved, the Commission adopted three successive action plans for the provision of emergency aid under the second Lomé Convention, from the Community Budget, and also in the form of food aid, which too is financed from the Budget.

- Under the first plan, adopted in April 1984, 83 million ECU, including 23 million ECU in the form of emergency aid, was granted under the Lomé Convention to 16 African countries hit by drought;
- the second, decided on in October 1984, involved a total of 60 million ECU, of which 35 million of emergency aid was provided to 11 African countries (3 million ECU under the Lomé Convention and 32 million ECU under the Budget);
- the *Dublin Plan*, adopted in December 1984, had as its objective the supply to the eight African countries which were the worst hit by the famine of 1,200,000 tonnes of cereals or cereal equivalent before the 1985 harvest⁽⁷⁾. This aid was made up of the following:

- 281,000 tonnes of cereal-equivalent, plus other forms of aid, bringing the total allocated for emergency aid to 175 million ECU (80 million ECU under Lomé II and 95 million ECU from the Budget);

(7) Ethiopia, Sudan, Mozambique, Angola, Mauritania, Mali, Niger, Chad.

- 324,000 tonnes of cereal-equivalent worth 81 million ECU under the normal food aid programme, plus 12,600 tonnes of other products such as milk powder, sugar, etc., to a value of 16 million ECU;
- 631,000 tonnes of cereal-equivalent to be supplied by the Member States under their bilateral programmes at a cost of 158 million ECU.

The total aid provided by the Community on the basis of the Dublin Plan amounts to 430 million ECU, including 80 million ECU financed by the fifth EDF and 192 million ECU from the Community Budget (not including aid other than that provided in the form of cereals by the Member States). This aid amounted to about one third of the total aid provided by the international community.

In view of the need to implement emergency operations rapidly and effectively, the Commission set up a unit within the Directorate-General for Development which deals with emergency aid and to which it has given powers to decide on aid on a case-by-case basis. As a result, decisions can be taken more rapidly. At the same time, the procedures for implementing emergency aid have been further speeded up so that the interval between the request for aid and its mobilisation and delivery to ports has been reduced in certain cases to 40-60 days. The food aid procedures themselves have been simplified and speeded up.

The Commission has also introduced its own action instrument which takes the form of Community aid

teams. What is involved here is a small European task force which can operate autonomously using its own staff, equipment and vehicles. It works directly on the ground where there are no other means of transporting Community aid. These teams went into action during the famines in Mozambique in 1984 and in Sudan in 1985.

In 1986, the spectre of famine would seem to have receded, but caution is still needed. There will continue to be pockets of trouble in certain regions – notably in Ethiopia, where the situation remains very worrying. That is why funds have been included in the Budget for 1986 to cope, where necessary, on a sufficient scale, with exceptional emergency requirements (some 500,000 tonnes of cereal-equivalent).

2.5.3.2 The Rehabilitation and Revival Plan for African Countries most Affected by Drought (Milan Plan)

In November 1985, the Commission proposed to the Council an action plan to be carried out urgently pending the actual implementation of Lomé III. This plan was launched at the beginning of 1986. Its objectives are as follows:

- to strengthen the capability of the countries affected to cope with further disasters;
- through boosting agricultural production, to unblock economic and financial bottlenecks created

by drought and affecting rural activities generally.

Operations under the rehabilitation plan must be carried out urgently in order to produce immediate effects. They must therefore focus only on essential matters which can be dealt with very quickly. They must, at the same time, be compatible with medium-term economic recovery programmes being implemented in the countries concerned.

The following measures must be adopted in order to strengthen countries' own capability for coping with disasters:

- strengthening countries' own organisational capacity for establishing and implementing emergency plans;
- early detection of possible famine;
- establishment or replenishment of buffer stocks (foodstuffs and seeds);
- improvement of the transport of aid by removing bottlenecks.

The recovery of agriculture in disaster-stricken economies depends on the attainment of two objectives:

- availability of basic inputs for the 1986/87 agricultural year (fertilizers, plant health products) and suitable methods of production;
- resettlement of displaced persons.

The Milan plan will be financed from two sources:

- a Community contribution in the form of grants, made up of amounts not used under Lomé I and Lomé II (interest rate subsidies on EIB loans and interest from investment of EDF cash holdings), amounting in all to 100 million ECU;
- a contribution from the Member States of at least the same amount as the Community contribution.

The European Plan would therefore provide a minimum of 200 million ECU. It is geared mainly to the eight countries most severely hit by drought in 1984 and 1985 (Mauritania, Mali, Niger, Chad, Sudan, Ethiopia, Mozambique and Angola). At the same time, aid procedures covering approval of operations, financing agreements and implementing procedures will be simplified and speeded up.

2.6 Financial and Technical Assistance for Least Developed, Landlocked and Island Countries (LDCs)⁽⁸⁾

2.6.1 Lomé I

The first Lomé Convention devoted special attention to the situation of the least developed ACP States. For the first time an ACP-EEC Convention spelled out detailed provisions in favour of least developed countries covering the volume of aid to be granted to them as well as ways for speeding up the granting of that aid. Among the 46 ACP countries which signed the Convention, 24 were initially classified as least

developed. By the expiry date of the Convention, this number had risen to 33 as a result of the accession of other States. These States, comprising 139 million inhabitants, accounted for 43% of the total population of all ACP States.

The most important of the special measures taken to help the LDCs were the following:

- LDCs received 64% of the financial resources available at national level although their population represented only 43% of that of ACP States as a whole. The countries in question received 68% of all the grants committed by 31 December 1980 and, in fact, grants accounted for 87% of the total financing provided to them, as against 80% in the case of other ACP States. In addition, 60% of risk capital financing, administered by the EIB, was allocated to the least developed ACP States. The other ACP States obtained a larger share of EIB own resources loans, for which the financial terms are generally less favourable.
- Particular instruments and operations have provided a way for solving the special problems of least developed ACP States, such as the microproject programmes, which are especially well suited to those countries' requirements: by the end of 1980, 52% of the sums committed for this purpose were for the LDCs. As for STABEX transfers, 26 of the 33 recipient States were LDCs; they received 69% of all transfers as well as preferential treatment (dependence and trigger thresholds at 2.5% instead of 7.5%, non-reimbursement of transfers).

At operating level, special attention was paid to:

- improvement of the administrative capacity of the least developed countries, through training, technical assistance schemes, etc;
- financing, on a temporary basis and on a decreasing scale, of operating or major repair costs which those countries were unable to meet from their own budgets;
- encouragement of regional cooperation projects concerning the LDCs (60% of the amounts programmed under the heading of regional cooperation related to these States).

At procedural level, a special effort was made to apply particularly speedy appraisal methods to projects concerning the least developed ACP States. For example, the project in Ethiopia for improving coffee-growing was presented to the Community's decision-making authorities only four months after the programming mission. In Mali, appraisal of projects such as deforestation of the Sélingué dam or the third stage of the Ségou rice-growing project was speeded up.

Lastly, the special attention devoted to these States was also reflected in the pattern of disbursements. At 31 December 1979, payments from the 4th EDF

(8) The LDCs are included in the list of ACP States in Annex I.

amounted to 43% of total commitments for the least developed ACP States and for the other ACP States. In 1980, disbursements speeded up in relation to commitments, and at 31 December 1980 were above the 50% mark for both categories. Payments for the least developed countries had, however, speeded up even faster than in the case of the other ACP States (57% as opposed to 52%).

The Community also paid special attention to the least developed ACP States in operations carried out outside the Lomé Convention framework, notably through provision of food aid and by contributing to projects cofinanced with non-governmental organisations in the Member States of the Community.

2.6.2 Lomé II

Under Lomé II, the number of least developed countries increased to 35, and by the time the third Convention was signed their total had risen to 43 following the accession of new member countries. The texts of the second Convention represent a marked step forward in the policy of the Community and of the ACP States with regard to least developed ACP States. In addition to the special treatment given to least developed ACP States, the Convention improved the special measures for landlocked and island States, in order to help them overcome the special difficulties and obstacles arising from their geographical situation.

The overall result of the action taken to help the least developed States is summarised in Table 2.7.

Table 2.7

Breakdown of national indicative programmes and primary commitments : LDCs/other ACP States – Lomé II (excluding regional aid)

National indicative programmes (million ECU)	Primary commitments at 31.12.85 (million ECU)	Primary commitments as proportion of indicative programmes
LDCs 1,623 (64 %)	1,339	82.5 %
Other ACP States 893 (36 %)	662	74.1 %
Total 2,516 (100 %)	2,001	79.4 %

– The LDCs have been allocated almost twice the amount of programmed aid given to other ACP States, whereas in terms of population they account for only 40% of that for all ACP States. This aid consisted mainly of grants and/or loans on special terms or risk capital. The proportions of the grants and special loans are 87% and 13% respectively for the LDCs, as against 73% and 17% for the other ACP States. These figures clearly show that the objective of granting the LDCs particularly favourable financing terms has been attained.

– At the end of 1985, the level of approval of aid to LDCs was significantly higher than that for other ACP States.

At the request of the Governments concerned, the Commission has endeavoured to provide special aid in order to alleviate – in a number of ways – the specific difficulties which the least developed, landlocked and island countries encounter in implementing their projects and programmes:

At the stage of the *identification* and *preparation* of projects:

- general technical assistance to help the national authorities identify the priority objectives or sectors (for example, technical assistance for the Ministry of Planning in Benin or in Grenada) or searching for ideas which could translate these general guidelines into actual projects (e.g., in Somalia, for the identification of fisheries projects);
- specialised technical assistance for the preparation of projects, at technical, economic or administrative level. There are numerous examples of this, such as in Burundi – consolidation of tea-growing, Comoros – water supplies, Mauritania – topography of the Fom Gleita dam, etc.
- helping (either through the local Delegation or directly from Brussels) the national authorities to prepare projects (e.g. the cotton-cereals project in Guinea-Bissau) or to prepare the terms of reference of studies to be carried out by a consultant, or to negotiate contracts (e.g. the preparation of an integrated rural development project in Rwanda or a food crop programme in Burundi, or the Zaïre-Nile watershed project);
- the general distribution to national administrative departments in the ACP States of documents relating to the techniques used by the Commission in preparing or appraising projects (manual of instructions, documents on the economic analysis of projects), as well as classification of these documents by way of comments supplied by the delegations on request;
- financing the training of local staff.

At the stage of the *implementation* of projects:

- ensuring that monitoring or concurrent evaluation is carried out by the Delegation on the spot or by a consultant (e.g. in the case of the Ségou rice operation in Mali);
- providing, during project examination, the expertise required for the proper operation of the project (e.g. for the same project in Mali, the sending of an accountant to draw up analytical accounts for the operation);
- arranging, as soon as funds for the project are committed, for the financing of a team to supervise the works (e.g. for the Banjul sewerage and drainage project in Gambia);

- financing a technical assistance team to which the Government can delegate overall responsibility for the project (as happened in Sao Tome and Principe in the case of the project for a crushed ice and refrigeration plant).

When projects and programmes were being *appraised*, the Commission endeavoured to take into account the specific difficulties and constraints of the LDCs which have a bearing on the effectiveness and viability of projects and programmes, and on the return that can be derived from them.

In the interest of efficiency, the Commission has shown particular readiness to finance *the full costs of projects*, irrespective of whether local or external expenditure is involved (e.g. the Guidam-Roundju/Tchadaoua and Zinder/Mirriah roads in Niger). Where there is a national financial contribution, it generally covers the cost of national administrative staff (e.g. the Karamoja development programme in Uganda, financed to a value of 4.4 million ECU from EDF credits and 1.35 million ECU from the national budget).

The Commission has agreed more readily to finance *overruns* in the case of least developed ACP States (e.g. the financing of an overrun of almost 20 million ECU for the Goluen-Gelib road in Somalia).

It also agreed to finance the *consolidation* of previous projects (e.g. in Mali the financing of a second project for the consolidation of the Yanfolila ranch).

The Commission has focused its attention mainly on the *viability* of projects and has attempted to guarantee this by means of three kinds of measures:

- a) training of local staff, as an integral part of the project; for example, in the programme for the reform of coffee production in Uganda, 830,000 ECU was earmarked for the training of local staff who would continue the implementation of the operations following the departure of the expatriate technical assistance staff;
- b) the setting up of revolving funds (e.g. the Karamoja development programme in Uganda, mentioned above);
- c) the attempt to find alternative solutions to the financing of maintenance costs from the national budget. It was with this objective in view that the Commission took part in January 1982 in the CILSS Symposium in Ouagadougou on the financing of recurring expenditure, a meeting which had been prepared in detail in 1981, and that the Commission is likewise endeavouring to follow the re-

commendations made at ACP-EEC experts' meetings held to examine the conclusions to be drawn in this sphere from evaluation reports. In the area of rural water engineering, for example, the Commission has taken part in information campaigns aimed at the local population, to encourage them to take over the costs of operating and minor maintenance of projects (e.g. village water engineering project in Yatenga and Comoë in Burkina Faso).

As for the *return* on projects, the Commission has been particularly flexible in the case of the least developed countries:

- a) it has accepted the fact that, owing to a lack of information, it is sometimes impossible to calculate a rate of return, e.g. the vehicle repair project in Tanzania, and the second stage of the N'Dama-Yanfolila project in Mali. In the latter case, it was stated in the financing proposal that the value of the project should be assessed in qualitative rather than quantitative terms and that an economic return could be expected only over a very long period;
- b) again, the Commission has accepted a low rate of return where other arguments (non-quantifiable criteria) could be put forward in favour of the project: 6% financial return for the Kara project in Togo, 4% for the Addis-Ababa water supply in Ethiopia, 5% economic return for the Ouagadougou-Yako road in Burkina Faso, etc.

In the context of *regional cooperation*, landlocked and island states have been particularly favoured, notably as regards the transport and communications sector.

Firstly, in four of the seven programming regions, as defined for purposes of planning Lomé II's regional resources, two regions (Pacific and Indian Ocean) consist entirely of island states and one (Southern Africa) of landlocked states, while one (the Caribbean) consists of 11 states of which all but three are islands. Consequently, almost the entirety of regional actions in these four regions (representing over 33 % of regional funds) concerned landlocked or island states.

Secondly, actions in the field of transport and communications in the other three regions (West, Central and East Africa) financed by the EDF concerned at least one landlocked or island state in approximately 70 % of cases in West Africa, 100 % in Central Africa and 91 % in East Africa. Actions in this sector in the three regions received almost 28 % of total regional funds.

Thirdly, of the 33 ACP States in West, Central and East Africa, eight are landlocked and two are islands. However, the number of regional actions involving one or more of these ten States is high, partly due to the fact that extensive regional projects in the fields of rural development and training span several States (and represent almost 40 % of total regional funds).

It can therefore be concluded that the measures in relation to emphasis of LDCs in encouraging regional cooperation provided for in Art. 133 of Lomé II have been substantially implemented.

Finance committed from national indicative programmes under Lomé II for *technical cooperation* with the LDC's up to early 1985 totalled 112 million ECU, or 53 % of all technical assistance committed. There were relatively high levels of technical assistance to especially needy states (e.g. Ethiopia, Somalia, Sudan, Mali, Uganda, Burkina Faso and Niger).

As regards assistance in the preparation of the statistical base for STABEX and other interventions, an aid project to the CEAO (West African Economic Community) provided 1.5 million ECU for technical assistance by the Statistical Office of the European Community to help improve statistical information, including data necessary to implement STABEX.

Participation by ACP and OCT experts in technical assistance contracts financed under Lomé II stood at 19.06 million ECU or 6.6 % of all such contracts, at end-1985. It is not possible to establish the part played by LDC nationals in such contracts. However, in the selection by the ACP States themselves of technical assistance actions for financing, and in the final choice of experts, there is scope for further improvement in these figures, and, with them, the level of technical cooperation between ACP States.

Technical assistance provided under both national and regional Lomé II programmes covered, inter alia, technological adaptation. Examples include studies on developing renewable energy resources in the South Pacific and in West Africa, a study on aquaculture in Dominica, and a study of the uses of palm oil waste in Togo.

Considerable attention has been given to the provision to LDC's of technical assistance and training for management and other staff of public administrative departments and technical departments responsible for economic and social development, in order to enable them to attain maximum benefit from the possibilities offered by the Convention. Eighteen of the 41 LDC's received assistance totalling 7.3 million ECU for the benefit of national planning organisations (Ministries of Planning, Economics and Finance, Na-

tional Development Banks and other planning institutions) or for developing food strategies, which are central to economic planning in most LDC's.

As regards basic and further training for management and other staff in the private sector, some of the actions referred to above have direct effects on the provision of training for the private sector as also have many of the actions taken in support of sectoral development (trade, industry, agriculture, mining, etc.). The two projects under Lomé II of technical assistance to promote small and medium-sized industry, totalling 870,000 ECU were on behalf of LDC's (Rwanda and Vanuatu). In addition, of six projects totalling 1.8 million ECU for the development of craft industries, four, totalling 438,000 ECU, were for the benefit of LDC's (Benin, Burundi, Seychelles and Togo).

Simplified and rapid procedures for the approval and execution of microprojects were introduced under Lomé II. Decentralised decision-making and rapid implementation procedures make microprojects particularly suitable to ACP States which suffer from difficulties of access or administrative problems, and so are of special importance for LDC's. By early 1985, 36 ACP States had prepared microproject programmes under Lomé II. 26 of these related to LDC's whose share was 21.3 million ECU or approximately 40% of the total. This last figure seems low, but it must be seen in the context of the large-scale use of microprojects by many non-LDC, ACP States such as Zimbabwe (6.6 million ECU), Kenya (4.7 million ECU), Madagascar (3 million ECU) and Mauritius (2.1 million ECU), very often as part of extensive rural development programmes. Clearly the value of microprojects is not limited to LDC's, although it would appear that further scope exists for them to make greater use of this form of action.

Finally, special priority was given, in accordance with Art. 152(2) of Lomé II, to financing programme and project support costs in the LDC's. Although financing proposals rarely referred to this provision in the Convention, in practice, the Commission has applied it widely, in particular in actions of rural development in the LDC's. Examples include the supply of an initial stock of medical supplies for the health project in Nioro, Mali, tools for the national maintenance service in Mauritania, spare parts for the Karamoja project in Uganda, and fertiliser and other agricultural imports for the Zaïre/Nil project in Rwanda.

Likewise, while financing proposals rarely referred to article 153(5) on special priority for financing the running costs of previously-implemented capital projects, the Commission has made use of this provision in several cases, including a study on reinforcing the Mali Pharmaceutical Office, maintenance of health infrastructures in Niger, repair of coldstores in Sao Tomé and Príncipe and repairs to the Nouakchott wharf in Mauritania, currently under way.

2.7 Financial Assistance Administered by the EIB (see Box 2.4)⁽⁹⁾

EIB financial operations under Lomé I and II are shown in Table 2.8

Table 2.8

Annual commitments under Lomé I and II of EIB financing

Years	Loans from own resources		Risk capital operations		Total	
	Number	Million ECU	Number	Million ECU	Number	Million ECU
	<i>Lomé I</i>					
1976	5	41.5	7	20.2	12	61.7
1977	14	67.0	10	17.1	24	84.1
1978	12	90.9	15	25.3	27	116.2
1979	11	73.2	12	13.1	23	86.3
1980	18	117.4	17	20.5	35	137.9
1981-85	—	—	15	3.5	15	3.5
Total	60	390.0	76	99.7	136	489.7
	<i>Lomé II</i>					
1981	13	158.4	17	48.3	30	206.7
1982	14	119.2	21	35.3	35	154.5
1983	6	90.0	19	44.0	25	134.0
1984	8	79.1	24	80.8	32	159.9
1985	15	155.8	24	65.6	39	221.4
Total	56	602.5	105	274.0	161	876.5

Under Lomé I, the Bank's commitments, whether in the form of loans from own resources or risk capital operations, climbed fairly steadily, reaching an acceptable level in 1980, when the commitment rate showed a marked acceleration.

As regards Lomé II, the first year (1981) saw a notable increase in the Bank's commitments, mainly as a result of the "reserve" of projects built up during 1980 and also due to a 40 million ECU unsubsidised loan from the Bank's own resources to Papua New Guinea⁽¹⁰⁾. Between 1982 and 1984, the annual volume of loans from own resources dropped appreciably with the result that by the end of 1984 less than 60% of the 685 million ECU appropriation had been committed. The main reason for this was the worsening economic situation in most of the ACP States, which were finding it increasingly difficult to set up and finance projects in productive sectors, especially industry and mining. In 1985, however, the level of commitments from the Bank's own resources rose sharply to nearly 156 million ECU. Thanks to this, about 88% of total funds had been committed by 31 December 1985.

As for risk capital operations, the whole Lomé II package of 284 million ECU was committed.

BOX 2.4

Financial assistance administered by the EIB

Financial assistance administered by the Bank consists of *loans from its own resources* (mainly from borrowings on the capital markets) and aid in the form of *risk capital* from EDF resources.

The loans from the Bank's own resources are reserved for operations capable of producing a sufficient economic and financial return. In providing such loans, the EIB takes into account the economic and financial situation of the ACP country concerned as well as factors which can give assurance that the debt will be serviced. The Bank makes the granting of loans conditional upon the receipt of suitable forms of security and normally requires a guarantee from the country concerned or other first-class guarantees. Loans from the EIB's own resources generally attract interest rate subsidies for which an overall sum is set aside out of EDF grant funds (100 million ECU under Lomé I and 170 million ECU under Lomé II). The interest rate subsidy is normally 3%, but when necessary is automatically adjusted so

that the interest rate actually borne by the borrower will be neither less than 5% nor more than 8%.

Risk capital may be granted through the acquisition of holdings or by means of quasi-capital assistance. Holdings taken in the capital of enterprises or development banks in the ACP States are of a temporary and minority nature and are destined for transfer, at an appropriate time, to nationals or institutions of the ACP States. Quasi-capital assistance may be provided in the form of loans subordinated to the redemption of other bank claims or in the form of conditional loans whose repayment, maturity and interest payments depend on the attainment of the level of return or production expected from the project. This capital is a form of financial aid particularly well-suited to the difficult financial situation and economic conditions facing the majority of the ACP States. This is why in the second Convention the total of such resources was virtually trebled from 99 million ECU to 284 million ECU. In view of the continuing importance of this form of aid, the total for Lomé III has been increased to 600 million ECU.

(9) A more detailed analysis of EIB activities under Lomé I and II is contained in Chapter 3, Section 3.1.2.

(10) The loan was given for the exploitation of a gold-bearing

copper deposit under Article 59 of Lomé II, which provides for the possibility of Bank financing for mining and energy projects of mutual interest to ACP States and the Community.

2.8 Cofinancing

While in many projects, the EDF is the only source of aid finance, to an increasing extent, aid policy is moving in the direction of cofinancing of major development projects and programmes by a variety of donors. A note describing some technical aspects of cofinancing is contained in Box 2.5. Better coordination of aid supplied by different donors who have similar policy objectives serves, through suitably tailored cofinancing packages, to avoid wastage of scarce aid finance and to improve the effectiveness of such finance. Moreover, to the extent that Community aid, with its high grant content, can serve to finance ele-

ments in projects or programmes, such as infrastructure or technical assistance, with low pay back content, such aid can facilitate the attraction of more commercially oriented finance than would otherwise be obtainable. In the light of these factors, the Commission is endeavouring to increase the coherence of its aid with that of the European Investment Bank, the Member States as well as other organisations – national and international – providing development aid.

In quantitative terms, under Lomé I and II, some 237 projects have been the subject of cofinancing between the Commission and other donors.

BOX 2.5

Cofinancing

A. Forms of cofinancing

Lomé II provides for two types of cofinancing, joint or parallel, preference being given to the solution that is best from a cost and efficiency viewpoint:

- *joint financing*: all financing resources are placed in a common fund and disbursements made according to the progress of the project and in proportion to the respective contributions;
- *parallel financing*: each financial contribution is assigned from the outset to a separate part of the project, which is treated independently of the others.

There is, however, a definite preference for joint financing, which avoids competition between different sources of financing and makes it possible to rationalise financial procedures and checks.

B. Cofinancing procedures

Lomé II lays down (Article 98) that "with the agreement of the parties concerned, and without prejudice to the

particular rules of each financing institution, necessary measures shall be taken to coordinate and harmonise operations of the Community and of the other cofinancing bodies during the preparation and implementation of the project or programme being cofinanced in order to avoid an increase in the number of procedures to be implemented by the ACP States and to allow those procedures to be made more flexible". This point is crucial and has entailed negotiations between the Commission and its cofinancing partners since, under Community rules, participation in invitations to tender, in other procedures for the award of contracts and in the contracts themselves, is open only to Member States and ACP States. A compromise was achieved under Lomé II (Article 125) whereby participation by non-Community and non-ACP countries in contracts financed by the Community may be authorised where the Community participates in the financing of regional or interregional schemes involving such third countries and in the joint financing of projects with other providers of funds.

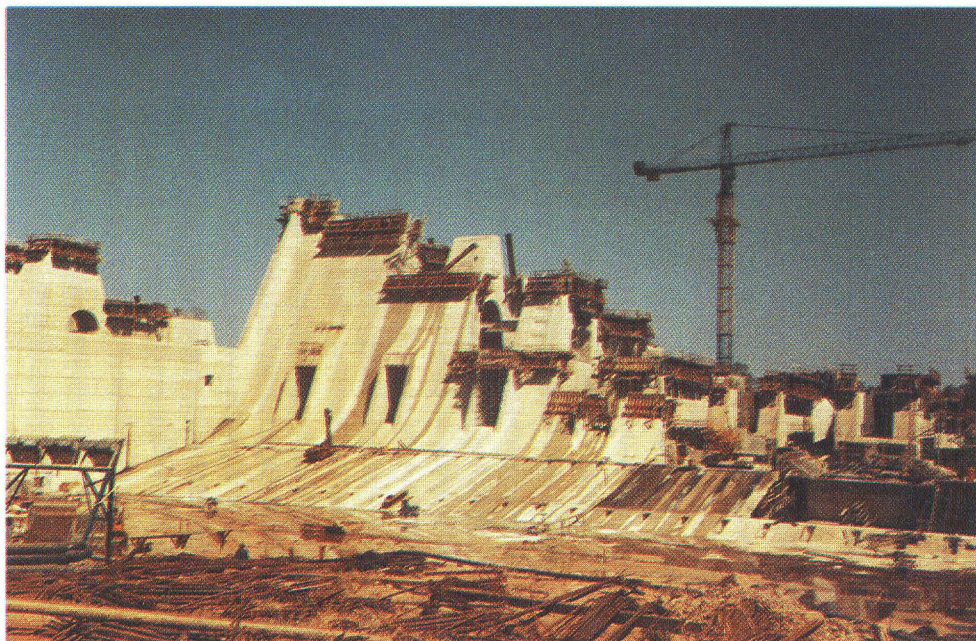
Total cofinancing in which the Commission took part under Lomé I and II amounts to 13 billion ECU (see Figure 2.6), of which 82,1 % has been committed. Community aid (fourth and fifth EDF and EIB) represents 2,2 billion ECU or 17,3 % of total cofinancing. When bilateral aid from Member States is added, the total Community package amounts to 3,8 billion ECU, roughly 30 % of total cofinancing. The fact that cofinancing by the EDF has more than doubled under Lomé II underlines the increasing emphasis on cofinancing as a new and efficient tool for development.

Apart from the contributions from beneficiary States themselves, the main cofinancing partners of the Community are the Arab Funds, the World Bank Group, the Bank for African Development, Canada and the United States of America.

In 1985, the Commission and the Italian Department for Development Cooperation signed a five-year framework agreement on cofinancing projects in ACP, Latin American and Mediterranean States. The agreement covers projects partly cofinanced by Italian funds, which will be made available to the Commission. Similar financing agreements providing a basis for further cofinancing involving EDF funds are at present being examined.

The following are examples of cofinancing projects to which the Commission was an active contributor. The list is not intended to be exhaustive.

The Community contribution to the OMVS project (Organisation pour la mise en valeur du Fleuve Sénégal) amounts to 55 million ECU to be financed



Projects on the scale of the Manantali dam over the Senegal River call for cofinancing.

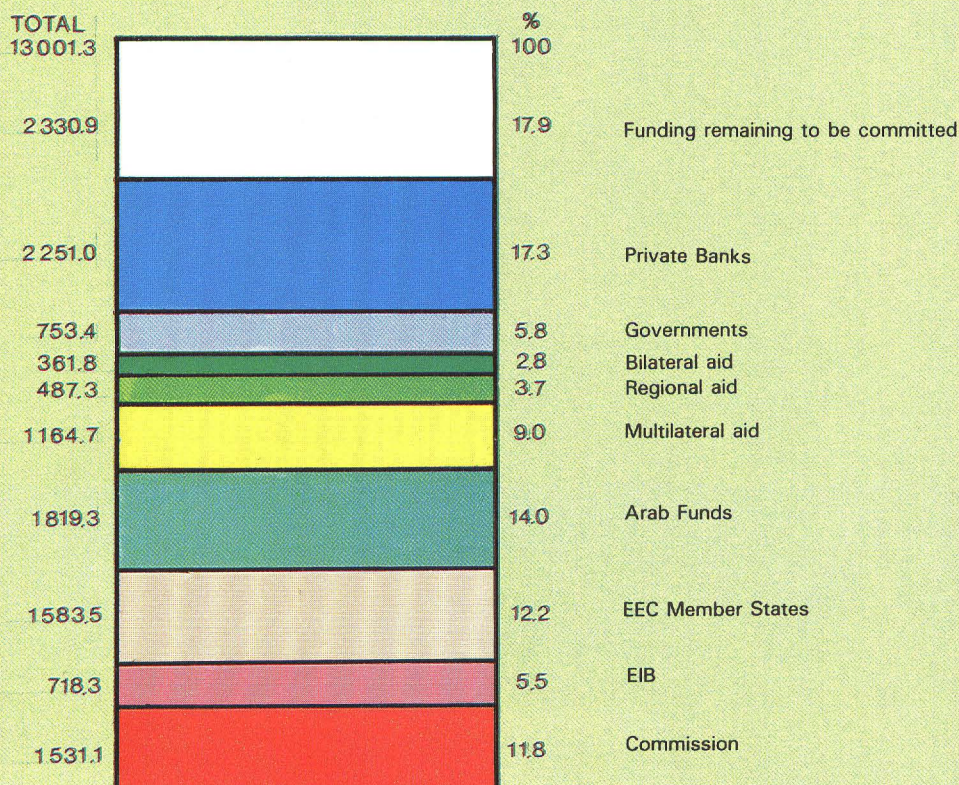
from the 5th EDF (25 million ECU from the regional fund, 30 million ECU from programmed aid to Mali, Mauritania and Senegal). Other donors include Arab countries, Germany, France and Italy.

For the Upper Tana hydropower project in Kenya, the Commission contributed 26 million ECU from the 4th EDF, the EIB 12 million ECU and Member States 50 million ECU bringing total Community help to 88

million ECU. Remaining finance was provided by the Kenyan government (23 million ECU).

Community contribution to the CFCO rail project in Congo came to 65 million ECU (36 million ECU from the Commission and 29 million ECU from the Member States). Arab Funds amount to 154 million ECU while the Congolese government contributed 51 million ECU.

Figure 2.6. Cofinancing under Lome I et II (million ECU)



2.9 Microprojects (see Box 2.6)

Under the first Lomé Convention, the Community financed 71 annual microproject programmes (covering some 2,000 projects presented by 39 ACP States) relating to social infrastructure (35%), agricultural production (29%), the sinking of wells and laying of water mains (21%), improvement of rural roads and bridges (9%) and the building of warehouses and markets (6%). The more important social infrastructure operations concerned schools, rural clinics, maternity units and social centres for women and young people.

Under Lomé II roughly 4% of all the programmed resources (i.e. about 80 million ECU) was devoted to microprojects. This represents more than 100 programmes (some 8,000 projects presented by about 40 ACP States), each project receiving an average contribution of some 10,000 ECU from the EDF. Operations relating to social infrastructure remain predominant, being largely located in rural regions; there has also, however, been an increase in the number of schemes in less favoured urban areas.

Despite a slow start and certain difficulties attributable to the novelty of this type of operation which involves the active participation of local communities, there is no doubt that these microprojects provided an entirely satisfactory response to the essential needs of the poorest sections of the population and led to direct improvement in their quality of life. Generally speaking, microprojects are seen as perfectly meeting their goals and their impact is out of all proportion to the amounts allocated to them.

The structure and scale of the programmes vary widely from one ACP State to another, reflecting different types of institutional and social structures. As a result, however, of the fact that in an increasing number of cases, microprojects are scattered geographically, some of the more recent programmes have tended to include, as a general feature, provision of small-scale technical assistance designed to set up suitable coordination arrangements. Operations are more easily implemented when they are linked to on going complementary projects, or when they are coordinated by a body such as the rural growth centres in Senegal or the rural development fund in Burkina Faso.

As the number of projects financed increases, the experience gained has made it possible to speed up the slow rate of implementation which was a feature of the start up phase. The pace will probably be further quickened under Lomé III, since under the new Convention, Government intervention by the ACP States is optional, which means that some projects can be cofinanced directly by the EDF and the local communities.

BOX 2.6

Microprojects

In order to respond in a practical way to the development needs of local communities, Lomé I specified that 20 million ECU* should be set aside for microprojects, these being small projects having an economic and social impact on the life of the people and local communities in the ACP States. In order to be eligible for Community financing, microprojects must meet a priority need observed at local level and be undertaken with the active participation of the local community. Each project for which Community assistance is requested must stem from an initiative taken by the local community which will benefit therefrom.

Contributions to microprojects come from three sources: the local community, the ACP State and the EDF. The local community contributes in cash or in kind according to its capacity. The ACP State provides help either in the form of a financial contribution or through the use of public equipment. The EDF share does not exceed 75,000 ECU per operation.

The ACP State draws up a programme setting out the broad lines of the projects envisaged. This programme is then submitted to the EDF Committee for an opinion. Financing decisions on individual micro-projects are taken by the ACP State in agreement with the Commission.

The local community undertakes to ensure the maintenance and operation of each project, where necessary with the help of the national authorities.

The projects, normally carried out in rural areas, include the following:

- dams, wells and water supply, silos and storage for foodstuffs and crops, rural tracks, enclosures and pens for animal vaccination, primary schools, maternity clinics, social centres, goods storage facilities, premises for encouraging the marketing of goods, and so forth.

In view of the success of this form of assistance, which was experimental under the first Convention, Lomé II maintained and even enlarged its scope to include rural electrification, rural airstrips, harbour jetties, training schools, artisan centres and cooperatives as well as urban housing and sanitation, to mention only some of the types of scheme.

There is no longer a limit on the overall amount which may be spent on microprojects since each ACP State now determines itself the volume of resources to be allocated for this purpose. It is merely specified that, for each project, the total contribution borne by the ACP State and the local community must be at least equal to the amount requested from the EDF (the ceiling for the latter having been increased from 75,000 ECU to 150,000 ECU). Moreover, only the agreement of the local Commission Delegate is needed in order to implement the financing decisions for each project presented by the local communities with the agreement of the country concerned.

* This sum was increased to 25 million ECU in May 1980, the funds to be drawn from grant resources provided for under the Convention.

2.10 Non-Governmental Organisations (NGOs)

Community action in the sphere of microprojects is not confined, however, to financing from the European Development Fund. A Budget heading was introduced in 1976 for the financing with non-governmental organisations (NGOs) of development projects in developing countries. It was initially fixed in 1976 on an experimental basis at 2.5 million ECU; in the ensuing years it was gradually increased to keep pace with the rising volume of requests presented by the NGOs. By 1985, it had reached 35 million ECU. The total amount of money so granted by the Community amounted to 174.2 million ECU in the period from 1976 to 1985. It enabled 1,913 projects to be cofinanced with 280 NGOs in 113 developing countries, 45% of which were ACP States. Most of the ventures cofinanced with the NGOs are small-scale

projects with a direct economic and social impact on the population concerned and on this basis can be regarded as being on a par with microprojects.

Over the last 10 years, NGOs have played an important part in the evolution and implementation of Community development policy, notably in respect of aid implementation. In addition to cofinancing, they have had major responsibilities in respect of the management of food and emergency aid, most recently in tackling famine in Africa. More generally, their closeness to the poorest sections of the population in developing countries and the confidence which that inspires strengthens the NGOs in acting as catalysts for application of new development techniques. This has proved to be the case in the past and, given the future emphasis of Lomé policy on rural development and food sufficiency, it can be expected that the NGOs will continue to play a significant rôle in implementation of Community funded development programmes.

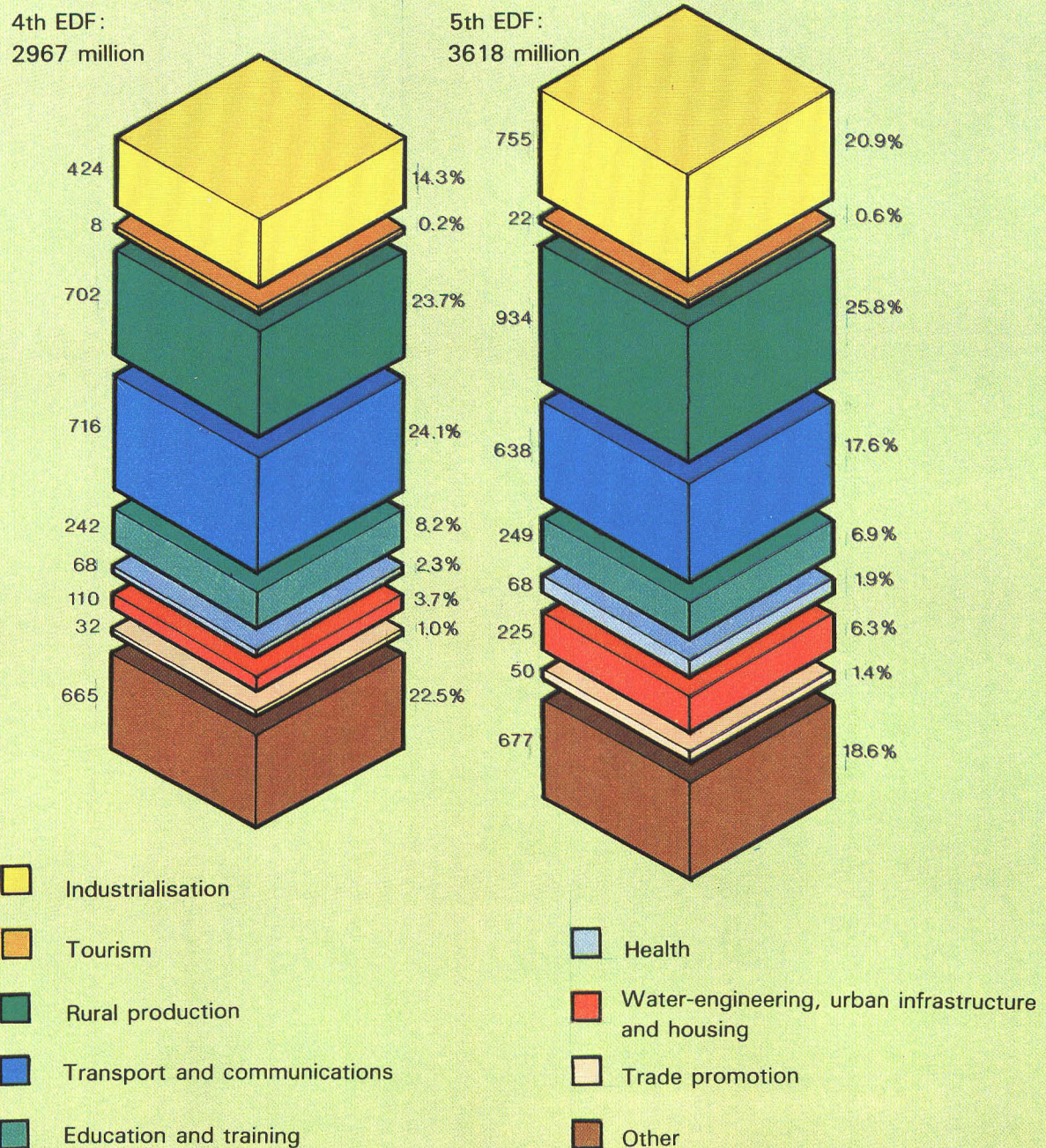
3. Sectoral Breakdown of Funds

3.1 Introduction

3.1.1 Funds Administered by the Commission

Aid from the European Development Fund is divided among eight principal sectors. Figure 3.1 lists these sectors and shows the breakdown of all aid committed under each Fund up to 31 December 1985. (1)

Figure 3.1. Sectoral breakdown of approved aid, 4th and 5th EDFs (million ECU, including regional aid)



(1) The item "Other" includes STABEX and emergency aid, which were discussed in Chapter 2.

Most of the finance provided under the fourth and fifth EDFs has been allocated to three sectors: transport and communications, rural production and industrialisation, which between them have received over 60% of all aid committed.

Under Lomé I, transport and communications received virtually a quarter of total aid. Most of the projects financed in this sector involved roads and bridges, in the absence of which efforts to improve rural production and open up isolated areas could not succeed. Under the second Convention, transport and communications accounted for an appreciably smaller share of the total volume of aid both in relative terms and in absolute value. It continued nonetheless to be a major item.

Under Lomé II, the higher priority accorded to rural development placed many ACP countries in the position of having to develop and consolidate their agricultural systems. It became a key goal for the ACP States to reduce their food dependence by increasing their production of food crops, such as rice and maize; it was no less important for them to diversify exports of cash crops. In this context, plantation projects (multiannual crops such as tea and coffee), agricultural projects (food crops such as maize and manioc) and livestock production accounted for over 60% of rural aid under Lomé I. Under Lomé II, these same subsectors, along with integrated projects, received nearly three quarters of the aid accorded to rural production.

The relative share of aid channelled to industrialisation also increased under the second Convention. Particularly significant is the large role of the extractive industries together with energy projects which, under Lomé II, absorbed over 60% of the aid provided for industrialisation schemes. This development is largely due to the introduction of SYSMIN (see Chapter 2, point 2.5.2).

Table 3.1 shows, for the principal sectors, the ratio of commitments to approvals and of payments to approvals (2). These percentages demonstrate, in the case of the fourth and fifth EDFs, the rate of commitments and disbursements in each sector after the ap-

Table 3.1.
Ratio of commitments to approvals and of payments to approvals under the 4th and 5th EDFs
(percentages)

Sectors	Commitments/ approvals at 31.12.85		Payments/ approvals at 31.12.85	
	4th EDF	5th EDF	4th EDF	5th EDF
Industry	99.3	78.4	94.8	54.9
Rural production	95.1	63.8	87.1	42.3
Transport and communications	96.8	75.2	90.3	52.9
Education, training and health	93.7	64.7	85.2	35.0
Water engineering, urban infrastructure and housing	97.0	68.6	87.0	48.2
Total	96.3	70.6	89.3	47.6

proval decision. This gives a good indication of the speed at which aid is implemented following the initial financing decision. STABEX has not been included, since payments follow immediately after the corresponding commitments; neither has emergency aid, because the nature of this aid is such that speed of implementation is a key factor for its success.

Under the fourth EDF, the ratios for commitments and for payments were highest in the case of industrial projects. The percentages for rural production were appreciably lower, especially with regard to payments. This situation is particularly significant since the rural production sector is one of the principal beneficiaries of EDF aid.

There are much greater differences between sectors in the case of the fifth EDF, and in particular agriculture has fallen further behind. It is in this sector, as well as in education, training and health (whose weight, however, is relatively less significant), that the implementing procedures for award of aid are most unwieldy. This is a crucial factor in the case of rural production, a sector which is frequently at the mercy of weather conditions, and one to which the negotiators of the new Convention have attached particular importance.

3.1.2 The European Investment Bank

The EIB receives and appraises as a matter of priority requests for financing for industrial, agro-industrial, mining and tourism projects and for schemes in which energy production is linked to capital investment in those sectors. The Bank may also grant loans for economic infrastructure projects in countries where this type of financing seems appropriate. The sectoral breakdown of financing under the two Conventions is shown in Annex 2.

Since 1976, certain broad trends can be distinguished in the sectoral breakdown of EIB financing.

During the first two years of Lomé I, the bulk of EIB funding involved individual financing for new projects or extensions. Agro-industry took a major share (34%), followed by energy projects (20% of all funding and 34% of the sum total of loans from the Bank's own resources) and investment in construction materials (18%). During this period, the schemes funded were similar in type to those which had received aid under the Yaoundé Conventions, with the notable exception of energy projects (mainly hydroelectric schemes) which gained a new status as part of the drive to economise on oil products.

In the remaining period of Lomé I, the most striking feature was the significant share of global loans (lines of credit) provided through the medium of ACP development banks (25% of loans from the EIB's own resources between 1978 and 1980). This flexible aid formula was used principally to help finance investment by small and medium-sized enterprises which

(2) The different EDF procedures are described in Box 1.1. Approvals are also referred to as "primary commitments" and commitments as "secondary commitments".

generally adapt better to the diversified needs of often limited markets.

This trend became even more marked with the implementation of the second Lomé Convention, which increased considerably the scope for providing risk capital to ACP development banks. It would appear that this type of operation has now reached its capacity level and it is reckoned that global loans will account for roughly 20% of all EIB financing under the second Lomé Convention. At 31 December 1985, the Bank had undertaken 61 operations with 34 development banks in ACP countries and with 4 regional development banks, for a total amount of 268 million ECU (86.5 million ECU under Lomé I and 181.5 million ECU under Lomé II).

The EIB had by end - 1985 (see Annex 3) approved some 400 allocations representing a total of 177 million ECU. The total funding for all projects amounted to 675 million ECU, giving an average allocation of 1.8 million ECU, a distinctly smaller sum than would be the case for projects financed directly. It is estimated that some 30,000 jobs have been created or preserved, with an average cost per job in the region of 23,000 ECU. The four principal sectors in receipt of aid in the form of EIB global loans are agro-industry (32%), textiles and leather (11%) and paper (10%). All the signs are that, on average, the economic rate of return on funds allocated through the medium of development banks has been higher than for projects financed directly by the EIB. It is true, however, that the latter often have greater knock-on effect with the creation or extension downstream of new activities. In short, both types of assistance are complementary and help to construct a progressively diversified industrial fabric.

Lastly, one of the objectives of global loans is to facilitate the participation of ACP promoters (private and public) in implementing and financing productive investment. This goal would seem to have been satisfactorily achieved since nationals of the ACP States account for over 75% of the capital of the enterprises financed (61% being private concerns). This is, however, an average figure and does not apply to all countries. For example, in *Botswana, Ivory Coast, Lesotho, Liberia and Malawi*, the share of foreign investment is higher; even though majority holdings are very unusual.

The most noteworthy developments since 1982-83 are, first, an increasing trend towards the financing of infrastructure projects by loans from the Bank's own resources and, second, aid for project rehabilitation.

There was very little financing of infrastructure projects during the period of application of Lomé I. The first loans accorded in 1981 under Lomé II from the EIB's own resources, were for projects in the transport sector (ports and railways). From 1982 to 1985, further funds were provided for telecommunications, water supply and maritime transport.

As regards the Bank's involvement in project rehabilitation in ACP countries, a distinction can be made between several different periods since the entry into force of the first Lomé Convention. This type of aid began in 1978 and was relatively limited until the end of 1982, but increased substantially in 1984.

During this period, rehabilitation operations - all financed from risk capital (43% of such aid) - absorbed 22% of total EIB spending in the ACP States. The implementation of new projects, particularly in industry and mining, has become increasingly difficult and hard to justify over the last few years, largely as a result of the strikingly weak economic and financial situation of the majority of the ACP countries, a harsh international climate and an industrial infrastructure which in Africa has been operating at a mere half of its production capacity. A number of existing operations in the manufacturing, mining and economic infrastructure sectors have experienced all sorts of problems that have impeded their normal functioning. However, some installations suffering from poor maintenance, general disrepair or breakdown could, under certain conditions, prove viable after renovation, restoration or restructuring. Rehabilitation measures of this sort constitute a particularly justified and effective means for allocating resources in the context of economic development of the ACP countries. Analysis of the causes of failure and of the measures required to avoid a repetition of such errors is an important aspect of the appraisal of these projects. Typical causes include poor management, low productivity, a market more restricted than envisaged, scarcity of foreign exchange or an unrealistic pricing policy. Rehabilitation measures, which call for particular sensitive treatment, require that all these factors be thoroughly examined before any action is taken. It can also happen that although the economic and financial rehabilitation of a project helps in the long run to strengthen the economy, it can initially entail stringent measures, e.g. tariff re-alignments, which may have an appreciable social impact.

Other EIB operations that should be mentioned include funds provided from risk capital for the financing of studies and technical assistance (8.1 million ECU under Lomé I and 7.4 million ECU under Lomé II at 31 December 1985). The majority of the funds for studies and technical assistance were provided in four overall authorizations amounting to 12 million ECU; of this total, 11 million ECU had been committed by 31 December 1985 for the financing of 44 studies and 5 technical assistance contracts. Of the 35 studies so far completed, only 9 resulted in negative recommendations or revealed problems to be resolved before the preparation of a capital project could proceed. It is important to note that these recommendations helped to prevent the launching of projects that were excessively risky or were not sufficiently sound from an economic viewpoint. In this way, poor use of resources was avoided. One should also mention that essentially positive conclusions have been drawn from 20 studies and this has led to the implementation of projects in 15 cases. The EIB has so far participated in the financing of 8 out of the 15 projects which have been or are to be implemented following the studies undertaken.

Between 1976 and 1985, the EIB's activities extended to almost all of the ACP States. Operations financed individually or through allocation of global loans should help in the direct creation of some 50,000 jobs, mostly in the industrial and agro-industrial sectors. Energy projects will help to avoid the importation - or will facilitate additional exports - of some 2.3

million tonnes of oil equivalent per year, i.e. approximately 7% of the level of imports of oil products by all the ACP countries in 1984.

As regards the economic and financial viability of projects financed, whose production or operation has or should have reached capacity level, the situation varies somewhat according to the sector of activity.

Agro-industrial projects designed to obtain the best return on national resources are, broadly speaking, very well placed. Such is the case with operations involving the processing of palm oil and coconut products (*Ivory Coast, Cameroon, Papua New Guinea*). There have, however, also been failures; for example, in *Togo*, the normal operation of an oil-mill was adversely affected by insufficient production of palm nuts. While latex processing projects in *Ivory Coast* and *Cameroon* may also be regarded as successes, by contrast, due to a collapse in prices, a number of sugar

projects are currently experiencing difficulties in keeping down production costs to levels at which they can compete with the price of sugar sold on the world market. In addition, two projects whose output is mainly oriented towards export markets have run into transport problems, notwithstanding competitive pricing.

With regard to construction materials, the EIB has been mainly involved in financing the construction and extension of cement works. Some of these have run into serious difficulties, primarily because of the lack of demand on national markets, which have contracted substantially over the last few years, and because of increased competition on regional export markets; internationally traded cement, representing no more than a small part of total consumption, has been sold at prices close to the marginal cost of production. The truth is that, in this situation, the price of cement pro-

duced in certain ACP countries is often uncompetitive, leading in the case of one project (CIMAO) in *Togo* to a temporary halt in production.

In the energy field, the results are generally positive, particularly in the case of hydroelectric power schemes. Oil price rises, even taking account of the stabilisation over the last few years, have tended to ensure that such projects provide an attractive solution to an energy demand that, almost without a break, has climbed appreciably even in adverse economic circumstances. The drought, which has led to a significant fall in the output of some of these schemes over a short

period, has not fundamentally changed this situation. It is, however, too early to assess the ultimate effects of the recent decline in oil prices on these investments.

In the mining sector, results are difficult to estimate because of the long period necessary in order to reach a normal rate of production. Project implementation and the installation of equipment have also met with particular problems, in many cases owing to the isolated location of the deposits. Considerable delays have occurred, with unfortunate effects on costs. Furthermore, the prices of a great many ores have fallen as a result of insufficient demand.

In the chemical industry, there has been one bad failure (a furfural production venture in *Kenya*) and two fertilizer production projects (*Ivory Coast* and *Senegal*) are giving cause for concern. In the first case, although the problems related to new technology have been overcome, the shortage of supplies of local raw materials has caused the plant to close.

In other industrial sectors, the normal operation of a number of projects has been somewhat impeded by the lack of spare parts, due to the Governments concerned having insufficient foreign exchange to pay for them. The financial resources of the enterprises in question are in national currency, either because they are concerned primarily with supplying local markets or because they are unable to make free use of the foreign exchange acquired through the export of part of their production. Various solutions have been tried out in an attempt to alleviate these problems (efforts

to export a part of production, and attempts at using at least some of the foreign exchange earned on exports).

As regards tourism, the results are somewhat variable and depend a great deal on the prevailing economic situation.

It is still too early to provide an overall assessment of the economic and financial results of infrastructure projects financed under the second Lomé Convention.

3.2 Sectoral Analysis of EDF Aid

This section will expand on the sectoral analysis outlined in the introduction, by examining each sector and its subsectoral components. For each of the sectors, various representative projects will be described.

These will give the reader an idea of what has been achieved as a result of finance provided from the fourth and fifth EDF. These examples should not be taken in any way as an exhaustive list of EDF-financed projects which, in fact, run into hundreds.

3.2.1 Transport and communications

The transport and communications sector was the principal recipient of aid under the fourth EDF with 716 million ECU (24.1% of the total). Table 3.2 gives a subsectoral breakdown of the aid approved for this sector at 31 December 1985.

Table 3.2
Subsectoral breakdown of aid approved for transport and communications - 4th and 5th EDFs

Subsector	4th EDF		5th EDF	
	Aid committed (million ECU)	%	Aid committed (million ECU)	%
General projects	20.9	2.9	13.0	2.0
Roads and bridges	519.5	72.5	471.3	74.0
Railways	71.0	9.9	55.8	8.7
Ports and waterways	44.2	6.2	37.3	5.8
Airports	27.4	3.8	26.9	4.2
Telecommunications	32.8	4.7	33.7	5.3
Meteorology	0.3	0.0	-	-
Total	716.1	100.0	638.0	100.0

Under the fifth EDF aid to the transport and communications sector was reduced in absolute terms by almost 80 million ECU to the benefit of other sectors, all of which, except for health, saw their financial allocations increase. Despite this, transport and communications continued to be one of the main beneficiaries under Lomé II, occupying third place after rural production and industrialisation.

Roads and bridges account for some three quarters of aid to the sector under the two Conventions. Of the 454 transport and communications projects financed under the fourth and fifth Funds, 251 were road or port projects.

Map 3.1 shows the main road projects financed in Africa under the fourth and fifth EDFs.

The volume of funds allocated to road projects shows clearly that roads continue to be the one basic item of infrastructure essential for the development of other sectors, particularly agriculture. The sheer size of Africa and the fact that many countries are landlocked, means that roads provide the vital link to the sea and the channels for international trade.

A very substantial international coordination effort has been undertaken since 1979 to establish and implement an action plan with the aim of providing the countries of Central and East Africa with improved access to the sea. The Community has given its full support to this plan by programming 50 million ECU from regional funds under the fifth EDF (30 million ECU for the Northern Corridor and 20 million ECU for the Central Corridor). It is indeed vital that this type of project be carried out on a regional basis.

A notable feature of the roads projects is their diversity. In addition to the construction of brand new roads, a large proportion of the funds allocated to this sector is spent on the improvement of existing links, ranging from ad hoc repairs where necessary to the restoration or, even in some cases, total reconstruction of roads.

This raises the crucial question of road maintenance, whether routine or periodic. If maintenance is not carried out in good time, the whole project can be at risk. Experience has shown that, largely due to shortages of manpower and equipment, the authorities in the ACP States are frequently not in a position to fulfil their obligations in this matter. With this in mind the authors of the second Lomé Convention, having laid down in Article 93 the principle that maintenance expenditure shall be the responsibility of the beneficiaries, specified exceptions relating to such costs⁽³⁾. These exceptions are specially justified in the case of the road network because of its fundamental importance.

The following projects demonstrate the measures taken to improve communications, the importance of which has been emphasised.

In the *Central African Republic*, 8.7 million ECU was allocated under the fourth EDF for the repair of the RN3, a road linking Bossembélé with Garoua Boulai (approximately 455 km) on the Cameroon border. This project, completed in 1985, was necessary in order to ensure year round overland access to the Atlantic port of Douala. The road presents an alternative to the Oubangui river route, linking Bangui with Brazzaville, which can only be used for six to eight months of the year. Funds were also provided under the fourth EDF (2.5 million ECU) for improving working conditions in respect of the existing port facilities at Bangui thereby increasing river traffic on this waterway. The aim of the operation is to further improve communications in the country, concentrating on the Bangui-Brazzaville (1,200 km) river link and thence on a rail or road connection to the Congolese port of Pointe Noire on the Atlantic. Roughly 85% of the Central African Republic's total traffic uses this route; not only is the project beneficial for the country's human resources but also in terms of industrial and trade promotion.

In *Ghana*, Community aid for road projects has made a major contribution to the construction of the 84 km long Axim-Mpataba-Elubo road. The first section, from Mpataba to Elubo, was cofinanced by the

(3) See, on the subject of maintenance, Chapter 4, point 4.2.4.

Map 3.1. Road projects in Africa financed wholly or partly under Lomé I et II



- Main African roads
- Roads financed under Lomé I and II
- ⋯ Central Corridor
- - - Northern Corridor

EDF, the African Development Bank and the Ghanaian Government. The EDF contribution amounted to 27.8 million ECU, 22.8 million ECU under Lomé I and II and 5 million ECU from Lomé I regional funds. When completed, the road will form part of the Western African highway linking Ivory Coast with Nigeria through Togo and Benin. Besides its regional importance, the new Axim-Mpataba-Elubo road should contribute to the economic development of the south-western part of Ghana.

In *Congo*, 18 million ECU, (8 million ECU of which comes under the heading of regional cooperation) was allocated from the fourth EDF for the realignment of the Congo-Ocean Railway (CFCO). This railway, which is of vital importance for communications in Central Africa, involves Gabon, Congo and the Central African Republic. Within the framework of regional cooperation, 10.6 million ECU has been allocated to the project under the fifth EDF.

In the context of *Niger's* landlocked situation, the project to build a road running west-east from Niamey to Zinder (900 km) along the main line of communication within the country is of prime importance. This

road passes through the most densely populated and productive part of the country and provides a link-up with the roads and tracks which serve the North as well as with the routes linking Niger, through Benin and Nigeria, with the Atlantic ports. For the Niamey-Zinder road, the fourth EDF contributed 21 million ECU towards the improvement and asphaltting of the Niamey-Dosso section. The fifth EDF has provided 34 million ECU for the improvement or widening of various sections along this route. Aid from other development organisations such as the World Bank and French and Canadian agencies has made it possible to extend the road beyond Zinder as far as Lake Chad and, at the other end, westwards beyond Niamey. With the help of the aid from these various sources, Niger will have a road network of some 6,600 km which, for the time being, will meet its essential needs.

In *Rwanda*, the infrastructure development policy carried out under Lomé I had a decisive impact in

opening up communications, thanks to the North-South Kigali-Butare road which was extended as far as Burundi with the help of regional funds. This policy has been continued under Lomé II. The Butare-Cyan-gugu road – providing access to Zaïre – is in course of completion and the through road to Uganda, which is politically and economically vital, is shortly expected to form part of the Northern Corridor scheme. Under the two Funds, 43 million ECU has been allocated to Rwanda's road programme. This road infrastructure policy can now be regarded as a major element in the food strategy which Rwanda has established. At regional level, the policy places Rwanda in a position to consider making a more significant contribution to the development of south-south trade, something which it is keen to promote and encourage.

The East African Northern Corridor links the port of Mombasa, via Nairobi, with Kampala, Kigali and Bujumbura (see Map 3.1). It plays a key role not only in the context of the new policy aimed at stepping up economic cooperation in East Africa, but also because it provides access to the sea for landlocked countries like *Burundi*, *Rwanda* and *Uganda*. The Northern Corridor is a vital part of the current integration policy involving the East African countries and of the regional cooperation programme provided for in the second Lomé Convention.

The Central Corridor (see Map 3.1) provides the link between Dar-es-Salaam, Tabora and Kigoma, serving *Burundi*, *Rwanda* and *Zaïre* and is an alternative to the ocean outlet in the direction of Mombasa. An alternative Central Corridor connecting Dar-es-Salaam, Tabora, Isaka and Kigali will cater for combined rail-road transport across *Tanzania* once the Isaka-Kigali road has been completed. For this Corridor, amounts totalling 20 million ECU and 3 million ECU respectively have been programmed from regional cooperation funds under the fourth and fifth EDFs for construction of the Lusahunga-Bukombe road in Tanzania. This section is part of the road which runs from Isaka station to the village of Rusumo. This new link will take considerable pressure off the Northern Corridor by which Rwanda and Burundi import a large proportion of their goods. The distance to Kigali using this northern route will be reduced by some 385 km. The saving compared with the southern link (Bujumbura, Kigoma via Lake Tanganyika), the slowest route, will be roughly 285 km.

In the *Pacific* region, various transport and communications projects have been financed. In *Papua New Guinea*, for example, Momate aerodrome is a very important project, given the country's isolation. Momate is situated in Manus province, one of the least developed parts of Papua New Guinea. The project involves rebuilding the runway (1,800m long and 30m wide), marking and asphaltting the runway, taxi lanes and parking area and, lastly, removing and reinstalling the navigation signals and light beacons along the runway. The project was financed by a grant of 920,000 ECU from the fifth EDF. Construction was completed in September 1985 and the project is considered a success.

In *Kiribati*, in the Paupay area, a telecommunications project has been implemented at a cost of 1.7 million ECU financed from the fourth EDF. The pro-

ject involves reorganising the telephone system on Tarawa, Kiribati's principal atoll, by providing new telephone exchanges and, more particularly, buildings, external line equipment and telephone appliances for the three small islands. The project was completed in 1985 with all targets achieved.

In the *Caribbean* region, a large number of roads and jetties have been built with a view to improving transport and communications for the benefit of the more remote islands; for example, the reconstruction of Hillsborough jetty on the island of Carriacou near *Grenada* was financed at a cost of 4 million ECU under Lomé II and completed in 1985. The jetty is 65 m long and has resulted in easier communications between Carriacou and the neighbouring islands.

As regards telecommunications, the OAU decided in 1964 to launch a huge pan-African telecommunications programme (PANAFTEL) involving the establishment of direct telecommunications between 37 African countries. The whole scheme involved the establishment of some 20,000 km of radio links and 17 international communications centres. This operation received a contribution of 6.7 million ECU from the fourth EDF for the financing of a telecommunications improvement scheme in Sudan. These funds were used to:

- replace the aged and overloaded Khartoum communications centre by a new automatic facility capable of handling national and international calls;
- install an additional unit to handle direct communications with other countries, with a view to increasing the capacity of the satellite land station located at Umm Haraz near Khartoum.

3.2.2 Rural Production

Agriculture is a key factor in development. Indeed, agriculture accounts on average for more than half the national product of the ACP States and employs 80% of their total population.

The resources approved under both EDFs for rural development stood, at the end of December 1985, at 1,636 million ECU, which represents nearly a quarter of the total funds approved at that date. If STABEX is added to these figures (4), the rural production share works out at 2,673 million ECU or over 40% of all commitments from the two Funds. Between the first and second Lomé Conventions, the statistics show that aid for agriculture increased both in absolute value and in percentage terms: 23.7% under the fourth EDF and 25.8% for the fifth EDF. Rural development tops the table of sectoral aid. In all, over 1,000 rural development projects were financed under the fourth and fifth Funds over the period under review (446 under the fourth EDF and 568 from the fifth EDF).

The average cost per project is around 1.5 million ECU. Aid for rural production covers a whole range of projects varying widely in cost from several tens of thousand ECU for microprojects to large sums for major integrated development projects.

Food strategies have provided a very interesting example of complementary use of funds from the Community's General Budget and of EDF resources provided under the Lomé Conventions. Under Lomé II, the indicative programmes for four countries, *Mali, Kenya, Rwanda* and *Zambia* – have centred on food strategies (5). Already in 1983 and 1984, 50 million ECU and 58 million ECU respectively were provided in the Community's General Budget under the heading of special hunger in the world programme, which is chiefly concerned with food strategies: 70 million ECU of this was for the ACP countries. The operations undertaken have a dual objective: to increase the food self-sufficiency of the countries concerned and to safeguard their natural resources, in particular through measures to combat desertification.

Box 3.1

Evolution of rural development policy

The developing countries' food requirements are increasing as a result of population growth, the fact that incomes have risen in some countries, the high rate of urbanisation and deterioration of the environment, and, in particular, drought and its consequences in certain countries. The combination of these factors has made developing countries more dependent on food imports. It is essential therefore for these countries to reduce this dependence by being able to steadily increase their food production. The additional demand may otherwise lead to the spread of malnutrition in the poorest countries.

Rural development must form part of an overall strategy which each ACP State has to work out for itself. This strategy cannot be confined solely to increasing agricultural production but must be designed to provide small farmers with the means of warding off poverty while taking into account the traditional ways of life and the attitudes of the rural communities concerned. The main objective of agricultural cooperation between the Community and the ACP States is to help these States to solve the problems involved in rural development, improving and expanding agricultural production and ensuring secure food supplies for the population.

On a number of occasions, the ACP-EEC Council has referred to the essential nature of rural development and the need to give greater priority to it, particular emphasis being placed on food crops. It has also stressed the importance of a pricing policy and places rural development within the wider concept of food strategy. This strategy involves consideration of the full range of problems involved in providing the population with basic food supplies and rural development. Both economic and sociological data are taken into account in order to give effect to a coherent policy in respect of the production, distribution and consumption of foodstuffs.

The elaboration and selection of a food strategy are matters for each country concerned, and the Community's efforts are intended to complement the national efforts. Motivation of producers is important, and the prices paid to them must be sufficiently remunerative. At the same time, however, it is essential to achieve an appropriate balance in the terms of trade between town and country.

The sub-Saharan ACP States have received the largest share of food aid, financed from the Community's budget resources: 40% in 1975, over 65% in 1984 and nearly 1,600 million ECU between 1975 and 1984, a sum equivalent to the funds received by all the ACP States for agricultural and rural development under the two Lomé Conventions.

(4) Or, more precisely, the counterpart of STABEX aid corresponding to expenditure for economic and social development.

(5) Lomé III programming stresses the priority accorded to rural development through general application of food strategies. See, in this context, Chapter 6, point 6.3 and Box 6.1.

Table 3.3 gives a subsectoral breakdown of rural production under the fourth and fifth EDFs at 31 December 1985.

Table 3.3.
Subsectoral breakdown of aid approved for rural production – fourth and fifth EDFs*

Subsector	4th EDF		5th EDF	
	Aid approved (million ECU)	%	Aid approved (million ECU)	%
General projects	65.7	9.4	101.9	10.9
Plantations	172.0	24.5	167.2	17.9
Hydroagricultural works	85.3	12.1	68.5	7.3
Agriculture	197.7	28.2	253.5	27.2
Development of trade credit cooperatives	–	–	15.7	1.7
Livestock production	67.6	9.6	96.5	10.3
Fisheries	20.7	2.9	36.4	3.9
Forestry	17.3	2.5	8.6	0.9
Integrated projects	46.5	6.6	117.9	12.6
Other	29.2	4.2	67.5	7.3
Total	702.0	100.0	933.7	100.0

* Excluding STABEX

Under Lomé I, plantation projects and agricultural projects proper received over half the funds approved for rural production. Under Lomé II, their share was reduced to slightly less than half the appropriations committed, to the advantage of other sectors, which saw their relative share of the total aid for rural production increase (livestock production, fisheries, integrated projects), and of a new type of aid (trade credit cooperatives).

In terms of regional breakdown of aid for rural production, East Africa, West Africa and Sahelian Africa were the principal recipients under the fourth and fifth EDFs. In each of these regions, rural aid was concentrated on plantation and agricultural projects.

It is rather unsatisfactory to speak of a given project as "typical" in view of the great variety of the agricultural projects financed by the EDF and the variety of the geographical and socio-economic conditions under which the projects are implemented. The following choice of examples is largely dictated by the desire to demonstrate the wide variety of agricultural projects implemented under the EDF.

Over the last twenty years, the Community has helped to finance the establishment of a large tea estate in *Burundi*. The resources invested stand at around 44 million ECU, 3.5 million ECU of it from the fourth EDF. The programme, which commenced at the beginning of the 1960s, is still in progress and currently involves the provision of technical assistance to Burundi's Tea Marketing Board. In 1985, production for the first time exceeded the target of 4,000 tonnes and should be capable of further increase. These figures show the extent to which tea-growing is

making a significant contribution to the diversification of Burundi's exports. The tea-growing programme has achieved its threefold objective which is to increase export earnings, to diversify agriculture so that more emphasis is placed on export crops and to create jobs in rural areas where money is scarce.

In *Ivory Coast*, the palm replanting and extension programme is a further example of agricultural diversification. Agriculture is the dominant sector of the Ivorian economy. However, the preponderance of coffee and cocoa has made the economy dependent on foreign markets. It was for this reason, and also because of increasing national needs, that Ivory Coast in 1963, with the help of the EDF, launched a palm cultivation programme which subsequently received substantial assistance also from other donors. Under this programme, Ivory Coast succeeded in planting 80,500 ha of oil palms, set up 11 oil mills and created all the necessary accompanying economic and social infrastructure. However, the evolution of the internal market requirements highlighted the need for a second and very large-scale palm programme. A project financed by the EDF (10 million ECU under the fifth Fund) and the Extension and Renewal Fund may be regarded as transitional operations between the two principal palm cultivation programmes. This project involved the replanting or extension of 12,500 ha. Having been running for three years, the project is considered a complete success, with all its objectives amply achieved or exceeded.

In *Madagascar*, the Micro Water Engineering Programme financed under the fourth and fifth EDFs (5 and 7 million ECU) is aimed at increasing the production of rice, a staple food. The project involves providing the farmers with sufficient water to irrigate their crops by constructing a series of small dams to ensure proper water control and distribution. At the same time, the project provides for associated operations (storage facilities, bridges, culverts, etc.) with the aim of facilitating the sale of agricultural produce and opening up areas of high agricultural potential. The project area covers most of Madagascar's high plateaux and reaches an estimated rural population of 1,700,000 (18% of the total population). Rice production in this area represents 40% of national production. The importance of the project lies in the fact that each operation is carried out at the request of the farmers, with their participation, for their direct benefit, and remains their property. This is basically the key to the success of the enterprise.

In *Zambia*, a project was financed under the fourth EDF at a cost of 1.9 million ECU to develop improved methods of livestock production in two hinterland areas designated for livestock development. To this end, the existing extension and veterinary services have been developed and improved with the active participation of stock-farmers. The aim of the project has been to help eliminate shortages of meat and milk in the two areas and satisfy national requirements. During the course of the project, there has been a 60% increase in livestock numbers in Zambia.

In *Vanuatu*, in the Pacific region, a project costing 900,000 ECU for small livestock farmers was financed

under the fourth EDF. The aim was to provide around 100 small livestock farmers with technical assistance in respect of transport and animal breeding.

Alongside traditional rural infrastructure projects, are found training programmes designed to improve the human resources engaged in farming. In Grenada, for example, the Mirabeau agricultural training school is currently under construction.

The aim of this school is to boost and diversify farming knowhow. A total sum of 230,000 ECU financed from the fifth EDF has been allocated to the project.

Projects are sometimes criticised for being external to the context in which they are carried out in the sense that they are "tacked on to" or "imposed on" that context without being properly integrated. To avoid this anomaly, rural development schemes need to take place within a more general context, taking into account not only the strictly agricultural objectives but also commercial, social and infrastructural factors.

The two following cases demonstrate clearly the importance of integrated agricultural projects, which represented a much larger share of the rural production sector under the second Convention.

In *Gabon*, the Fernan-Vaz lagoon, situated on the coastal strip some 220 km south of Libreville, is the site of an integrated rural development scheme financed from fourth EDF resources. The prime objective was to develop viable agricultural activities capable of sustaining the local population and preventing

migration off the land. The measures concerned form part of a programme consisting of the following specific components: agricultural (production of plantains and other food crops), commercial (transport and sale of crops using barges, cold storage containers and tow-boats), social (schools, health care centres, medical support) and road infrastructure (maintenance of roads and tracks). This programme began in 1982. In four years, people have returned to the area, there has been an increase in the number of small boats and in the extent of the area under cultivation and plantain production has been sufficient to satisfy market demand in Port Gentil, Gabon's main marketing centre.

In 1978, a multisectoral programme was launched in *Kenya* to improve the welfare of the population of Machakos district (14,000 km² with 1.2 million inhabitants). This long-term project was financed by the Kenyan Government and from fourth and fifth EDF resources (18 million ECU and 15 million ECU respectively). The aim of the project has been to ensure a regular supply of agricultural produce, notably food products, and to bring about improvements in productivity, water supply and infrastructure, as well as soil, forest and river conservation. The first phase of the project laid stress on increasing agricultural reliability and productivity. The main aim of the second phase has been to ensure a lasting improvement in the standard of living by increasing production and conserving existing economic resources as well as by measures to ensure proper operation and maintenance of the project facilities.

3.2.3 Industrialisation

Both Lomé I and II gave prominent place to industrialization of ACP countries in terms of funds allocated and technical cooperation efforts. A total of 424 million ECU was approved for EDF IV and 755 million ECU for EDF V. Southern Africa, the region receiving the highest level of total industrial aid in Lomé II, also experienced the largest increase in such aid – from 39.5 million ECU in EDF IV to 141 million ECU under EDF V. Table 3.4 gives a subsectoral breakdown of where these funds were channelled.

Under both Conventions, energy associated projects, aimed at increasing in all countries the degree of energy self-sufficiency, were most important. Projects ranged in size from a 6,500 ECU solar energy initiative in the *Central African Republic* to a 5.9 million ECU rural electrification project in *Uganda*. Map 3.2 shows the location of the major energy projects financed under Lomé I and II.

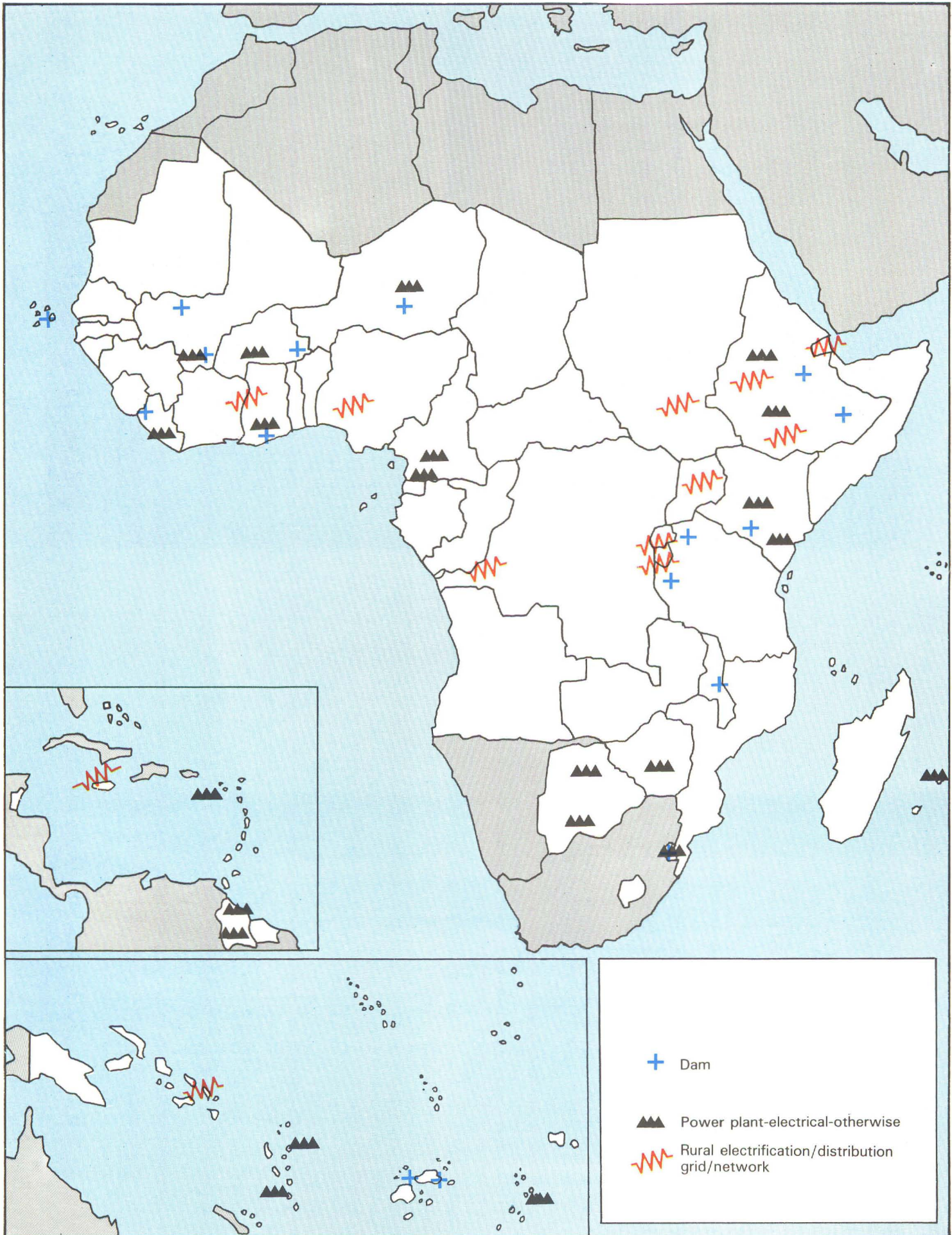
The Ugandan project is one of Lomé II's major energy operations. It will benefit approximately 93,000 people, allow the dismantling of an obsolete diesel generator, and permit the Ugandan Electricity Board to realize significant economies. The installations will include 651 km of electrical lines, three large substations, 32 distribution stations and 31 transformers of varying size.

Of note in the Caribbean region is the *Jamaican* rural electrification programme under Lomé II. A 2.1 million ECU special loan from the EDF was extended to help finance the project, designed to supply approximately 260 km of distribution lines to 18 000 persons.

Table 3.4.
Sub-sectoral breakdown of aid approved for industrialisation – 4th and 5th EDF

Subsector	4th EDF		5th EDF	
	Approved Aid (million ECU)	%	Approved Aid (million ECU)	%
General	41.6	9.8	151.6	20.0
Extractive industries	18.9	4.5	206.0	27.3
Metal manufacture	10.6	2.5	0.1	–
Chemical industries	11.5	2.7	12.7	1.7
Manufacturing industries	104.1	24.6	76.9	10.2
Agricultural and food manufacturing industries	12.9	3.0	54.2	7.2
Energy related projects	168.7	39.8	241.3	32.0
Infrastructure and industrial projects	6.8	1.6	10.0	1.3
Handicrafts/small scale industries	3.2	0.7	2.4	0.3
Integrated projects	45.7	10.8	–	–
TOTAL	424.0	100.0	755.2	100.0

Map 3.2. Energy projects, 500,000 ECU or more financed totally or partly under Lomé I and II



A large number of hydroelectric power generating stations have been built in conjunction with dam construction sites in Africa during the course of Lomé I and II. Given the scale of financing required for such projects they are often cofinanced with other institutions such as the African Development Bank and the World Bank. An example of such a cofinanced project is the Sélingué dam in *Mali* begun in 1977 and completed in July 1981. The EDF was responsible for 37 % of total financing, its contribution covering the civil engineering aspects and part of the cost of transporting and assembling the electrical and mechanical equipment. The project has made it possible to improve both the quantity and quality of electricity supplies to the Bamako urban area. The dam has also supported the development of irrigated crops in the area, as well as shipping on the Niger river and fish farming in the 40.000 ha of water behind the dam.

In 1972, *Mali*, *Mauritania* and *Senegal* created the OMVS (Organisation pour la Mise en Valeur du Fleuve Senegal) which aims at controlling the Senegal river water for irrigation and navigation. The project involves construction of two dams over the period 1981 to 1990, one a regulating dam to be associated with a hydroelectric plant at Manantali, the second a reservoir and anti-saline dam at Diama. During the decade of the nineties new improvements will be made, electro mechanical equipment provided for Manantali and 375,000 ha will be irrigated thus rationalizing water use in the Senegal basin which covers 258,000 sq. km. Phase 1 costs are estimated at 583 million ECU (109 million ECU for Diama and 408 million ECU for Manantali, 66 million ECU for contingencies). This project is being cofinanced by the Commission. Other donors include Arab countries, Germany, France and Italy.

In Lomé I, no particular attention was given to mineral resources in view of the then prevailing optimism about the profitability of the mining sector. Difficulties in iron ore products which were experienced in Mauritania, Swaziland and Liberia were supported by the STABEX system. In Lomé II, however, aid to the extractive industry sector experienced a more than tenfold increase as compared with the previous Convention. This was a reflection of the economic decline which struck world mining industries in the middle and late 1970s. The deterioration of the sectors demanded attention during the negotiations for Lomé II. SYSMIN was the result (see point 2.5 of chapter 2). It represented approximately 45 % of the total mining aid approved in Lomé II.

The introduction of SYSMIN accounts for the large increases in aid to Southern and Central Africa. An example of one of the EDF sponsored projects currently under way in *Zambia* is the EIB financed loan of 25 million ECU to Nchanga Consolidated Copper Mines Limited, to enable the recovery of copper from mine tips. Annual yields are projected to increase by 30 000 to 45 000 tons per year. The project will help Zambia maintain its copper sales which account for 43 % of this landlocked country's exports and will thereby make an important contribution to its balance of payments problem.

Another project, in *Ghana*, involves a petroleum refinery rehabilitation project near Accra. A 7,6 million ECU risk capital loan was extended by the EIB

to improve operating conditions thereby raising output, reducing losses and improving environmental protection.

A project to establish a new process to improve the quality of alumina produced in *Guinea* is being aided by a 7.5 million ECU special loan from the EDF. It involves adapting production installations to new technology, reducing air pollution and improving working conditions.

As indicated in table 3.4, the manufacturing industry was a major recipient of aid under Lomé I. In Lomé II, there was a significant decrease in the emphasis on manufacturing – 10,2 % of EDF V as compared with 24,6 % of EDF IV. This decline is largely accounted for by a shift in emphasis of EDF financing from industry to agriculture reflecting both policy priorities in relation to development of food sufficiency and also the difficulties facing ACP countries in attracting investment in industry in the depressed market conditions of the late seventies and the first half of the present decade. While ACP countries face many obstacles in developing their industrial sectors – small domestic markets, weak growth of demand and stiff international competition as well as poor existing levels of industrial structure – the agreement reached

in the Third Lomé Convention on the need for finding ways of encouraging private investment in ACP States represents an important advance in attitudes to industrialisation as compared with those existing under the two previous Conventions.

An example of industrialisation is that of *Tanzania's* Morogoro Canvas Mill which has been funded by a combination of grants and loans from both EDF and EIB resources totalling 24.8 million ECU. The objective of the project was to process local cotton resources and to raise foreign currency earnings via exports. The project included the construction of a mill with spinning, weaving and processing facilities and was supplemented by technical assistance from Europe. Despite cost overruns and delays in getting the project started, production has been under way since 1984 involving high quality output of canvas for tarpaulins, tents and shoes, etc for both the local and export markets.

"General" industrialization projects cover a wide range of initiatives and this particular subsector has experienced a significant growth from EDF IV to V. *Malawi's* SEDOM – Small Enterprise Development Organization – is a good example of a general industrial project which benefited from this increase in aid. A total of 5.1 million ECU was provided by EDF IV and V. The objectives of the project include stimulation of development of small enterprises, improved use of local resources, and employment creation and management training. SEDOM is now completely operational and considered successful thus far.

3.2.4 Water Engineering, Urban Infrastructure, Housing

Under Lomé I, 3.7% of the total aid approved, i.e. 110 million ECU, was earmarked for water engineering, urban infrastructure and housing. Under the second Convention, the proportion was 6.3%, i.e. 225 million ECU⁽⁶⁾. This increase, in absolute and relative terms, reflects the importance of water in development problems.

Table 3.5

Subsectoral breakdown of aid approved for water engineering, urban infrastructure and housing – 4th and 5th EDFs

Subsector	4th EDF		5th EDF	
	Aid approved (million ECU)	%	Aid approved (million ECU)	%
General projects	12.3	11.2	65.8	29.3
Village water engineering	46.6	42.4	89.0	39.6
Water supplies	19.8	18.0	49.5	22.0
Urban sanitation	14.9	13.5	12.8	5.7
Urban improvement	16.4	14.9	7.6	3.4
Total	110.0	100.0	224.7	100.0

Much of humanity encounters problems almost every day in meeting its water requirements. Many developing countries come nowhere near having the infrastructure required to supply drinking water under

proper conditions to each family, to agriculture and industry, and a great deal of time and effort is wasted in transporting water by archaic methods.

In addition, water is often a source of danger in that it carries germs: over one third of the inhabitants of the developing countries have to make do with drinking contaminated water which causes chronic illness and is a frequent cause of premature death. It is also essential to develop water resources in order to increase food production. Many countries have sufficient potential to obtain vastly superior crops through irrigation and improved management of their water resources.

Maintenance is the main constraint affecting small- and medium-scale water supply projects. In most cases, the authorities still have to bear the bulk of the cost, and this places an excessive burden on State budgets. The long-term success of projects should consequently almost always involve some form of participation by the communities concerned. However, water supply networks are frequently built with little consultation of these communities. In order to avoid this, the local population should be involved as far as possible, for example by putting properly selected and trained villagers in charge of inspection or routine maintenance and small repairs. At the same time, the maintenance required should be reduced to a minimum by adopting a type of network which is easy to maintain and so generally more reliable and less expensive.

The Yatenga-Comoë village water engineering project in *Burkina Faso* is a good example. This project, under which 700 water supply points are to be provided, does not stand out because of its technical features but because of its main objective, namely the setting-up of a system of maintenance by the villagers themselves without any contribution from an administrative department. The project's basic tenet is that the users themselves must see to the maintenance and replacement of the pumps. The villagers must therefore play an active part in the preliminary discussions, decisions and operations which will culminate in the handing over to them of the equipment. Before work begins, a group of extension workers organises several meetings with the villagers to discuss the choice between boreholes and wells, health and hygiene problems, the setting-up of the committee for the water point, the functions of the members of the committee and the collection of the necessary funds. The members of the committee for the water point are then given appropriate training on the spot. Once the borehole has been drilled, the pump is handed over to the committee for the water point, which calls upon a local technician to install it. The installation of the

(6) The figures do not include the dams mentioned in the section on rural production. Hydro-agricultural works have been included under rural production. For practical reasons, village water engineering is included in the water engineering-urban development sector. Given its direct impact upon agriculture, village water engineering could very well be considered a sub-sector of rural production, thereby increasing the share of rural production in the sectoral breakdown of EDF aid.

pump is no longer a gift from abroad but the result of a joint effort. Since the project started, some four and a half years ago, 80% of the villagers have opted for a borehole; they therefore feel motivated and capable of managing a communal item of equipment. If there is a breakdown, repairs are carried out, and this demonstrates the effectiveness of the maintenance system. The Burkina Faso Government treated this EDF project as a pilot project and is using the result as the basis for establishing a national policy on water in rural areas applicable to all such operations in the country.

3.2.5 Education

Basic education and related skills training are among the fundamental requirements for sustained economic and social development in all sectors. An educated population and a skilled workforce are essential to the efficient functioning of market economies.

The objective of EDF educational grants has been to contribute to :

- an increase in the general literacy rate of all ACP countries;
- reforming the inherited education systems to the extent that they are not consistent with the social fabric of developing countries;
- giving more emphasis in education to technical project linked training as well as to training of civil servants;

Table 3.6
Subsectoral breakdown of aid approved for education –
4th and 5th EDF

Subsector	4th EDF		5th EDF	
	Approved aid	%	Approved aid	%
General	7.2	3.0	4.8	2.0
Educational Infrastructure	117.7	48.6	79.9	32.0
Professional training programmes and instruction	13.9	5.7	33.2	13.3
Scholarships	103.1	42.7	130.2	52.2
Traineeships	0.1	–	1.2	0.5
Total	242.0	100.0	249.3	100.0

- forging closer links between training and work and implementation of suitable training programmes which serve to assert greater cultural identity.

In the *Pacific* region, a 285.000 ECU grant was extended to the Honiara Technical Institute in the *Solomon Islands* in order to incorporate new fisheries courses. Small extensions to existing buildings, supplies, equipment and fellowship financing were provided. This project is considered by the island authorities to be of the utmost importance to the ongoing development of the local fishing industry.

Another project, this time in the *Caribbean* region, exemplifies a typical Lomé I educational infrastructure project. Three junior secondary schools were built in *Belize* in order to make available a practically based type of education for pupils having achieved primary level. The three schools with a capacity of 300 pupils each have been built with classrooms and workshops.

Teaching began in all three in September 1983 and the first students will graduate in 1987. The source of finance was a special loan of 1.4 million ECU. Facilities

and equipment at the schools have already been expanded, with funds raised from local communities, to meet the rapidly growing demand.

An important policy shift in relation to education was made between Lomé I and II which resulted in giving less emphasis to multiannual training schemes and in favour of inter-institutional cooperation work. This second approach has been generally effective and, as a result, will be further pursued under Lomé III.

Inter-institutional schemes involve direct cooperation between educational centres in ACP States and those in Europe. The activities of European institutions in the ACP States include provision of teaching staff, advice on a range of new departments or courses, purchase of textbooks and equipment, training of students and academic staff in Europe. The projects' most important advantages include the fact that they fit into and reinforce the existing institutional framework and facilitate training and research. In addition, they ensure a regular flow of information and experience.

An example is found in the *Nigerian University Linkage* programme. Under Lomé II, 4 million ECU was earmarked for exchanges of academic and scientific staff and students and for the supply of equipment.

Three programmes are currently under way which link the Dutch Universities of Delft, Wageningen and Utrecht with the Universities of Owerri and Zaria. The topics are agricultural soil erosion control, tick cattle diseases and farming systems. These programmes have received favourable reports from both Nigeria and Member States of the European Community.

3.2.6 Public Health

The EDF's commitments to public health, although representing in all a small proportion of total aid (2,3 % in the case of Lomé I, 1,9 % for Lomé II), are, however, significant. In both Lomé I and II, most public health aid has involved a shift of emphasis from

the construction of major infrastructures to small facility construction, computer software development, manpower supply and maintenance of existing facilities.

An example is the contribution towards the rehabilitation of the health system in *Chad* after its virtual destruction following civil war and drought. This project has made an important contribution to the relatively high priority for aid towards public health in the Sahel region in Lomé II. The EDF contribution to the project totalled 10,1 million ECU; other funding came from Chad itself, Belgium and two NGOs. The project is long term in nature and covers renovation of health centres, supply of essential medicines, development of maternity and infant care programmes, establishment of infirmaries, dispensaries and medical centres throughout the country, as well as technical assistance.

practical reasons, only a small number of indicators could be selected. These cover aspects which are relatively easy to quantify. They must be regarded as providing a rough measurement of EDF operations – a measurement which by definition includes a certain margin of error. This effort at quantification does, nevertheless, have the advantage of laying the foundations for reflection on what will have to be done, particularly in the future, to establish a standardised system for reporting on EDF operations.

The general indicators selected concern roads, health, rural food production, education, water engineering and energy. A detailed list by country is given in Annex 6. Table 3.7 gives total figures under different heads.

Table 3.7
Development Indicators of projects financed under the 4th and 5th EDFs

<i>Roads</i>	
– Building, improvement and maintenance of asphalted roads: 10,200 km, of which 3,200 cofinanced with other donors.	
<i>Health</i>	
– Building, improvement, renovation of hospitals or hospital annexes: 53, with a total of 4,200 beds.	
– Building of clinics, dispensaries, health centres: 290.	
<i>Rural Production</i>	
– Development, rehabilitation and maintenance of areas planted with	
• Palms	: 44,000 ha
• Tea	: 4,300 ha
• Coffee, cocoa	: 512,000 ha
• Fruit	: 7,000 ha
– Building, extension and fitting out of nine agricultural processing plants.	
<i>Education</i>	
– Building, improvement, extension or equipping of	
• Primary Schools:	
270 – children of primary school age 33,000
• Secondary Schools:	
59 – children of secondary school age 31,000
• Further Education:	
46 – for a student population of 22,000
Total: 375	Total 86,000
<i>Water Engineering</i>	
Water supplies: 25 projects costing over 500,000 ECU.	
<i>Energy</i>	
Projects costing over 500,000 ECU. Building, improvement or rehabilitation of:	
• Hydro-electric or fossil-fuelled power plants	35
• Dams	11
• Rural electrification projects	7
• General infrastructure projects	15

3.3 Development Indicators of EDF Aid

The aim of Chapter 3 was to present a detailed sectoral analysis of where the funds provided as aid by the EDF and EIB have been channelled. For each sector, the purely financial analysis was supplemented by a number of examples of operations “in the field” to give readers an idea of how EDF funds have been used.

It seems worthwhile to add to this a number of development indicators which will provide a more standardised, quantified appreciation of EDF aid. For

4. Financial and Technical Cooperation under Lomé I and II – Implementation and Evaluation

4.1 Introduction

Previous chapters have examined the implementation of Lomé I and II in terms of the overall and sectoral results of financial and technical cooperation. The present chapter looks more closely at the technical aspects of the implementation of that part of aid which is managed by the Commission – financing and loan

agreements, placing of contracts, payments procedures and outcomes, difficulties experienced in implementation of aid, evaluation programmes. A final section examines the rôle of the Commission Delegates in aid implementation. Notes on the procedures involved in this implementation are given in Box 4.1

Box 4.1

Financial and Technical Cooperation – Notes on Implementation Procedures

*Financing Agreement** : The legal instrument which determines the rights and obligations of the beneficiary ACP State(s) and the Community in respect of projects and programmes aided by the EDF. The agreement which is signed by the Government(s) concerned and the Commission covers financing provisions, rules relating to tendering and placement of contracts and contains a technical description of the aided project and of the manner in which aid is to be implemented.

Amounts provided for in financing agreements which remain unspent are recycled into the EDF allocations for the ACP States concerned.

*Loan Contract** : Where aid to projects consists of special loans, the financing agreement is completed by a loan contract with the borrower which sets out the conditions for execution and reimbursement of the loan and of interest obligations. Where the special loan is made to a body other than an ACP Government, it must be covered by a *guarantee agreement* with the Government.

Tendering and Contracts : The fundamental principle applied to competition for EDF contracts is that of equal opportunity for bidders in the Community and in the ACP States (Art. 56 of Lomé I, Art 125 of Lomé II). Only in exceptional cases are third countries permitted to bid (e.g. where projects involve cofinancing with such countries). Normally, competition takes the form of open international tendering. Contracts are awarded by the authorities of the ACP country concerned with the approval of the Commission Delegate. In exceptional cases e.g. where a bid although not the lowest, is considered by the national authorities to be economically the most advantageous, the Commission may decide to accept that bid.

Despite the general practice of international tendering, Lomé II provides in Art 127 for restricted tendering, contracts by direct agreement or performance of contracts through public works departments in the case of operations relating to emergency aid, and to actions of urgent or minor nature. In order to benefit ACP bidders for EDF financed contracts, an accelerated tendering procedure may be applied to works worth less than 3.5 million ECU (4 million ECU under Lomé III) and a preference of 10 % on works contracts and of 15 % on all supplies contracts is given to ACP firms.

Payments Procedures : The basic concern of the Commission in respect of EDF payments is that each beneficiary State should not have to prefinance EDF aid from its national budget. With this in mind, payments are made directly to firms who supply goods and services; this is true both in respect of payments in ACP currencies authorised locally and for payments in European currencies authorised by the Commission. These procedures, which originally applied only to grants, were extended in 1983 to special loans where the ACP State concerned so wishes it.

In the case of supply contracts, 60 % may be paid to the supplier, where he provides a bank guarantee, at the time of signature of the contract, a further 30 % on provisional acceptance by the authorities of the ACP State and the last 10 % on final acceptance (prior to 1982, the percentages were 30 % on signature, 30 % on shipment, 30 % on provisional acceptance, 10 % on final acceptance).

* Under Lomé III, where aid takes the form of a special loan or involves joint grant/special loan financing, the Financing Agreement and Loan Contract will be merged in a single document.

4.2 Aid Implementation

4.2.1 Financing and Loan Agreements

Between 1976 and end-1985, a total of 1,250 financing agreements were signed covering a total of 4,141 million ECU. 664 of these agreements (for 1,946 million ECU) related to projects financed from the 4th EDF while the balance of 586 (for 2,195 million ECU) were funded from the 5th EDF.

During the same period, 124 loan contracts (for 444 million ECU) were drawn up under the 4th EDF and 55 (for 300 million ECU) were signed in respect of loans from the 5th EDF.

In most cases, the time necessary for signature of financing agreements varies between one and three months from the date of initiation of negotiations. In some cases, however, the delay extends to several months or, indeed, even years. Such is frequently the case with regional projects involving several ACP States where signature by all parties concerned is necessary in order to avoid difficulties in implementation.

Experience has shown too that delays in completing loan contracts can also be long. This may be due to difficulties in determining which Minister in the ACP State has borrowing power for the State, or to problems in acceptance of the conditions laid down in contracts. Particular technical problems may be associated with on-lending conditions to be applied to lines of credit.

In order to estimate the cost of operations more accurately and to speed up their implementation, the procedure of issuing invitations to tender before the financing decision is taken was tried out in the early eighties. This practice, which produced good results, has been enshrined in the third Lomé Convention (Article 223(7)), where it is suggested that it is advisable "to, wherever possible, issue the invitations to tender before taking the financing decision". As shown in Table 4.1, however, even before this formal provision existed a significant proportion of invitations to tender were issued under this procedure.

Table 4.1
Tenders invited prior to financing decisions

Year	% of total	
	Nos.	Amounts
1982	19	48
1983	24	46
1984	24	53
1985	20	39

The procedure therefore accounts for a significant proportion of the invitations to tender, especially in value terms. The criterion which determines the use of this procedure is not, however, the amount of the contract, but the urgency, which may be as great in the case of a small as for a large contract. Naturally, the advance invitation to tender is issued subject to cancellation if a favourable financing decision is not taken.

Another major factor in the cost of contracts is taxation. The tax arrangements for contracts financed by the Community are determined by Protocol 6 to the second Lomé Convention. It is laid down in this text that the arrangements applicable shall be "no less favourable than those applied vis-à-vis the most favoured State or most favoured international organisation". In all the ACP States, at least one bilateral or multilateral aid organisation has obtained complete exemption from tax. Logically, these arrangements should also apply to the Community. It emerged, however, from a study conducted in 1983 by the Commission that in some thirty ACP States, the Community did not enjoy the most favourable tax arrangements, while in 18 other States it did obtain either these or else complete exemption from tax.

The Commission considers that in 22 ACP States which tax contracts financed by the EDF, at least 100 million ECU, i.e. 6% of the amount of the indicative programmes for these States, will have been absorbed by taxation. This finding presents a major problem as regards the proper use of the funds available for development, which is the objective of the Lomé Convention. Taxation affects the cost in that caution demands that businessmen increase the amount of their tenders in order to cover the risk of possible taxation.

During the negotiations on the third Lomé Convention, the Community requested the application of the principle of exemption from all tax and customs charges for the contracts it finances. This was not accepted by the ACP States and Protocol 6 was therefore renewed. The ACP States nevertheless undertook to observe it more strictly in future.

The uncertainty regarding taxation may be one of the reasons why the initial estimate of the cost of a project is exceeded, since the cost may at the outset have been underestimated owing to failure to take this factor into account. There are other reasons, such as the need for additional work or services. A study conducted by the Commission into overruns under the fourth EDF shows, however, that this is, on the whole, a fairly small-scale problem (1.9% of total commitments).

4.2.2 Tenders and Contracts

In the 10 years to end-1985, over 800 international tenders were launched for a total of 2 billion ECU. Table 4.2 gives the details.

Table 4.2
International tenders 1976-1985

Fund	Works		Supplies		Total	
	No.	m ECU	No.	m ECU	No.	m ECU
4th EDF	102	703	371	383	473	1086
5th EDF	69	494	261	422	330	916
	171	1197	632	805	803	2002

The big increase in the value of supplies contracts – from 35 % of total contracts in the case of Lomé I to

46 % under Lomé II – will be noted. This change reflects the greater emphasis in Lomé policy on resource development, notably rural and human development, lesser stress being placed on expenditure on “bricks and mortar” which have a high works content.

As mentioned in Box 4.1, the Lomé Conventions provide for derogations from international tendering in respect of contracts relating to emergency aid, and to operations of urgent or minor nature. As Table 4.3 shows, resort to such derogations has assumed increasing importance under Lomé II. Thus, both in respect of works and supplies, the percentage of contracts placed by direct agreement or carried out by public works departments increased significantly between Lomé I and II.

Table 4.4 gives a breakdown of contracts awarded as a result of tender procedures classified by nationality of contractor. The high proportion of contracts going to ACP firms will be noted – 45 % of works contracts under Lomé I, 40.8% of works contracts in the first 5 years of Lomé II. In the case of supplies contracts, the percentages have risen from just over

Table 4.3.
Derogation from international tendering in respect of EDF contracts under Lomé I and II

	Works		Supplies		Total	
	m ECU	%	m ECU	%	m ECU	%
4th EDF						
International tenders	869.7	70.1	330.3	62.3	1200.1	67.8
Derogations	370.5	29.9	200.0	37.7	570.5	32.2
Total	1240.2	100.0	530.3	100.0	1770.6	100.0
5th EDF						
International tenders	544.1	65.8	269.7	56.0	813.8	62.2
Derogations	282.6	34.2	211.9	44.0	494.5	37.8
Total	826.7	100.0	481.6	100.0	1308.3	100.0

Table 4.4.
EDF contracts classified by nationality of firm as at 31 December 1985
Fourth EDF

Nationality of firms	Works		Supplies		Technical Assistance		Total	
	m ECU	%	m ECU	%	m ECU	%	m ECU	%
Germany	89.4	7.2	98.3	18.5	86.2	21.4	273.9	12.6
Belgium	66.9	5.4	25.4	4.8	29.5	7.3	121.8	5.6
France	282.7	22.8	127.0	23.9	75.3	18.7	485.0	22.3
Italy	140.6	11.3	75.3	14.2	49.0	12.2	264.9	12.2
Luxembourg	–	–	0.0	0.0	5.2	1.3	5.2	0.2
Netherlands	33.9	2.7	26.5	5.0	29.8	7.4	90.1	4.1
Denmark	2.3	0.2	3.3	0.6	9.5	2.3	15.1	0.7
United Kingdom	54.3	4.4	106.9	20.2	61.9	15.3	223.1	10.3
Ireland	1.5	0.1	0.1	0.0	8.4	2.1	10.1	0.5
ACP	545.1	45.0	41.2	8.0	45.5	11.3	646.7	29.7
Third countries	10.3	0.8	24.7	4.7	2.6	0.6	37.6	1.7
Total	1.227.0	100.0	528.7	100.0	402.9	100.0	2.173.5	100.0
	57.1 %		24.4 %		18.5 %		100 %	

Fifth EDF

Nationality of firms	Works		Supplies		Technical Assistance		Total	
	m ECU	%	m ECU	%	m ECU	%	m ECU	%
Germany	69.2	8.5	90.5	18.8	67.3	23.2	226.9	14.2
Belgium	33.4	4.1	16.9	3.5	21.3	7.3	71.6	4.5
France	188.8	23.2	106.5	22.3	48.8	16.8	344.1	21.5
Italy	86.6	10.6	41.9	8.7	29.0	10.0	157.5	9.9
Luxembourg	–	–	1.0	0.2	4.5	1.6	5.5	0.3
Netherlands	5.1	0.6	29.3	6.1	26.4	9.1	60.7	3.8
Denmark	–	–	1.0	0.2	9.6	3.3	10.6	0.7
United Kingdom	77.9	9.6	106.2	22.0	51.6	17.8	235.6	14.7
Ireland	–	–	9.4	1.9	9.1	3.1	18.5	1.1
Greece	–	–	0.1	0.0	3.6	1.2	3.8	0.2
ACP	331.7	40.8	72.4	15.0	19.1	6.6	435.9	27.4
Third countries	21.4	2.6	6.3	1.3	0.0	0.0	27.9	1.7
Total	814.1	100.0	481.5	100.0	290.3	100.0	1.598.6	100.0
	51.7 %		30.1 %		18.2 %		100 %	

8 % under Lomé I to 15 % under Lomé II. This latter reflects, in particular, increased deliveries of goods financed under emergency aid.

4.2.3 Payments

Table 4.5 shows the annual rhythm of payments in respect of the 4th and 5th EDFs.

Table 4.5.
Payments profile under Lomé I and Lomé II (%)

	Lomé I			Lomé II	
	Annual	Cumulative		Annual	Cumulative
1976	3.1	3.1	1981	4.0	4.0
1977	4.8	7.9	1982	6.9	10.9
1978	10.4	18.3	1983	8.8	19.7
1979	13.5	31.8	1984	10.6	30.3
1980	14.6	46.4	1985	12.4	42.7
1981	14.2	60.6			
1982	9.7	70.3			
1983	9.1	79.4			
1984	5.8	85.2			
1985	3.1	88.3			

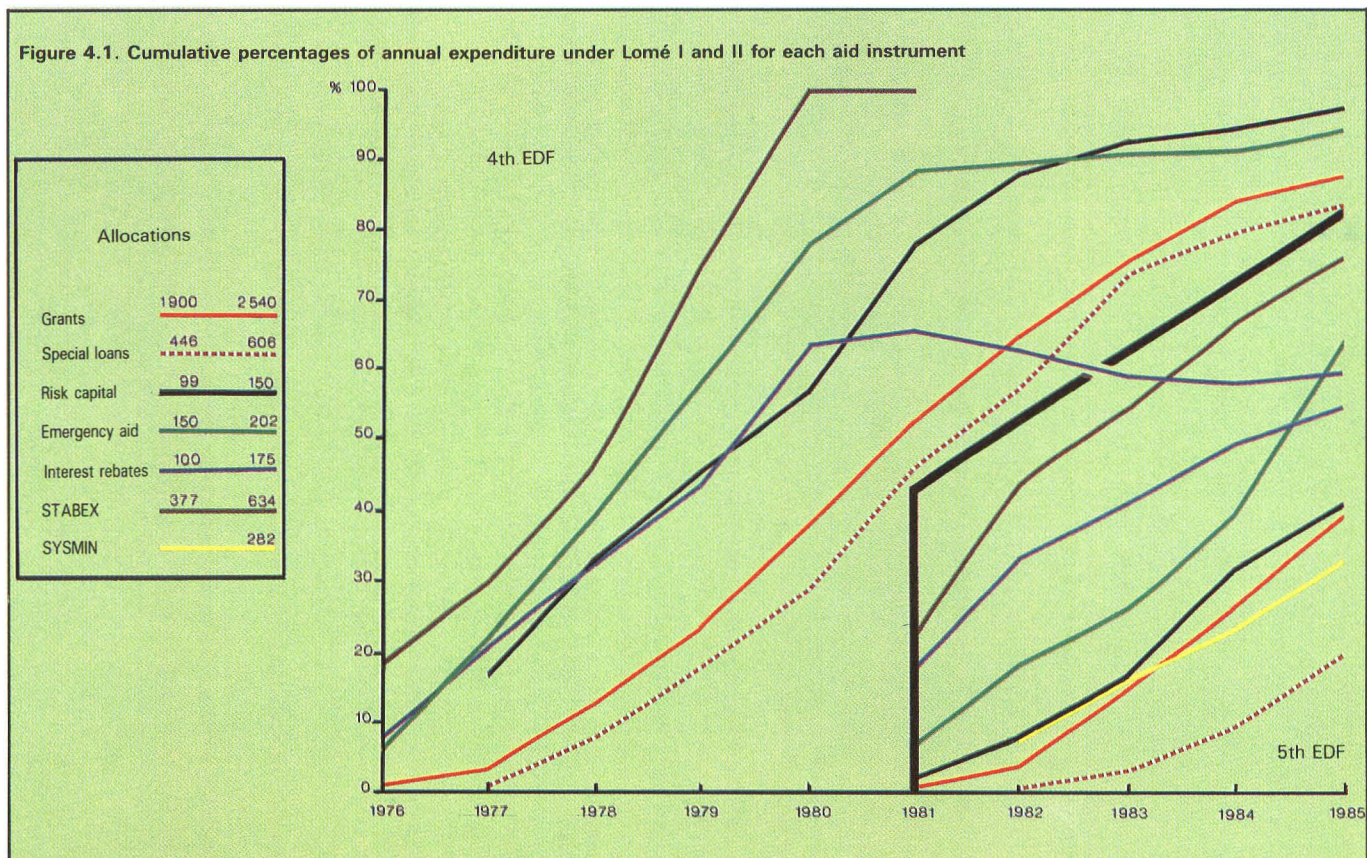
Under Lomé I, payments rose to a peak in the 5th year and tapered off thereafter. This pattern was more even than that under earlier EDFs where the peak in disbursements was sharper – 20 % in the 5th year in the case of EDF 3, 18 % in the 6th year for EDF 2.

Payments under Lomé II were higher in the early years, largely due to substantial STABEX disbursements. Thereafter they slowed down and by the 5th

year, at a total of 42.7%, were significantly lower than at the corresponding stage of Lomé I. Part of the reason for this trend is the increase in the proportion of EDF financing going to rural development (26 % under Lomé II as against 24 % in Lomé I) which has a slow disbursement profile (over 2 percentage points below average under Lomé I, 5 points below under Lomé II – see Table 3.1). Given the strong emphasis on rural development in Lomé III programmes, this pattern of disbursement could have serious implications for expenditure under the new Convention unless ways are arrived at for more rapid project commitment and payment.

Figure 4.1 gives particulars of annual payments of the different types of aid from EDF 4 and 5 during the period 1976-85 while Figure 4.2 shows the comparative position after 5 years of each of the two Funds as regards percentages spent. A number of conclusions can be drawn :

- The high rate of payment of non-programmed aid (STABEX, risk capital, emergency aid) in the early years of each Fund during which projects for programmed finance are still being launched. By the end of the fifth year of each Convention, the bulk of non-programmed aid was disbursed.
- The special significance attached to payments of STABEX in particular years – 1979 and 1980 in the case of the 4th EDF, 1981 and 1982 for EDF 5.
- From the third year of the Convention, liquidation of grants represents an increasing proportion of payments. The rate of disbursement of grants under Lomé II was equivalent to 39.2 % of the total grant allocation in the Convention, the corresponding figure for Lomé I being 36.0 %.



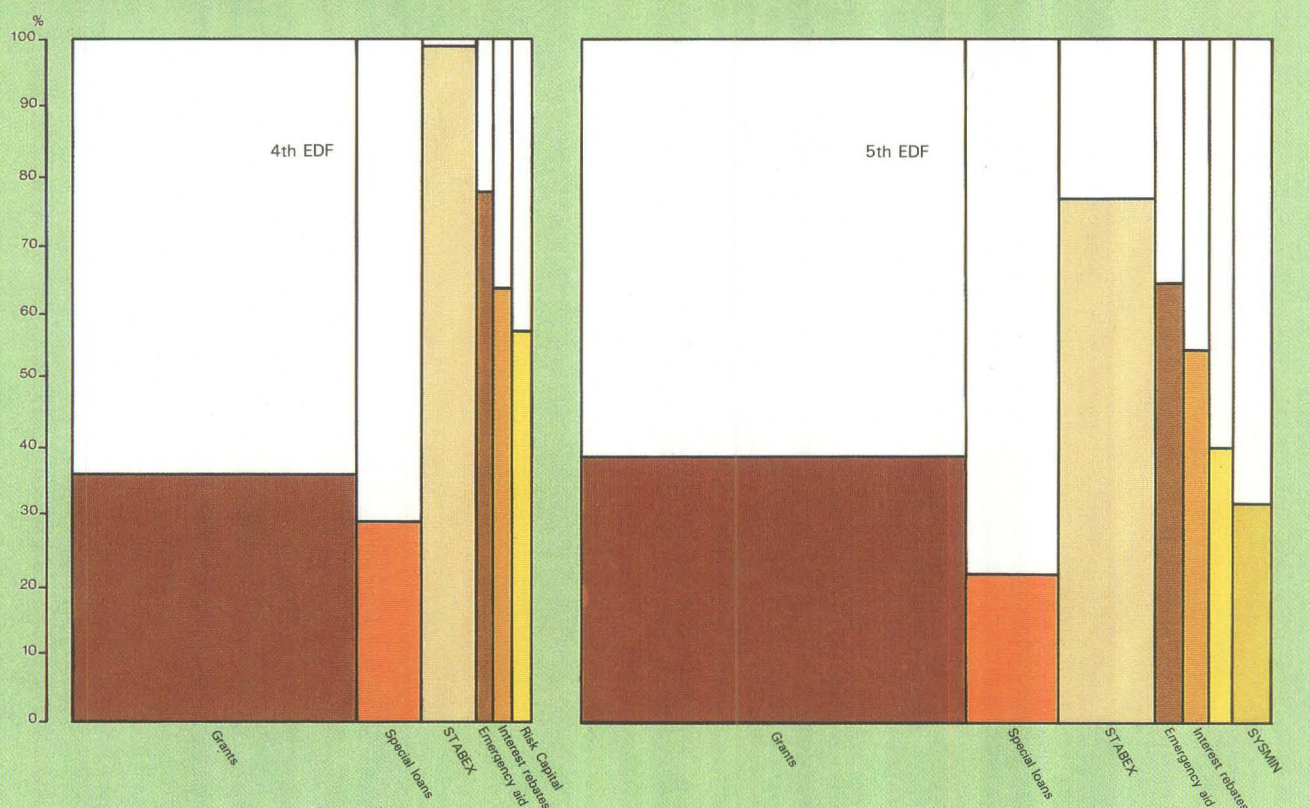
- There has been a sharp drop in disbursement of special loans under Lomé II – from 29 % of the total allocation in the first five years of Lomé I to under 21 % for Lomé II. This is almost completely due to the substantial fall off in approvals of special loans – 96 % approved for loans under the 4th EDF between 1976 and 1980 as compared with 74 % for special loans in the first 5 years of Lomé II.
- The slow rate of disbursement of SYSMIN – 32 % of the total provision in Lomé II paid out by end-1985.
- Disbursement of interest rebates on EIB own resources loans under Lomé I fell after 1981 and in fact in a few years reimbursement by the Bank of excess payments led to net negative interest rebates. Interest rebates under Lomé II up to 1985 were 54 % as compared to 63 % in the first 5 years of Lomé I. The rate of disbursement of risk capital also fell from 57 % under Lomé I to 34 % under Lomé II.

4.2.4 Problems in Project Implementation

Experience in the launching, operation and maintenance of projects financed by the EDF shows that serious difficulties often arise even in the start-up phase. These difficulties are encountered everywhere but arise most frequently in the following cases:

- technically complex projects such as:
 - industrial projects, e.g. cement works, slaughterhouses, oil mills;
 - infrastructure projects, e.g. ports, telecommunications, electricity power plants;
- administratively complex projects involving very precise organisation, such as:
 - rural development projects, especially where they involve a large number of small farmers;
 - projects involving works over wide areas, such as urban water supplies;

Figure 4.2. Total percentages of each aid instrument paid during the first five years of Lomé I and II



in the case of all projects, less time is devoted to the problems of human resources (existence and availability of qualified staff) yet these are at least as important as matters concerning buildings and equipment. This is obviously true of projects which can be launched and operated only with the help of highly qualified staff (technical education establishments, universities, research institutes, for example), but it is likewise true of other projects which seem at first sight to present less complex problems of implementation. In some cases, too, human resources could be made available but cannot be mobilized owing to a lack of financial resources.

The Council Resolution on financial and technical cooperation ⁽¹⁾ approved at Barbados on 25 April 1986 drew attention to a number of problems in relation to supervision, implementation and follow up of EDF financed projects. These covered inadequate supervision, insufficient provision for project maintenance, absence of evaluation as well as difficulties experienced in respect of technical assistance.

(1) For a more detailed discussion of this Resolution see Chapter 5, point 5.2.

The Commission attaches special importance to ensuring that the choice of experts and consultants to be employed in connection with projects financed by the EDF should be made in strict accordance with the Lomé Conventions. In recognition of some of the difficulties experienced in respect of recruitment of consultants by mutual agreement, the Commission, in negotiating the new Lomé Convention, proposed the use of restricted tendering procedures as the general method for selection of consultants in the future. This provision is now enshrined in Article 210 of Lomé III, recourse to recruitment by mutual agreement being restricted to relatively insignificant contracts, where existing contracts are being prolonged or where tenders have been unsuccessful. The Commission is also engaged in deepening its information on the qualifications of consultants in order to bring that information into line with that collected by other donors, notably the World Bank. Data on consultants is now being computerised and this will enable more rigorous analysis of experts' qualifications and experience to be carried out in drawing up short lists of experts from which choices of technical assistants can be made.

The Commission also accepts that, in line with Article 209(3) of the Third Lomé Convention and as recommended in the Council Resolution of 25 April 1986, it should endeavour in cooperation with ACP States to encourage the inclusion of ACP experts on lists of those from which the choice of technical assistants for EDF financed projects and programmes is to be made.

Experience has shown that the signing of contracts is in some cases subject to delays which hinder the proper progress of the work. This stems from the national rules which are applicable in each State and which are obviously based on national law and, to an even greater degree, on the normal administrative practice in the countries concerned. The actual drafting of the contracts may be at fault, and this is an added potential source of difficulties and disputes; in any event, it causes delays or even cost overruns.

A particularly serious problem in the implementation of financial and technical cooperation relates to aid for maintenance. Traditionally the policies of aid donors envisaged that financing of maintenance of capital projects was the responsibility of authorities in the developing countries involved. Article 112 of the Second Lomé Convention includes as one of the criteria for appraising projects the provision that

“It is to make sure that any staff and other resources, in particular financial, necessary for operating and maintaining the capital projects and for covering any incidental projects costs are actually available locally. This shall be achieved by establishing forward budgets and assessing the opportunities for adapting the project to local constraints and resources”.

While the national authorities in ACP States have gone along in principle with the idea of accepting responsibility for maintenance, the reality is that in many countries, notably the poorest ACP States, resources – especially foreign exchange reserves – have not been

available for spare parts and project maintenance. As a result, cases have arisen where the Commission has had to intervene to refinance projects which for lack of maintenance have deteriorated beyond repair. It is necessary to reduce the number of badly maintained projects and since the Council adopted directives on aid for maintenance in 1982, some operations which take account of those directives have been conducted under Lomé II, e.g. the rehabilitation programmes financed in Uganda, Sudan and Tanzania.

However, the conditions governing the grant of this aid were relatively tight: it was reserved for low-income countries suffering from exceptional circumstances and lacking foreign currency or equivalent national resources. For the future, the third Lomé Convention, while restating the principle that current “administrative, maintenance and operating” expenses cannot be financed by the EDF, provides for exceptions which may have a wide practical application; see in this regard Article 188 (2) of Lomé III. Expenditure incurred in the start-up period and also follow-up aid (on a diminishing scale) covering “the cost of operating, maintaining or managing... projects... implemented earlier” may be covered. Special attention is of course given to the least developed ACP States.

4.3 Evaluation

The concept of evaluation and an indication of its scope appeared in the first Lomé Convention and were confirmed by Lomé II, Article 118 of which lays down that evaluation may be undertaken during the implementation of projects and programmes and that in any event they are evaluated when completed. The purpose of evaluation is therefore to analyse current or completed operations so that projects can be reorientated where necessary and the appropriate conclusions can be drawn for improving results in the future.

The joint nature of the evaluation exercise conducted by the ACP States and the Community is one of the basic features of the Lomé Convention.

The work of evaluating Community aid started in the seventies with the analysis of certain projects financed under the early EDFs; it has gradually been made more systematic and concentrates on the different sectors covered by cooperation, the instruments used and the overall results obtained in particular countries or regions.

- The evaluation of *sectoral* operations has dealt with:
 - public health;
 - water supplies in rural and urban areas;
 - integrated agriculture;
 - education and training;
 - roads;
 - livestock production.

Other evaluation operations covering irrigation and agro-industry are in progress.

- Evaluation of the *instruments* of cooperation has covered:
 - microprojects and cofinancing with NGOs;
 - STABEX;

- food aid;
 - technical assistance;
 - trade promotion.
- The *overall* evaluation operations covering all sectors and instruments of cooperation have involved various countries: Cameroon, Niger, Rwanda, Senegal, Zambia and Zaïre. An overall evaluation was recently completed in the Caribbean region.

The processes and methods of evaluation are identical for the three categories. They cover five stages:

1. collection of all the necessary information on the area to be evaluated;
2. on-the-spot evaluation of the projects selected;
3. synthesis of the conclusions drawn on completion of the first two stages;
4. preparation by the Commission of a discussion paper which contains conclusions and practical recommendations. This paper serves as a working basis for a meeting of experts from the ACP States and the Community.
5. formulation, at the meeting of experts, of the basic principles relating to the particular field under consideration, followed by the study of these principles by the Article 108 Committee (the future Article 193 Committee) and examination with a view to their approval in the form of a resolution by the ACP-EEC Council of Ministers.

A point of particular note is that the experts from the ACP States play an active role not only in the formulation of the basic principles but also by taking part beforehand in the on-the-spot studies and in the substantive discussions on various preliminary documents. Gradually, therefore, a real "policy dialogue" has been quietly introduced in practice. A specific example will illustrate how such a process might work. In the livestock production sector, the campaign against rinderpest conducted in the seventies with EDF and USAID financing was initially an undeniable success. This campaign, which was launched in Chad, was carried out across the Sudano-Sahelian region as far as Senegal and was then extended to the countries east of Chad. Over three consecutive years, almost 90% of cattle were vaccinated, and the number of rinderpest foci fell from several hundred a year to almost nil.

Unfortunately, these good results were short-lived, owing to the lack of follow through. The national veterinary departments, which were short of funds and skilled staff, were unable to prevent the renewed outbreak of epizooty, which initially provoked some concern and then grew to alarming proportions. It was in these circumstances that the States concerned sought finance for a new campaign, the cost of which was estimated at almost 200 million ECU. Past experience suggests that this time, such an operation must be based on a proper sectoral policy for livestock production, based on the existence of well-trained, well-organised and permanent veterinary services. In this regard, the remarks of the Article 108 Committee in the guidelines on livestock production quoted below are of relevance.

The Article 108 Committee has continued its work on sectoral evaluation. This work has mainly covered road infrastructure, livestock production, technical assistance and trade promotion. In its Resolution of 25 April 1986, the ACP-EEC Council approved the Committee's conclusions and recommendations, made on the basis of the ACP-EEC experts' discussions and various recommendations.

With regard to *road infrastructure*, the following recommendations were made:

- road policies must be worked out on a regional basis in order to ensure the compatibility of the various national laws, regulations and administrative procedures, so that the obstacles hindering coordinated regional development can be removed;
- there is no need to decide in advance which of the three possible forms of action in the road sector, i.e. extension, improvement or simply maintenance of the network is to be given preference: this choice must be made in each case on justifiable economic and social grounds. The need for an administration with sufficient staff and equipment is stressed, since its role is essential throughout the process, extending from the study to the evaluation of road projects, and including their implementation.

The following guidelines have been established for *livestock production*:

- sectoral policy in this sphere must be based on the situation of the livestock producer and his family, special attention being paid to the role of women, with a view to improving their welfare and living conditions. Private initiative as regards credit, marketing, and the supply of feed and medicines must be encouraged;
- a pricing policy is also essential for livestock production in order to ensure high quality production at each stage. It is advisable for all production costs to be ultimately borne in full by the consumers. Aid donors must, nevertheless, be prepared to give long-term support to the strategic objectives of this sectoral policy and to agree, at least initially, to cover recurring costs;
- a particularly thorough analysis must precede operations in support of what is termed "modern" livestock production, especially in the public sector. At the same time, private initiatives must be encouraged as much as possible;
- with regard to health protection, as illustrated by the example mentioned above, the campaign against major epizootic diseases must be conducted at regional level. This does not exclude the participation of livestock producers – the opposite in fact should be the case – particularly at the stage where the results are being consolidated. There is also a need for producers to take the initiative in the campaign against other animal diseases;
- lastly, a policy aimed at the development of livestock production conducted according to the guidelines outlined above must enable this sector to make a significant contribution to economic development and food security.

As regards *technical cooperation*, the following essential principles were formulated by the Article 108 Committee:

- technical assistance should not be called on until it has been established beyond doubt that the objectives sought cannot be attained using national human resources;
- over and above the attainment of its immediate objectives, technical cooperation must enable know-how to be transferred to national staff. The expatriate staff must therefore have teaching ability on a par with their technical ability;
- the measures required to standardise remuneration and other technical assistance costs must be decided on and applied on the basis of objective criteria: experience and knowledge, work to be done, living conditions in country of posting, family situation, etc.

The recommendations on *trade promotion* stress the need for development of both trade and services as an integral part of overall development policies, ultimate responsibility for such policies resting with the governments and regional organisations of ACP States. The Community should ensure that it acquires the necessary capacity so that the expectations and possibilities opened up in Lomé III for development of trade and services can be realised. A high quality of institutional support is essential while active coordination between aid donors and field representatives is also necessary. Regional and intra regional trade between ACP countries should be encouraged.

In order to give practical effect to the basic principles established in the various fields covered by ACP-EEC cooperation, it has been proposed that all contracts concerning this cooperation should include a clause whereby the signatories state that they have taken note of these principles and of the resolutions adopted by the ACP-EEC Council in these various spheres.

At its meeting of 25 April 1986, the ACP-EEC Council also approved a resolution on the improvement of the evaluation system, according to which the ACP States will participate on an equal footing in the evaluation process, so that their participation will no longer be confined to attendance at meetings of experts dealing with the formulation of the basic principles. The emphasis is being placed on the need to enhance the ACP States' capabilities at all stages of evaluation exercises.

Evaluation operations naturally reveal specific cases of outstanding success as well as obvious failures. On the basis of evaluation, the tea-growing operation in *Rwanda*, for example, can on the whole be considered a success. Tea-growing started there on some 60 hectares of plantations in 1960 and now covers almost 11,000 ha. It is a source of employment, develops human resources and provides foreign currency that has a very positive impact on the country's economy. The prime movers in this success have certainly been the Rwandese growers and the national administration, while the EDF provided the essential financial

support. This long-term support (over two decades) for a sectoral policy was sought by the Rwandese authorities and welcomed by the growers.

It probably emerged only gradually that this was a policy of sectoral support, since the approach was essentially pragmatic and difficulties and errors did occur along the way: in some cases, studies were inadequate and focused too much on technical aspects, implementation was rather piecemeal as a result of the financing of successive stages which were spread out over a very long period (which meant that the equipment purchased on the basis of different invitations to tender was not sufficiently standardised). Given that the EDF has provided aid over an exceptionally long period, some decision-makers may feel that the efforts to further tea-growing in Rwanda have gone on long enough. Experience shows, however, that it is advisable to be wary of such an approach for a good sectoral policy must go the whole way, i.e. until all the strategic objectives have been fully attained, even if this requires considerable time.

4.4 The Role of the Commission Delegate in Aid Implementation

No discussion of aid implementation under the Lomé Conventions would be complete without reference to the central rôle of the Commission Delegates and their staff. While the main responsibility for implementation of aid policy under Lomé rests with the beneficiary ACP States themselves, the Commission must also carefully control the effective use of its aid finance. This it does partly through its administration in Brussels but more immediately by way of its Delegations in the ACP countries themselves.

At present, the Commission has full Delegations in 46 ACP States with total staff of over 300 expatriate professional officers – economists, agriculturalists, engineers and technicians. In addition, it has resident representatives in 14 other ACP States. In terms of the geographical spread of its overseas delegations, the Commission has perhaps the widest coverage of all the aid donors and their presence in the field has enabled the Commission to entrust a wide range of responsibilities in respect of aid implementation to its Delegates.

The Commission Delegate has five main functions :

- provision of technical assistance in preparing and appraising projects to be financed by the EDF and also in drawing up financing proposals;
- serving as the link between the Commission and the national authorities of the country to which the Delegate is posted and transmission of information on developments either within the country or in the Community which may concern ACP – Community cooperation;
- cooperation with the national authorities in making regular checks on completed projects;
- preparation of an annual summary of EDF operations;
- ensuring, on behalf of the Commission, that projects are properly carried out from the financial and tech-

nical points of view. The Delegates are also available to assist the European Investment Bank in carrying out its responsibilities under the Lomé Conventions.

Quite apart from their representational functions and rôle as channels of information, Commission Delegates and their staff play an active part at all stages

of a project, from preparation and appraisal right through to execution and evaluation. To enable them to carry out these tasks, the Commission has endowed them with a range of powers enabling them to take decisions on-the-spot on behalf of the Commission, including approving the award of contracts on certain conditions and endorsing contracts and payments to contractors.

5. An Outline of Policy Evolution under the Lomé Conventions

5.1 The Lomé Institutions

Parallel with the implementation of financial and technical cooperation, runs the work of the political institutions – the Council of Ministers (assisted by the Committee of Ambassadors and by the Committee set up under Article 108 of the second Lomé Convention) and the Consultative Assembly⁽¹⁾. The Council is charged with defining the broad outline of work to be undertaken under the Conventions and with reviewing the results achieved as well as with taking any necessary measures for the attainment of the objectives of the Conventions. The Assembly has responsibility for examining ways and means for strengthening cooperation between the Community and the ACP States and of furthering the objectives of the Convention.

Apart from the Lomé institutions, the Council of Ministers of the European Community, the European Council and the European Parliament have repeatedly come forward with proposals designed to strengthen Community efforts in relation to development cooperation, notably those concerning famine relief and emergency aid.

5.2 The ACP-EEC Council of Ministers

The Council of Ministers normally meets once a year. These meetings are prepared by the Committee of Ambassadors and, in respect of matters relating to financial and technical cooperation, by the Article 108 Committee set up under Lomé II. Under Lomé I, the two resolutions of the Council relating to cooperation were those passed at the meetings in Suva, Fiji on 14 April 1977 and in Nairobi, Kenya on 9 May 1980. The *Suva Resolution* was designed to establish guidelines for the different provisions of the Convention relating to the following general and specific aspects of implementation of financial and technical cooperation :

General Provisions :

- participation of the ACP States in the determination and implementation of aid and performance of contracts;
- special measures to help the least developed ACP States;

- evaluation of completed operations; financing and maintenance of capital projects (the severity of these problems was therefore already being stressed at that time).

Specific Provisions :

- financing of small and medium-sized enterprises;
- assistance and transfer of technology;
- microprojects;
- training of supervisory staff and vocational training.

As regards the general provisions, it is worth noting that the ACP-EEC Council attached particular importance to the participation of the ACP States in the determination of aid and the performance of contracts. On the first point, the Commission pointed out in its report on the administration of financial and technical cooperation for 1977 ⁽²⁾ that the development priorities adopted when the indicative programmes were initially determined and also when any subsequent amendments were made, were those of the ACP States. As for the ACP States' participation in the performance of contracts, it was pointed out earlier ⁽³⁾ that this was assuming increasing importance, not only as a result of the use made of exceptional procedures (contracts by direct agreement, direct labour, etc.) but also in cases where the normal rules of international competition applied.

As regards the application of the specific provisions of the Convention, the Council placed particular emphasis in the Suva Resolution on the implementation of measures to help the least developed States. The policy introduced in this respect by the first Lomé Convention was a complete innovation, the subsequent progress of which has already been assessed in this report ⁽⁴⁾.

During its meeting in Brussels on 13 and 14 March 1978, the ACP-EEC Council confirmed the mandate given in the previous year to the ACP and EEC experts

(1) The "Consultative Assembly" is referred to as the "Joint Assembly" in Lomé III

(2) Doc COM(78) 73 final.

(3) cf Chapter 4 point 4.2.2

(4) cf Chapter 2 point 2.6

responsible for the implementation of financial and technical cooperation to “draw up an exhaustive record of all financial and technical cooperation schemes”. On the basis of this examination, joint conclusions were reached in February 1980 on the following points:

- programming, preparation and assessment of projects;
- procedure for the allocation of contracts financed by the EDF and managed by the Commission;

- administration of operations;
- lastly, the experts noted that, overall, the specific provisions of the Convention were properly applied, particularly as regards the least developed countries.

The *Nairobi Resolution* of May 1980 called on all the parties concerned to take greater account of the recommendations of the experts and mandated the Committee of Ambassadors to take in hand the

BOX 5.1

The Article 108 Committee

Article 108 of the Second Lomé Convention provided, inter alia, for the setting up within the Council of Ministers of an ACP-EEC Committee

“to study, in general terms and on the basis of specific examples, suitable measures to improve the implementation of financial and technical cooperation, notably by accelerating and streamlining procedures”

The Committee, consisting of equal numbers of ACP and Community representatives, appointed by the Council of Ministers, meets at least once a year at the level of Ministers and every quarter at the level of authorised representatives (i.e. Ambassadors or senior officials); a representative of the European Investment Bank is present at Committee meetings. The Committee is aided in its work by a technical working group.

The Convention assigned to the Committee a wide range of tasks relating to the implementation of financial and technical cooperation – collection of information on procedures, examination of specific difficulties, examination of and preparation of recommendations relating to the annual report of the Commission on aid management, preparation of suggestions for improvement or acceleration of cooperation, study of difficulties and bottlenecks.

The most important feature of the Article 108 Committee is that it introduced a political dimension to the examination of the implementation of aid cooperation. Under Lomé I, the preparatory work on the annual review of implementation was entrusted mainly to the Commission and to a group of experts lacking authority and political leverage to tackle fundamental issues and to take bold initiatives for the consideration of the Council. Under Article 108, on the other hand, the brunt of

the annual stocktaking is entrusted to a Committee of Ministers who have the necessary political weight and are therefore in a position to deal with fundamentals. Indeed, it was largely on account of the dissatisfaction of ACP States with the work of review undertaken under Lomé I that the Article 108 Committee was set up.

Under *Article 193* of the Third Lomé Convention, the rôle of the former Article 108 – now Article 193 – Committee has been considerably strengthened. Four particular innovations are worthy of note –

- the annual reports on the implementation of financial and technical cooperation, which up to now were prepared by the Commission, will henceforth be prepared by the ACP States, beneficiary regional organisations and the Commission (in association with the EIB);
- in the context of the provisions on competition and preferences, the Committee will advise the Council on the general conditions to be applied to works, supplies and service contracts financed from the EDF;
- ACP States may from now on present their points of view on negative positions of the Community institutions (e.g. EDF and Article 22 Committees – who advise on specific financing proposals) by requesting that the matter be referred to the Article 193 Committee or that they be given a hearing by the EEC Council of Ministers;
- recognising that progress can only be made by small steps and by solving problems, Article 193(6) of Lomé III provides that “any specific problem arising in the implementation of financial and technical cooperation may be submitted to the Committee which shall examine it within 60 days with a view to providing an appropriate solution”.

launching of the work of the Article 108 Committee provided for under Lomé II (see Box 5.1).

The Committee of Ambassadors was also charged under the Nairobi Resolution with a number of other tasks – examination of how to implement Lomé II, measures in favour of least developed, landlocked and island ACP States, participation in implementation of

regional cooperation, training of local staff, reducing costs of technical assistance and ensuring that consultants promote maximum use of relevant technology and of ACP resources.

Under the impetus of the preparatory work of the Article 108 Committee, the Council of Ministers adopted a series of resolutions under Lomé II on the implementation of financial and technical cooperation

at meetings in Libreville (1982), Brussels (1983), Suva (1984) and in Bridgetown, Barbados (1986). The *Libreville Resolution* called for an overall orientation of efforts aimed at giving immediate and lasting effects to cooperation through speeding up the implementation of national indicative programmes as well as of regional and interregional projects. To this end, it called for better organisation and promotion of rational economic development efforts, the fostering of initiative, the promotion of joint undertakings and the strengthening of intra-ACP cooperation. The Resolution also proposed the establishment of suitable and flexible criteria and procedures in applying financial and technical cooperation.

The Libreville Resolution in addition to setting down principles which should govern financial intervention, also called for improvements in the implementation of a number of provisions of the second Lomé Convention – measures in favour of least developed, landlocked and island ACP States, regional cooperation, microprojects, small and medium sized enterprises and sectoral interventions. The Resolution concluded with a series of recommendations dealing, inter alia, with reporting procedures, acceleration of commitments and payments, programming, project preparation and appraisal, financing decisions, financing of overruns, tendering procedures, service contracts, programme aid and assessment of completed schemes.

The comprehensive review which commenced in Libreville was continued in the *Brussels Resolution* of May 1983 which took stock of the state of play in respect of the earlier Resolution and itself made recommendations covering a wide range of specific and general aspects of the Lomé Conventions. Of particular note are the proposals for harmonising cofinancing procedures with other donors, the acceleration and improvement of the implementation of financial and technical cooperation and sectoral development (in particular, rural development). The Resolution also called for detailed study of technical cooperation and mandated the Article 108 Committee to review in depth questions of procedure as well as sectoral issues.

The results of this review are seen in the Article 108 Committee report to Ministers meeting in Suva and in the associated Council Resolution dated 2 May 1984. The *Suva Report* and *Resolution* covered most of the important issues involved in the implementation of financial and technical cooperation and reflect a number of principal concerns of Ministers :

- the continuing need to accelerate procedures and to decentralise decision making processes,
- the importance of providing technical assistance for project development and implementation,
- increasing emphasis on training and on the development of human resources in general,
- precise definition and sharper criteria for regional projects,
- establishment of clearer principles for the stepping up and implementation of food strategies,
- extension of health services, including aid for recurrent costs,
- particular emphasis on recurrent costs and mainten-

ance in the case of transport and communication infrastructures.

While the Council meeting in *Bridgetown*, Barbados in April 1986 falls outside the time scale covered by the present report, the Resolutions passed at that meeting – both those relating to evaluation and to cases of specific difficulties – reflect the results of the continuing work of the Article 108 Committee in the interval between Suva and Bridgetown. The recommendations in relation to evaluation have already been discussed in the previous chapter, section 4.3. Suffice it to refer here to the important and continuing rôle of the Article 108 Committee (and its successor the Article 193 Committee) in bringing the work on evaluation to the point where it is ready for examination by the Council.

The substantial report on cases of specific difficulties and the resulting Council Resolution of 25 April 1986 – which was mentioned briefly in the previous chapter at section 4.2.4 – mark a significant step in the joint appraisal by both partners to the Lomé Conventions of the problems involved in the implementation of financial and technical cooperation. The frank, open and often hard hitting manner in which the examination of specific difficulties was carried out over a number of years and the final agreement on far seeing proposals for improving the way in which aid financing is managed, are all measures of the maturity of the Lomé partnership and of the mutual concern to find solutions to the problems involved.

The *Bridgetown Resolution* on specific difficulties covers the full range of the project implementation process, from programming through project definition and development, financing proposals and decisions, financing and loan agreement, tendering and contract placement, payment and accounting, to project supervision, implementation and follow up. Its recommendations are designed to contribute to solving the various types of problems brought together in the Committee's Report. They cover

- improvement in monitoring of the implementation of programmes,
- strengthening procedures for project definition, including greater coordination by National Authorising Officers,
- greater emphasis on socio-cultural factors in project definition,
- financing proposals to clearly indicate maintenance and running cost components and maximum use to be made of the provisions in Lomé III for aid to maintenance and operating expenses,
- speeding up of signature of financing and loan agreements,
- reduction of delays and streamlining of procedures in relation to tenders and placing of contracts,
- improvement of the quality of technical assistance and reduction of its cost, more transparent procedures for recruitment of consultants, encouragement of ACP consultants, joint development of technical cooperation programmes in order to coordinate work in the fields of research, technical training, management improvement, organisational and decision making capacities and the follow up and evaluation of operations.

Work on the follow up to the Bridgetown Resolution, – notably in relation to programming, review of the operation of the provisions of Article 221 of Lomé III in regard to delegation of powers to National Authorising Officers and Commission Delegates, and on the annual report on management of Community aid – will be carried out by the Article 193 Committee.

5.3 The Joint Assembly

The Joint Assembly is composed of equal numbers of members of the European Parliament and of members of parliaments or representatives designated by the ACP States. It meets at least once a year.

The Assembly's examination of financial and technical cooperation started with its Resolution dated 26 September 1980 on a report prepared by Mrs FOCKE, MEP, on the results achieved under Lomé I. Based on the comments in that report and notably the criticisms of delays in implementing aid under Lomé I, the Assembly called for a more speedy use of aid finance. It also recommended that the experience in implementing the first Lomé Convention should be applied to Lomé II, notably in respect of programming,

- in selecting projects which would be capable of generating development,
- in ensuring that each project should have the necessary back up in technical skill and that follow up maintenance charges would be included in the financing plan. The Resolution also recognised the important rôle of non-government organisations and called on the Community to encourage non-public financial institutions in financing investment projects. It invited the Commission to present proposals to encourage voluntary European service in developing countries.

At its meeting in Luxembourg in September 1981, the Assembly again called for more speedy implementation of aid procedures and recognised the importance of the role of the Article 108 Committee in devising ways and means of accelerating and streamlining methods of implementing overall financial and technical cooperation. It welcomed the Lomé II provisions on cofinancing and reaffirmed the crucial rôle to be played by the Community in encouraging and facilitating the participation of other donors. It also welcomed the provisions in Lomé II relating to least developed, landlocked and island ACP States.

The problems of cumbersome procedures and delays associated with them were again raised at the Rome meeting in November 1982 and in Luxembourg in September 1984; The *Rome Resolution* also called for improvement in technical assistance and for careful project selection. More generally, it invited Governments party to the Second Lomé Convention to ensure vis-à-vis the International Monetary Fund and the World Bank that

- solutions being sought to the problems of indebtedness of developing countries should not prejudice their capacity for investment
- interest rates should be cut to the benefit of both ACP and EEC States.

The main points of the *Luxembourg Resolution* of 1984 relate to the need to increase the volume of aid to developing countries and notably to Africa. It also noted the importance of ex-post evaluation and recommended investigation of the desirability to set up regional evaluation centres.

At its meeting in *Inverness* in September 1985, the Joint Assembly, called for the Commission to extend financial and technical assistance to NGOs, to obtain the inclusion of training courses in education programmes to be implemented by such bodies as UNDP, to implement action projects and programmes giving priority to

- management of national forest resources,
- implementation of microprojects to combat desertification, promotion of village water schemes, alternative energy etc.

5.4 Policy Development by Community Institutions

Any consideration of the implementation since 1975 of financial and technical cooperation under the Lomé Conventions must also take note of measures taken within the Community to further the objectives of that cooperation. Mention has already been made of the special measures in the Dublin and Milan Plans to deal respectively with famine relief and rehabilitation in Africa (5). The European Parliament has also come out strongly in favour of special urgent measures in favour of the famine stricken African countries, as evidence its resolutions of 14 March and 11 July 1985. The Parliament had earlier called in its Resolutions of 16 November 1979 and 18 September 1980 for a wide range of measures to be applied in the context of the Community contribution to the campaign to eliminate hunger in the world. Again, in its Resolution of 21 November 1980, the Parliament called for action in relation to multi-annual programmes of food aid. The establishment of guidelines for food aid policy was raised by the Commission in a communication to the Council of Ministers of the Community dated 6 April 1983(6). The Commission policy on food aid was summarised in its Memorandum on the Community's development policy dated 1982 (7) – the "Pisani Memorandum" – where it was pointed out that food aid should in general be used to back up coherent food strategies instead of being an end in itself. The idea of national food strategies designed to achieve food self sufficiency and food security is now a central part of the Third Lomé Convention.

Another important theme raised by the Commission and examined by the Council was the question of maintenance aid (8). In its decision of 8 November 1982, the EEC Council of Ministers approved guidelines for

(5) cf Chapter 2, sections 2.5.3.1 and 2.5.3.2).

(6) COM(83)141 final

(7) Memorandum on Community Development Policy, Com(82)640 final, Brussels, 30 sept. 1982.

(8) See discussion in Chapter 4 section 4.2.4.

the award of maintenance aid designed to guarantee the continued operation of productive capacity in particular sectors of developing countries. The criteria for the grant of aid in favour of inputs, current administrative maintenance and operating expenses have now been set out in Article 188 of Lomé III.

The various resolutions, proposals and themes discussed in this chapter serve to illustrate the continuing

debate on the implementation of financial and technical cooperation both within the institutions provided for in the Lomé Conventions and at the level of Community institutions themselves. This debate forms a central part of the evolution of ACP-EEC development cooperation in the framework of Lomé, whose aim is both to speed up and make more effective the operation of Community aid and also to respond quickly to new urgent needs as they arise.

6. Lomé III – The Way Ahead

6.1 Introduction

In previous chapters, an analysis has been made of the experience of 10 years of financial and technical cooperation under the Lomé Conventions – financial, sectoral and regional trends, the results achieved by EDF aid, the problems and difficulties encountered in its implementation, as well as the work carried out by the political institutions with responsibilities for monitoring and recommending how Lomé policy should be shaped in the light of experience and needs.

In section 1.3 of Chapter 1, a brief summary of the main conclusions to be drawn from the first 10 years of Lomé was presented. In the present chapter, we look down the road to be followed by the Lomé policy over the years ahead and at the changes and progress which the third Lomé Convention involve for the ACP-EEC partnership.

Before doing so, however, it is well to recall that the Lomé Convention and the EDF does not represent the totality of financial and technical cooperation to ACP countries. In the year 1984 alone, for example, these countries benefitted from resources provided from the general Community budget totalling 441 million ECU in commitments (415 million ECU in payments). This money was provided mainly in the form of food aid but also in respect of emergency aid and of cooperation with NGOs specialising in the provision of development aid.

In addition, account should be taken of the assistance provided under the sugar protocol in the Lomé Convention to the 30 or so ACP countries which are sugar producers. This protocol provides for purchases by the Community at guaranteed prices of agreed quantities of sugar. This Community commitment, which dates from 1975, has been undertaken for an indefinite period and, in this respect, it is quite exceptional in the context of international trading relationships.

6.2 Lomé III – Main Characteristics

The first thing to be said about the new Lomé Convention, which came into operation on the 1st May 1986, is that it is a much more comprehensive document than its predecessors. Its very bulk – 294 articles as against 191 in Lomé II – is the most immediate evidence of that! In the negotiations leading up to signature of the Convention, both parties attempted to stand back from operational issues and to provide an objective, political framework for implementation of Lomé policy. Thus, we see, for the first time, the setting down of fundamental principles which would apply to cooperation activities. Next, it was made clear that, as before, the sovereign decisions regarding development priorities and models lay naturally with the ACP States themselves.

The emphasis in the Convention is on the fulfilment of the individual, towards whom all development efforts are ultimately geared, who must be the real central character in the development process and whose dignity must be respected. This may appear self-evident but experience has shown that development policy in the past frequently overlooked existing social structures and cultural factors and tended rather to impose on ACP States ideas in relation to development drawn from the European cultural milieu.

A direct connection exists here with the concept of self reliance achieved essentially through the developing country's own efforts, a process which can be promoted but not actually accomplished by external forces.

In the light of recent experience, notably in Africa, it is evident that rural development must be the priority development area under the new Convention. Experience has shown that most countries have devoted insufficient attention to agricultural development and have looked to the modern sector, especially industry, as the motor of faster growth. This choice was largely the responsibility of developing countries themselves, who saw in agricultural development the preservation of outmoded traditional economic structures. The painful experience of industrialisation and the neglect of agriculture in many ACP countries has now led to

Lomé III : Programming based on support for sectoral policies

The Lomé III negotiators have drawn on past experience and in particular on the joint evaluation exercises in order to give new impetus to programming by defining its content more precisely and by stressing the importance of the work done in preparation for programming.

On the question of content, it was jointly established beyond all doubt that rigour and coordination were increasingly necessary in the management of domestic resources and also in the use of funds from external sources. The Community and the ACP States considered that the best way of securing this coordination and of making cooperation more effective was to situate a growing proportion of its operations in the context of support for sectoral policies because:

- such an approach enables Community operations to be more closely adjusted to the priority sectoral objectives established by each of the ACP States;
- support for sectoral policies makes it possible to use a very wide range of forms of aid (aid for maintenance, technical assistance, training, etc.) in addition to investment projects;
- such support means that for each operation, over and above its own merits, greater weight is given to its contribution to the success of the sectoral policy, so maximising its economic impact.

Article 215 of Lomé III consequently places support for a sectoral policy at the centre of the programming process: supporting a sectoral policy will involve therefore a set of measures and resources being placed by the Community at the ACP State's disposal in order to contribute towards the implementation of this policy, which that State has worked out and which it is applying.

For this approach to succeed, the bulk of the Community financial resources placed at each State's disposal must, in the first instance, be focused on a limited number of sectors, or even a single sector. Without such concentration, there is a danger that Community operations would be thinly spread over a large number of highly diversified objectives and that they would have little chance of securing maximum economic impact. Concentration on focal sectors is therefore the basic principle in Article 215.

Secondly, this approach means that, on the basis of exchanges of views between representatives of the ACP State and the Commission, the measures and operations most likely to ensure the attainment of the objectives which the ACP State has set itself for the sector concerned have to be specified - or at least their broad lines have to be established -, irrespective of whether the measures have to be taken by the ACP State itself or on the responsibility of the Community.

Lastly, it presupposes effective coordination between the Commission and the main providers of funds (including, obviously, the Member States) in order to ensure that operations in the focal sectors receiving Community aid are coordinated and complement each other.

It is laid down in the Convention that certain individual operations may be identified, in addition to the focal sectors, in the case of the continuation of projects which were begun under the preceding Convention and which are clearly deserving of priority.

Support for sectoral policies involves a far more demanding approach than in the past, and this has meant a change in the programming process.

Unlike earlier Conventions, the key stage of the process is no longer the programming mission, during which exchanges of view had to be held within a limited period with the ACP States on the development objectives and priorities, and the indicative programme established.

The programming mission is now preceded by a preparatory stage of vital importance. Thus, a few weeks after the signing of the third Convention, the Commission notified each ACP Head of State of the amount of the programmable envelope for which his country would be eligible.

This notification reflects the contractual nature of the relations between the Community and the ACP States: the amount of aid is known at the outset, and this assures stable and predictable relations, and no extraneous considerations interfere.

With this notification as starting point, and on the basis of an analysis of the social and economic situation in each State conducted by the Commission in conjunction with the main providers of funds, exchanges of views commence between the Commission delegate in each ACP State and the representatives of the State concerned in order:

- to ensure that the Community is aware of the development objectives and priorities of the State concerned;
- to identify the focal sector or sectors for Community aid;
- to seek the most appropriate ways and means of attaining the objectives set.

The Commission for its part has always considered it self-evident that these exchanges of views could not be used to call into question the choices made as regards social organisation, the development model and overall development policy, or the sectoral priorities set by each State. Nor could they be used to launch discussions on each State's macro-economic policy. The Commission does not wish to replace the international institutions whose role this is; it has neither the will, the task nor the means to do so.

These exchanges of views must simply enable a better understanding to be gained of the problems which the ACP States have to solve and allow Community financing to be geared more closely to the solving of these problems.

It is not until this preparatory work has been completed that the programming mission, led by the Commission, and with the participation of the European Investment Bank, goes to each ACP State.

The indicative programme of Community aid is then drawn up with the national authorities; it sets out the sectors chosen, and within this framework, the indicative guidelines for Community aid; it identifies the most appropriate ways and means of implementing them, and determines the operations to be conducted outside the context of support for sectoral policies.

While the compilation of the indicative programme thus marks the end of a process, it is neither possible nor advisable for this document to fix, once and for all, all the conditions, measures and operations to be applied by the State and the Community in order to attain the objectives set. Programming must be sufficiently flexible to enable the action taken to be constantly adjusted in line with the objectives.

widespread realisation of the importance almost everywhere of farming as a way of providing for ever increasing populations, notably in Africa.

In discussing in Chapter 4 the problems associated with aid implementation, reference was made ⁽¹⁾ to the problem of maintenance of existing investments. A new feature of Lomé III is the emphasis on aid for rehabilitation and maintenance. Now that many developing countries have by and large achieved basic transport and other infrastructures, maintenance is taking priority over new capital projects, particularly since these countries often lack the money to provide for the upkeep of existing investments themselves.

The overall thrust of the new Convention is away from the old project oriented approach towards the provision of consistent support for target sectors or development "themes" such as food security. Such a new approach will, however, only be possible if the full range of instruments can be focussed in a flexible and coordinated manner on the chosen objectives and the rules for financial and technical cooperation have been adapted to suit the new method. This naturally leads to the discussion in the following section of Lomé III programming. Here, however, a warning note should be struck in the light of the trends in approvals, commitments, and payment of EDF aid under the second Lomé Convention. The slow down in aid implementation under Lomé II has been referred to on several occasions in the course of this report. To a considerable extent this trend reflects the slow gestation period of projects and programmes in the rural development sector. With increasing emphasis on agriculture in Lomé III, means must be found to adapt the application of aid instruments to facilitate higher absorption of EDF aid under the new Convention. This must be a top policy priority in the years ahead.

6.3 Programming under Lomé III

The evolution of the programming concept from Lomé I to II was discussed in Box 2.1. The main features of programming under the Third Lomé Convention are examined in Box 6.1. As indicated there, the approach is one involving exchange of views with each ACP State in attempting to focus Community support on one or a few genuine priority sectors, such as food security.

Over the past year, the authorities in the ACP States, the Commission delegations in these States, the services of the Commission and of the European Investment Bank have undertaken the programming exercise provided for in the new Convention. Straight away it can be stated that the new approach concentrating on sectoral policies involving close exchange of views between the ACP States and the Commission, has been conducted in a calm and positive climate and no real difficulties have been experienced. Clearly, both partners are convinced that this is the way to achieve greater effectiveness of cooperation.

In line with the orientations contained in the Convention, most countries have chosen to concentrate Community aid on rural development with the objective of achieving greater self sufficiency in food production. Between 70% and 80% of aid finance to be

provided which has been so far programmed is scheduled for rural development. Emphasis is being placed on incentives designed at increasing all stages of the production process as well as improving product marketing. Linked to these are associated activities aimed at improving the quality of life in rural areas (e.g. health, education, increasing responsibilities of farmers). Other associated actions include the fight against environmental deterioration and provision of economic infrastructures.

By the end of May 1986, 58 indicative programmes had been signed. The objective to try to complete the programming process before entry into force of the Convention, as provided for in Article 215, has therefore been largely respected.

There remains, however, the second implementation phase. Here, the Community efforts will involve increased flexibility in the adaptation of financial and technical cooperation to new policy instruments e.g. action programmes, sectoral import programmes. They will also demand increased attention on the part of the steering committee responsible for monitoring the progress of programme implementation to ensure the coherent linkage of Community aid to actions to be undertaken by the ACP States.

The third Lomé Convention, drawing on past experience, maintains practically the same areas of operation for the EIB and also emphasises not just the financing of projects but also rehabilitation and aid for productive action programmes in industry, agro-industry, tourism and mining, and also for energy production, transport and telecommunications. The operations will continue to be financed by loans from EIB own resources and from risk capital. These sectoral priorities do not exclude the possibility that the Bank may finance from its own resources projects and productive action programmes in other sectors as long as they meet its criteria, in particular in the area of industrial crops. The third Lomé Convention also emphasises the restoration, overhaul or restructuring of projects which are economically viable, and also the maintenance of equipment and undertakings. To that end, more than in the past, cooperation should focus on assistance for the start-up or rehabilitation of these undertakings. Lastly, special attention will be paid to operations in the focal sectors for Community aid, which will be established in agreement with the Commission and the ACP States concerned as part of programming, and to industries suitable for establishing links between the various sectors of the economy and also activities which have favourable effects on employment, the balance of payments and regional integration.

6.4 Final Comments

In the present report, an attempt has been made to trace the history of a unique partnership in development cooperation over the ten years since the entry into force of the First Lomé Convention. The achievements of that partnership in applying the Lomé aid

(1) Section 4.2.4

policy have been noted as have some of the problems run into along the way. Encouraged by that experience and by the lessons drawn from it, the partners have now provided themselves in Lomé III with a charter for future cooperation.

The years ahead will provide a severe test of the strength of that partnership. The developing world is faced with enormous challenges and in particular the crisis in Sub-Saharan Africa. It is the responsibility of

the international development community in the world as a whole to meet these challenges. The ACP States and the European Community have a special part to play within the framework of the new Lomé Convention in ensuring that financial and technical cooperation under the Convention can make an important contribution to reversing the decline in the ACP economies and to raising living standards, particularly in the poorer developing countries.

ANNEXES

Annex 1

List of A.C.P. Countries

ANGOLA (°)	MADAGASCAR
ANTIGUA & BARBUDA (*)	MALAWI (*)
BAHAMAS	MALI (*)
BARBADOS	MAURITANIA (*)
BELIZE (*)	MAURITIUS
BENIN (*)	MOZAMBIQUE (*) (°)
BOTSWANA (*)	NIGER (*)
BURKINA FASO (*)	NIGERIA
BURUNDI (*)	PAPUA NEW GUINEA
CAMEROON	RWANDA (*)
CAPE VERDE (*)	ST. CHRISTOPHER & NEVIS (*)
CENTRAL AFRICAN REPUBLIC (*)	ST. LUCIA (*)
CHAD (*)	ST. VINCENT & GRENADINES (*)
COMOROS (*)	SAO TOME & PRINCIPE (*)
CONGO	SENEGAL
DJIBOUTI (*)	SEYCHELLES (*)
DOMINICA (*)	SIERRA LEONE (*)
EQUATORIAL GUINEA (*)	SOLOMON ISLANDS (*)
ETHIOPIA (*)	SOMALIA (*)
FIJI	SUDAN (*)
GABON	SURINAME
GAMBIA (*)	SWAZILAND (*)
GHANA	TANZANIA (*)
GRENADA (*)	TOGO (*)
GUINEA (*)	TONGA (*)
GUINEA BISSAU (*)	TRINIDAD & TOBAGO
GUYANA	TUVALU (*)
IVORY COAST	UGANDA (*)
JAMAICA	WESTERN SAMOA (*)
KENYA	VANUATU (*)
KIRIBATI (*)	ZAÏRE
LESOTHO (*)	ZAMBIA
LIBERIA	ZIMBABWE

(*) Etats ACP moins développés sous Lomé II

(°) Membres depuis Lomé III.

* Least developed, landlocked and island ACP States under Lomé Lomé II.

(°) New members under Lomé III

Annex 2

Sectoral breakdown of EIB financing to ACP States under Lomé I and Lomé II at 31 December 1985 (million ECU)

Sector	Lomé I		Lomé II	
	Loans from own resources	Risk Capital	Loans from own resources	Risk Capital
Energy	132.1	1.0	191.1	55.7
Mining and Quarrying	35.5	7.7	67.0	32.1
Metals and metal-working industries and mechanical engineering	27.1	2.8	15.3	0.8
Construction Materials	30.6	9.9	18.3	8.0
Chemicals	29.0	9.5	14.1	3.9
Agro-industrial complexes and food industries	89.1	31.0	102.3	22.5
Textiles	9.4	14.3	8.5	29.1
Other manufacturing industries	19.0	7.6	27.4	21.7
Global loans (amount unallocated)	5.2	-	46.4	39.0
Other aid to Developing Banks	-	1.8	5.5	20.7
Total industry	376.9	85.6	495.9	233.5
Tourism	13.1	5.7	4.2	6.9
Transport Infrastructure	-	-	22.6	4.6
Telecommunications	-	-	54.1	10.0
Water	-	-	24.6	7.0
Studies and technical assistance	-	8.6	1.1	12.1
TOTAL	390.0	99.9	602.5	274.1

Annex 3

Sectoral breakdown of EIB global loans under Lomé I and Lomé II at 31 December 1985 (million ECU)

Sector	Own resources		Risk capital		TOTAL Lomé I Lomé II
	Lomé I	Lomé II	Lomé I	Lomé II	
Energy	1.2	1.0	-	0.2	2.4
Mining and quarrying	2.5	2.0	-	3.1	7.6
Metals and metal-working industries and mechanical engineering	9.4	3.8	-	0.8	14.0
Construction materials	5.0	1.8	-	0.7	7.5
Chemicals	6.4	3.1	-	-	9.5
Agro-industrial complexes and food industries	24.2	20.2	0.6	10.0	55.0
Textiles	5.3	8.5	2.0	2.5	18.3
Other manufacturing industries	19.0	15.5	0.9	7.9	43.3
Other aid to Development Banks	-	5.5	0.2	0.1	5.8
Total industry	73.0	61.4	3.7	25.3	163.4
Tourism	4.3	4.2	-	2.0	10.5
Telecommunications	-	1.0	-	-	1.0
Studies and other services	-	1.1	0.3	1.0	2.4
TOTAL	77.3	67.7	4.0	28.3	177.3

Annex 4

Approved, Committed and Paid Aid by ACP State – Lomé I & II

	Lomé I			Lomé II (million ECU)		
	Approved Aid	Committed Aid	Paid aid	Approved Aid	Committed Aid	Paid Aid
<i>Southern Africa</i>						
Botswana	25.3	25.0	23.1	26.0	13.8	10.1
Lesotho	24.0	23.5	21.0	35.7	23.6	16.4
Malawi	75.6	73.9	71.1	88.6	55.1	28.9
Swaziland	28.8	28.6	27.8	27.0	17.2	14.5
Zambia	68.0	67.2	63.4	129.6	86.3	72.6
Zimbabwe	-	-	-	54.6	37.4	24.6
Total Southern Africa	221.7	218.2	206.4	361.5	233.4	167.1
<i>Western Africa Sahel</i>						
Burkina Faso	86.0	81.0	75.4	83.1	56.9	38.8
Cape Verde	10.2	10.1	9.8	17.0	11.8	5.9
Chad	69.2	67.3	64.6	72.5	51.9	36.9
Gambia	22.5	22.3	22.0	26.3	21.7	18.4
Mali	93.3	89.7	86.9	105.0	70.5	54.0
Mauritania	77.9	77.4	75.9	47.9	32.1	24.7
Niger	103.7	101.6	98.6	92.7	66.7	44.2
Senegal	141.3	140.4	137.1	130.1	118.7	98.2
Total Sahel	604.1	589.8	570.3	574.6	430.3	321.1
<i>Coastal Western Africa</i>						
Benin	60.0	58.1	55.2	52.8	26.8	17.2
Ghana	60.0	59.8	59.3	124.1	98.3	80.4
Guinea	68.9	68.5	67.6	66.4	43.3	27.5
Guinea Bissau	32.4	32.1	31.1	25.7	20.6	13.4
Ivory Coast	66.2	64.0	55.8	102.0	91.8	83.0
Liberia	35.4	30.2	28.7	21.4	9.2	5.6
Nigeria	18.7	17.6	16.4	35.9	12.5	7.3
Togo	44.6	43.9	41.0	67.2	63.2	54.6
Sierra Leone	36.2	36.1	32.0	40.2	37.7	21.7
Total Coastal	422.4	410.3	387.1	535.7	403.4	310.7
Total Western Africa	1 026.5	1 000.1	957.4	1 110.3	833.7	631.8
<i>Eastern Africa</i>						
Burundi	63.2	61.0	57.4	80.7	54.7	34.3
Comores	9.6	9.4	8.7	17.0	13.3	11.0
Djibouti	4.8	4.5	4.4	7.2	5.1	4.7
Ethiopia	139.0	137.0	131.8	210.3	179.6	118.8
Kenya	85.5	85.2	83.0	106.0	88.1	68.1
Madagascar	81.2	79.5	75.9	99.0	63.7	45.6
Mauritius	22.6	19.6	17.9	21.7	12.3	8.4
Rwanda	70.0	69.2	68.3	77.9	66.4	45.0
Seychelles	3.1	3.1	3.0	7.8	4.8	3.4
Somalia	74.8	71.0	67.2	78.5	59.1	51.8
Sudan	145.9	143.4	135.6	145.7	126.3	100.5
Tanzania	133.8	132.4	122.8	135.5	94.7	73.8
Uganda	99.2	91.2	79.2	74.6	55.7	41.8
Total Eastern Africa	932.7	906.5	855.2	1 061.9	823.8	607.2
<i>Central Africa</i>						
Cameroon	72.8	67.2	63.6	84.3	68.6	48.6
Central African Republic	48.3	47.2	45.5	56.3	48.7	36.9
Congo	42.7	42.4	42.2	36.2	34.6	33.3
Equatorial	7.3	7.3	6.8	6.8	7.3	1.0
Gabon	17.7	17.6	17.2	25.0	24.2	18.3
Sao Tome & Principe	2.2	2.2	2.2	11.2	10.4	9.7
Zaire	124.0	116.7	111.5	149.0	124.3	86.2
Total Central Africa	315.0	300.6	289.0	368.8	318.1	234.0

Annex 4 (continued)

	Lomé I			Lomé II (million ECU)		
	Approved Aid	Committed Aid	Paid Aid	Approved Aid	Committed Aid	Paid Aid
<i>Caribbean</i>						
Antigua & Barbuda	–	–	–	1.0	0.3	0.1
Bahamas	1.8	1.8	1.7	2.0	1.1	0.3
Barbados	4.1	3.4	3.0	5.6	3.1	2.2
Belize	–	–	–	1.0	1.0	1.0
Dominica	4.6	4.6	4.6	7.9	7.5	7.1
Grenada	2.6	2.6	2.6	9.7	8.9	7.9
Guyana	16.9	16.9	16.8	20.0	13.2	6.6
Jamaica	21.2	19.1	15.7	34.4	17.1	11.9
St Christopher & Nevis	–	–	–	2.2	0	0
St Lucia	2.3	2.3	2.2	6.2	5.2	4.0
St Vincent & the Grenadines	–	–	–	3.6	3.4	3.0
Suriname	15.6	15.4	10.4	9.9	2.5	2.3
Trinidad & Tobago	7.7	7.4	5.1	12.1	8.4	7.0
Total Caribbean	76.8	73.5	62.1	115.6	71.7	53.4
<i>Pacific</i>						
Fidji	20.0	20.0	19.5	30.9	24.4	17.9
Kiribati	3.2	3.0	2.0	5.8	2.7	2.4
Papua New Guinea	13.1	12.7	11.7	67.6	64.3	56.9
Solomon Islands	7.6	7.6	7.6	9.8	8.7	4.8
Western Samoa	7.5	7.5	7.5	14.7	14.7	14.4
Tonga	4.7	4.7	4.6	10.8	10.0	8.1
Tuvalu	0.6	0.6	0.6	1.3	1.0	0.6
Vanuatu	–	–	–	7.7	4.9	3.0
Total Pacific	56.7	56.1	53.5	148.6	130.7	108.1
Regional Projects	303.3	291.3	256.5	447.8	325.7	210.0
All ACP & territorial Projects	33.6	32.2	30.9	3.5	3.5	2.5
Total	2 966.4	2 878.6	2 711.0	3 618.1	2 740.8	2 015.2

Annex 5

ACP States : Economic Indicators

	Total population 1984 (M)	Average annual population growth (%) 1974-84	Total Land Area (M ha)	Total Arable Land 1983 (M ha)	Total net ODA (000) \$ 1984	Cereal Imports /GNP 1984 (%)	GNP per capita 1984 (\$)	Average annual GDP per capita growth (%)** 1974-84	Total External Public Debt 1984 \$ Billions	Debt Service/ Exports % 1983
<i>Southern Africa</i>										
Botswana	1.0	4.3	60.0	1.3	92	2.0	914	6.4	0.5	2.9 ³
Lesotho	1.5	2.5	3.0	0.3	92	3.0	526	1.7	0.3	n.a.
Malawi	6.8	3.0	11.8	2.3	159	0.4	209	1.3 ⁴	0.9	28.1
Swaziland	0.7	3.4	1.7	0.1	30	1.0	805	0.0 ⁴	0.3	4.9 ³
Zambia	6.5	3.3	75.3	5.2	237	1.3	467	-2.9	0.1	17.5
Zimbabwe	8.2	3.4	39.1	2.7	292	1.0	739	-0.8	0.3	25.4
Total : Southern Africa	24.7	3.3*	190.9	11.9	902	1.6*	610*	1.0*	2.4	15.8*
<i>Western Africa Sahel</i>										
Burkina Faso	6.5	1.8	27.4	2.6	178	2.0	159	0.2	0.7	28.6
Cape Verde	0.3	1.7	0.4	0.1	59	7.8	315	n.a.	0.2	200.0 ¹
Chad	4.9	2.2	128.4	3.2	115	3.9 ³	80 ³	n.a.	0.2	0.5
Gambia	0.7	3.3	1.1	0.2	54	7.0	259	-1.4	0.3	15.5 ¹
Mali	7.3	2.5	124.0	2.0	309	9.2	144	0.8	1.4	12.9
Mauritania	1.7	2.2	103.0	0.2	109	7.1	452	-1.2	1.6	14.4 ¹
Niger	6.3	3.0	126.7	3.6	155	0.9	191	-0.7	1.0	27.9
Senegal	6.4	2.8	19.6	5.2	307	4.8	382	0.0	0.1	12.8
Total Sahel	34.1	2.4*	530.6	17.1	1 286	5.3*	247.6*	-0.4	5.5	39.1*
<i>Coastal</i>										
Benin	3.9	2.9	11.3	1.8	77	1.2	271	2.3	0.9	30.6
Ghana	13.4	3.3	23.9	2.8	221	1.6	354	-4.3	1.5	19.5
Guinea	5.9	2.0	24.6	1.6	89	2.8	304	0.8	0.3	16.0 ¹
Guinea Bissau	0.9	3.8	3.6	0.3	53	8.0	185	n.a.	1.6	15.3
Ivory Coast	9.9	4.5	32.2	4.0	128	1.9	611	-0.7	5.5	38.3
Liberia	2.1	3.3	11.1	0.4	133	4.2	468	-3.4	1.0	9.4 ¹
Nigeria	96.8	2.9	92.4	30.4	33	0.8	766	-3.8	16.9	22.4
Togo	2.9	2.8	5.7	1.4	106	3.2	251	-1.5	0.8	19.8
Sierra Leone	3.7	2.1	7.2	1.8	44	1.3	305	-0.5	0.5	10.9 ¹
Total Coastal	139.5	3.1*	212.0	44.5	884	2.8*	390*	-1.3*	29.0	20.2*
Total Western Africa	173.6	2.8*	742.0	61.5	2 170	4.1*	319*	-0.9*	34.5	29.7*
<i>Eastern Africa</i>										
Burundi	4.6	2.3	2.8	1.3	127	0.5	220	0.8	0.6	17.5
Comores	0.4 ²	n.a.	0.2	0.1	34	6.6 ³	340 ³	n.a.	0.2	4.4 ³
Djibouti	0.4	5.9	2.2	0.001	59	3.3 ³	1 050 ³	n.a.	0.2	12.6
Ethiopia	42.0	2.7	122.2	13.9	363	2.0	114	-0.6	2.2	20.2
Kenya	19.7	4.1	58.3	2.3	380	2.1	301	-0.4	3.9	31.3
Madagascar	9.7	2.6	58.7	3.0	163	1.6	268	-2.6	2.1	25.9
Mauritius	1.0	1.3	0.2	0.1	32	3.6	1 096	2.0	0.5	20.1
Rwanda	5.9	3.4	2.6	1.0	159	0.5	274	1.9	0.5	4.3
Seychelles	0.1	1.0	0.03	0.01	15	1.5 ²	2 429 ²	n.a.	0.1	13.4
Somalia	5.2	2.8	63.8	1.0	334	6.1	260	-1.6	1.6	16.6
Sudan	21.5	3.2	250.6	12.4 ²	500	1.4	343	1.5	6.2	14.4 ¹
Tanzania	21.5	3.4	94.5	5.2	541	0.2	208	-1.8 ⁴	0.1	15.4
Uganda	14.3	2.9	23.6	6.3	165	0.1	230	-3.4	0.1	21.6
Total Eastern Africa	146.3	3.0*	679.7	46.6	2 872	2.3*	548*	-0.4*	18.3	16.7*

Annex 5 (continued)

	Total population 1984 (M)	Average annual population growth (%) 1974-84	Total Land Area (Mha)	Total Arable Land 1983 (Mha)	Total net ODA (000) \$ 1984	Cereal Imports /GNP 1984 (%)	GNP per capita 1984 (\$)	Average annual GDP per capita growth (%)** 1974-84	Total External Public Debt 1984 \$ Billions	Debt Service/ Exports % 1983
<i>Central Africa</i>										
Cameroon	9.9	3.1	47.5	7.0	177	0.3	810	3.8	2.4	25.0 ¹
Central African Republic	2.5	2.4	62.3	1.9	112	1.0	270	-1.8	0.3	15.9
Congo	1.8	3.2	34.2	0.7	85	1.1	1 122	4.8	1.8	19.8
Equatorial Guinea	0.4	1.7	2.8	0.2	15	n.a.	n.a.	n.d	0.1	12.3
Gabon	0.8	1.5	26.8	0.5	73	0.4	3 479	-5.7	1.0	14.2
Sao Tome & Principe	0.1	2.4	0.1	0.03	11	5.5	333	n.a.	n.a.	n.a.
Zaire	30.6	2.6	234.5	6.5	316	1.3	138	-3.6	4.5	9.1
Total Central Africa	46.1	2.4*	408.2	16.8	789	1.6*	1 025*	-0.5*	10.1	16.0*
<i>Caribbean</i>										
Antigua & Barbuda	0.1	1.2	0.04	0.01	n.a.	1.4	834	2.3	n.a.	n.a.
Bahamas	0.2	2.0	1.4	0.01	1 ²	0.5	4 256	n.a.	0.1	2.3
Barbados	0.3	0.4	0.04	0.03	6	1.3	4 342	1.6	0.4	6.7
Belize	0.2	1.9	2.2	0.1	14	0.8	1 147	1.2	0.1	2.5
Dominica	0.1	1.2	0.1	0.02	n.a.	3.0	1 078	2.3	n.a.	n.a.
Grenada	0.1	-1.0	0.03	0.01	7 ²	2.2	882	2.8	0.04	19.0
Guyana	0.8	0.6	21.5	0.5	0.7	10.0	578	-3.0	0.8	34.0
Jamaica	2.3	1.3	1.0	0.3	166	3.5	1 084	-2.4	2.9	36.7
St Christopher & Nevis	0.1	0.5	0.04	0.01	n.a.	2.2	1 390	4.8	n.a.	n.a.
St Lucia	0.1	1.5	0.1	0.02	n.a.	2.5	1 130	2.9	n.a.	n.a.
St Vincent & the Grenadines	0.1	1.2	0.03	0.02	n.a.	5.0	900	3.5	0.03	3.5
Suriname	0.4	0.1	16.3	0.06	5	0.6	3 523	n.a.	n.a.	n.a.
Trinidad & Tobago	1.2	0.9	0.5	0.15	5	0.9	7 138	n.a.	1.1	9.5
Total Caribbean	6.0	0.9*	43.3	1.2	204.7	2.6*	2 252*	1.6*	5.5	14.3*
<i>Pacific</i>										
Fidji	0.7	1.8	1.8	0.23	31	1.6	1 844	0.5	0.3	20.1 ¹
Kiribati	0.1	1.6	0.9	0.03	12	5.2	458	n.a.	n.a.	n.a.
Papua New Guinea	3.3	2.1	46.2	0.37	316	1.7	763	-2.0	1.2	14.9
Solomon Islands	0.3	3.5	2.8	0.05	18	1.0 ²	640 ²	n.a.	0.1	0.1
Western Samoa	0.2	0.8	0.3	0.12	16	n.a.	n.a.	n.a.	0.1	19.0
Tonga	0.1 ²	1.8	0.1	0.05	15	2.6 ²	780 ²	n.a.	n.a.	n.a.
Tuvalu	0.01	n.a.	0.002	n.a.	5	n.a.	n.a.	n.a.	n.a.	n.a.
Vanuatu	0.1	2.9	1.4	0.1	24	n.a.	n.a.	n.a.	0.01	1.3
Total Pacific	4.8	2.1*	53.5	1.0	437	2.4*	897*	-0.8*	1.71	11.1*
Total ACP	401.6	2.5*	2 118.2	139.1	7 375	2.7*	853*	-0.1*	72.5	19.0*

Source : Cronos Databank

¹ 1984² 1983³ 1982⁴ 1974-1983 average

* average

n.a. = not available

** Calculated using constant prices

Comparative statistics : European 12 Average annual population growth rate 1974-84 : 0%

Source : European economy 1985

GNP per capita average : \$U.S. 7 711

1983. Source : World Bank

Annex 6

Development Indicators – EDF Projects financed under Lome I and II

	Transportation	Health			Agriculture				Processing plants (no.)	Education			Water Supply
	Roads (km)	Hospitals (no.)	(no. of beds)	Clinics, Health Centres (no.)	Plantation Development/ Rehabilitation (h.a.)					Schools (student capacity)*	Primary	Secondary	Higher
					Palm Oil	Tea	Coffee/Cocoa	Fruit					
<i>Southern Africa</i>													
Botswana	354									2350	4350		1
Lesotho	189			14						1500			
Malawi	201	3	556	3								356	1
Swaziland												1200	
Zambia	162			10		1200			1				1
Zimbabwe				64			300	1,370		300		500	2
Total Southern Africa	906	3	556	91	-	1200	300	1,370	1	4150	4350	2056	5
<i>Western Africa Sahel</i>													
Burkina Faso	710			1									2
Cape Verde													
Chad	2228	2	300	95							3000	300	1
Gambia	170											360	1
Mali	363	1	150								2170		
Mauritania	265	3	156							2300	480		
Niger	624			35						15500	11060		1
Senegal	188	1	150							3750	1792		
Total Western Sahelian Africa	4548	7	756	131	-					21550	18502	660	5
<i>Coastal</i>													
Benin	111			1									
Ghana	99				12700				1				
Guinea		1	500	1							780	300	
Guinea Bissau	75			1							760		
Ivory Coast	10										500		1
Liberia		1	150	4	10300		40000	2300				300	
Nigeria													1
Sierra Leone	117											1933	
Togo	470												
Total Western Coastal Africa	882	2	650	7	23000		42300		1		2040	2533	2
Total Western Africa	5430	9	1406	138	23000		42600		1	21550	20542	3193	7
<i>Central Africa</i>													
Cameroon					6300								1
Central African Republic	610			6	2500		64000					530	
Congo	77	1	82										1
Equatorial Guinea													
Gabon								350					
Sao Tome & Principe		1	266	1	500			2500					
Zaire	197				5410	620						2500	1
Total Central Africa	884	2	348	7	14710	620	64000	2850				3030	3

Annex 6 (continued)

	Trans- portation	Health			Agriculture				Processing plants (no.)	Education			Water Supply
	Roads (km)	Hospi- tals (no.)	(no. of beds)	Clinics, Health Centres (no.)	Plantation Development/ Rehabilitation (h.a.)					Schools (student capacity)*	Pri- mary	Secon- dary	High- er
					Palm Oil	Tea	Coffee /Cocoa	Fruit					
<i>Eastern Africa</i>													
Burundi	74	5	344			3 450			3			208	
Comores													1
Djibouti		1	150									100	
Ethopia	276	2	160				36 000					210	
Kenya	32			16									
Madagascar	150	21	500	20	1 145						3 520		
Mauritius	10												
Ruanda	200								2			450	
Seychelles		1	76										1
Somalia								185					
Sudan	257				5 275				1		972	500	
Tanzania	408	1	469				359 720					240	5
Uganda	112			10									1
Total Eastern Africa	1 510	31	1 699	46	6 420	2 450	395 720	185	6		4 492	1 708	8
<i>Caribbean</i>													
Antigua & Barbuda	27												1
Bahamas				3					1				1
Barbados								10			900	150	
Belize												375	
Dominica	57							280					
Grenada	33												
Guyane	22												
Jamaica				1				2 000		6 125			
St Christopher & Nevis	57									530			1
St Lucia	35							300					
St Vincent & the Grenadines	17	1	140	2								160	
Suriname	10												
Trinidad & Tobago				1									1
Total Caribbean	258	1	140	7				2 590	1	6 655	900	685	3
<i>Pacific</i>													
Fiji	212						10 000					90	
Kiribati													
Papua New Guinea	73						100						
Salomon Islands												60	
Tonga													
Tuvalu													
Vanuatu													
Western Samoa													
Total Pacific	285						10 100					150	
Regional Projects total	887										360	10 575	
Total ACP	10 169	53	4 149	289	44 130	4 270	512 420	6 995	9	32 355	30 644	21 397	25

Note : See Chapter 3 section 3.3. page 67 for discussion of development indicators.

Source : Internal E.C. documents : Financing proposals and conventions

* Covers increases in student capacity associated with construction and rehabilitation of schools.