

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(81) 586 final

Brussels, 20 October 1981

## COMMISSION REPORT TO THE COUNCIL

on the operation in 1980 of the export earnings stabilization system

set up by the decision on the association of the OCT with the EEC

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1. Under Article 27 of the Internal Agreement on the financing and administration of Community aid, the Commission is required to draw up each year for the Member States a comprehensive report on the operation of the export earnings stabilization system and the use made by the OCT of the funds transferred, indicating in particular the effect of the system on the economic development of the recipient countries and on the trend of external trade.
2. This report relates to the application, in respect of 1980, of the export earnings stabilization system set up by the Council Decision of 16 December 1980 on the association of the overseas countries and territories with the European Economic Community.

The report will describe :

- (i) general developments since the previous report;
- (ii) the results of the first year of application of the system;
- (iii) the effect of the transfers on the economic development of the recipient countries and on the trend of external trade.

#### I. GENERAL DEVELOPMENTS

3. 1980 was the first year of application of the new system, all the changes introduced by the Decision of 16 December 1980 having entered into force. These changes have been set out in considerable detail in earlier ACP reports; it is not considered necessary therefore to describe them again in this report.

With regard to the overseas countries and territories, the 1979 Internal Agreement retains the provisions of the preceding Agreement in respect of the ACP States which were formerly OCT and became independent subsequent to the signing of the Lomé Convention.

Under Article 1(5) of that Agreement, these countries will continue to be eligible for the funds provided for in Article 1(3)(c) for stabilization of the OCT's export earnings.

These provisions currently apply to two countries : Saint Vincent and the Grenadines and Vanuatu. However, a number of ACP states which were formerly eligible for the funds in question during the period of application of the 1976 Decision are now signatories to the Second Lomé Convention and are therefore no longer covered by the Decision of 16 December 1980.

4. The mechanism of cooperation with the overseas countries and territories as described in the annual reports for 1975 to 1979 has continued to function satisfactorily.
5. Under Article 38(3) of the Decision, information concerning the use made of the resources transferred in 1980 will be sent to the Council at a later date.

#### II. FIRST YEAR OF APPLICATION OF THE SYSTEM SET UP BY THE DECISION OF 16 DECEMBER 1980

6. The Commission has received, for 1980, four requests for transfers from the OCT allocation. Three of these requests were submitted by ACP States : Saint Vincent and the Grenadines for bananas and Vanuatu for cupua products and cocoa beans.

The fourth request was submitted by French Polynesia in respect of export earnings from coconut oil.

- 7. This request had to be rejected because of the surplus in exports of the product in question to all destinations.
- 8. The other three requests were admissible under the terms of the second Lomé Convention.

However, Vanuatu's request in respect of cocoa was only accepted on the basis of a loss of earnings incurred on exports of this product to all destinations.

- 9. By a Commission Decision of 28 October 1980, an advance of 700,000 ECU, to be deducted from the final transfer, was granted to Saint Vincent and the Grenadines following the destruction of the banana crop by hurricane Allen.
- 10. In all, the results of the first year of application of the Decision are as follows :

<u>OCT</u>	<u>Product</u>	<u>Amount of transfer in ECU</u>
French Polynesia	Coconut oil	Request rejected
<u>ACP</u>		
Saint Vincent	Bananas	913,286
Vanuatu	Copra products	3,776,616
"	Cocoa beans	410,207
		<u>5,100,009</u>

- 11. The two States in question received non-repayable transfers. For 1980, all the transfers were therefore made as grants.
- 12. The transfers concerned three products : bananas (18 %), copra products (74 %) and cocoa beans (8 %).  
  
These three transfers offset losses in earnings resulting from local circumstances.
- 13. With regard to replenishment of resources, the Commission, in accordance with Article 23(3) of the Decision of 29 June 1976 and the practical arrangements set out in the exchange of letters accompanying each transfer, obtained the necessary information concerning the transfers received, for the years 1975 to 1979, by the OCT which had undertaken to contribute to the replenishment of those resources. The transfers in question are those made during this period to Belize and Kiribati, Vanuatu having already replenished the entire amount of the two transfers which it received in 1975 and 1976.
- 14. In the case of these two countries, the replenishment conditions were not met for 1980.
- 15. With regard to transfers made for 1975, the Council, acting unanimously on a Commission proposal and taking into consideration in particular the si-

tuation of and prospects for the balance of payments, exchange reserves and indebtedness of the OCT concerned, will have to decide whether the sums outstanding are to be replenished wholly or partially, in one or more instalments, or whether rights to repayment are to be waived.

These sums for 1975 involve a transfer to Belize, 56 % (78,517 ECU) of which has not been replenished, and a transfer to Kiribati of 1,200,321 ECU, of which only 528,240 ECU has been repaid under the replenishment terms.

The Commission, in accordance with Article 23(4) of the Decision, will present a proposal to the Council accordingly.

16. The situation concerning the Stabex funds allocated to the OCT for the year of application 1980 is as follows :

Annual instalment	1,800,000 ECU
1980 replenishment	-
Carry-over of half the balance at the expiry of the Council Decision of 29 June 1976 on the association of the OCT with the EEC (Council Decision 80/679 of 15-16 December 1980)	<u>4,587,997 ECU</u>
Total available	6,387,997 ECU
Total transfers	- <u>5,100,109 ECU</u>
Balance	1,287,888 ECU

### III. EFFECT OF THE TRANSFERS ON THE ECONOMIC DEVELOPMENT OF THE COUNTRIES CONCERNED AND USE OF THE TRANSFERS

17. The impact of the 1980 transfers on the economies of the recipient countries may be assessed initially on the basis of the following two criteria :

i) the size of the transfer in relation to total export earnings (all products, all destinations, for 1979, expressed in ECU) :

Saint Vincent and the Grenadines	8.86 %
Vanuatu	13.84 %

ii) the size of the transfer in respect of a given product compared with total earnings from exports to all destinations of the product concerned for 1980 :

Saint Vincent and the Grenadines / bananas	20.49 %
Vanuatu / cocoa beans	41.62 %
Vanuatu / copra	53.90 %

18. These statistics confirm the volume of the substitution flows, for the sectors in question, provided by the system. To gain a fuller idea of the effects of the transfers, it will be necessary to await the utilization reports which the countries concerned are due to send to the Commission in 1982.

19. It will be remembered that, under Article 41(2) of the second Lomé Convention, prior indications concerning the transfers have been provided and appear in the comprehensive report, which can be referred to, on the application of the system to the ACP States.

20. With regard to the transfers made during the period of application of the 1976 Decision, the Commission is assembling the utilization reports corresponding to the last year of application 1979 as well as delayed reports concerning the preceding years. These reports will be forwarded to the Council at the same time as the other ACP reports since, with the exception of the Belize report, they all concern countries which have become ACP States.

Breakdown of the 1980 transfers by currency requested

ACP State covered by OCT allocation	Product	Amount of payment in ECU	French francs	Pounds sterling
Saint Vincent Vanuatu	Bananas	913,286		X
	Copra products	3,776,616	X	
Vanuatu	Cocoa beans	410,207	X	
			82 %	18 %

100 % of the transfers non-repayable

100 % of the transfers in respect of products affected by local circumstances.

STABILIZATION OF EXPORT EARNINGS  
STABILISATION DES RECETTES D'EXPORTATION

ANNEXE 2

INFORMATION OF THE COMMISSION CONCERNING THE USE OF THE RESOURCES TRANSFERRED  
INFORMATION DE LA COMMISSION SUR L'UTILISATION DES RESSOURCES TRANSFEREES  
(Article 20 of the Lomé Convention)  
(Article 20 de la Convention de Lomé)

<p>1. Under Article ..... of the Transfer Agreement n° 1/77/BEL/Stabex signed on 17th July, 1977, the present report has to be sent, by the ..... at the latest, to the following address :</p> <p>The Director General Directorate-General for Development 200, rue de la Loi B-1049 Bruxelles Belgium</p> <p>2. Reminder of the data relating to the transfer</p> <p>21. Country : Belize</p> <p>22. Authority entitled to inform the Commission :</p> <p>The Territorial Authorising Officer (&amp; Deputies) Central Planning Unit, Belmopan, Belize, Central America.</p> <p>23. Year : 1977</p> <p>24. Date of receipt of the transfer : August 1978.</p> <p>25. Amount of the transfer :</p> <ul style="list-style-type: none"> <li>- in EUA : 202,714</li> <li>- in Belgian francs :</li> <li>- in Danish crowns :</li> <li>- in German marks :</li> <li>- in French francs :</li> <li>- in Italian liras :</li> <li>- in Dutch guilders :</li> <li>- in Pounds sterling : 100%</li> </ul>	<p>1. Aux termes de l'article ..... de la Convention de transfert n° ..... signée le ....., le présent rapport est à envoyer pour le ..... au plus tard, à l'adresse suivante :</p> <p>Monsieur le Directeur Général Direction Générale du Développement 200, rue de la Loi B-1049 Bruxelles Belgique</p> <p>2. Rappel des données relatives au transfert</p> <p>21. Pays :</p> <p>22. Autorité habilitée à informer la Commission :</p> <p>23. Année :</p> <p>24. Date de réception du transfert :</p> <p>25. Montant du transfert :</p> <ul style="list-style-type: none"> <li>- en UCE :</li> <li>- en francs belges :</li> <li>- en couronnes danoises :</li> <li>- en deutsche marks :</li> <li>- en francs français :</li> <li>- en liras italiennes :</li> <li>- en florins :</li> <li>- en livres sterling :</li> </ul>
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3. UTILIZATION OF FOREIGN CURRENCY

3. UTILISATION DES DEVISES

Date Date	Amount Montant	Spending authority Autorité dépensière	Utilization of goods or services acquired Utilisation du bien ou service acquis
Delivery awaited	Bz\$21,551.40	The Ministry of Trade and Industry, Department of Forestry, Belmopan, Belize, C/A.	
June 1979	Bz\$51636.38	_____ ditto _____	To support programme to develop revenue generating activities within the Department of Forestry.
December 1978	Bz\$25,000	_____ ditto _____	
December 1978	Bz\$200000	The Banana Control Board, Big Creek, Independence, Belize, C.A.	To cover deficit of B/C.B. during 1978 & 1979.
TOTAL	Bz\$298,187.78		

Balance not yet utilized : Bz\$1812.22

Expected utilization of the balance (1) :

To finance the purchase of small workshop  
tools for the department of Forestry's workshop in Belmopan.

(1) The utilization of the balance will form the subject  
of a complementary report.

Reliquat non encore utilisé :

Utilisation envisagée du reliquat (1) :

(1) L'utilisation du reliquat fera l'objet d'un rapport complé-  
mentaire.



## 4. DESTINATION OF PURCHASES MADE WITH FOREIGN CURRENCIES

## 4. DESTINATION DES ACHATS SUR DEVISES

Date Date	User authority Autorité utilisatrice	Goods or service Bien ou service	Subject (1) Objet (1)
<p>Delivery awaited</p> <p>June 1979</p> <p>Dec. 1979</p>	<p>Ministry of Trade &amp; Industry (Department of Forestry) Belmopan, Belize, C.A.</p>	<p>Saw sharpening equipment</p> <p>Re-saw machine (Stenner VHL 4B)</p> <p>Flatbed truck (International)</p>	<p>To assist in the development of revenue generating projects at the Forestry Department's workshop in Belmopan. Project currently being implemented; the work shop produces furniture which is sold on the local market. Expansion is envisaged in future and furniture may be exported to regional markets.</p>
<p>Dec. 1978</p>	<p>The Banana Control Board, Big Creek, Independence, Belize, C.A.</p>	<p>No specific purchases. Transfer used to off-set Board's deficit during 1978 and 1979.</p>	<p>The Board is expected to achieve viability within the next three years when plans for the expansion of the area under cultivation are implemented.</p>

(1) In case of projects : in case of national projects or projects financed by aid donors, please join a summary note indicating all useful data relating to the project and, in particular, its state of progress.

S'il s'agit de projets : s'il s'agit de projets nationaux ou financés par des donateurs d'aide, prière de joindre en annexe un résumé de toutes les données utiles relatives au projet, et notamment son état d'avancement.

5. IF THE GOODS PURCHASED ARE SOLD :

5. SI LES BIENS ACHETES SONT VENDUS :

ASSIGNMENT OF COUNTERPART FUNDS (Funds originating in the sale of goods which have been acquired by means of the transfers)  
AFFECTATION DES FONDS DE CONTREPARTIE (Fonds provenant de la vente des biens acquis au moyen des transferts)

Date Date	Amount Montant	Authority responsible for the decision Autorité responsable de la décision	User authority Autorité utilisatrice	Subject (1) Objet (1)
NOT APPLICABLE: NO GOODS HAVE BEEN OR ARE GOING TO BE SOLD/ " " " " " "				
TOTAL				

Balance not yet utilized :

Expected utilization of the balance (1) :

Reliquat non encore utilisé :

Utilisation envisagée du reliquat (1) :

(1) The utilization of the balance will form the subject of a complementary report.

(1) L'utilisation du reliquat fera l'objet d'un rapport complémentaire.

6. DATA CONCERNING THE ANTICIPATED EFFECTS

6. INDICATIONS SUR LES EFFETS ESCOMPTEES

61. On the sector which gave rise to the transfer :

Sur le secteur qui a provoqué le transfert :

Production in the forestry sector generally improved during 1979. New areas have been opened up in the south of Belize and this is expected to at least enable exports to remain at their present levels and for overall production to remain at around 15,000 metric tons.

The transfer to the Panama Control Board has provided valuable assistance in bridging a period during which the Board is making losses. The current transfer helped take pressure off the central treasury during 1978 and 1979. When existing plans for implementation are implemented the BCB is expected to become financially viable.

62. On the other sectors of the national economy :

Sur les autres secteurs de l'économie nationale :

The funds allocated to the Forestry Department's workshop will help create employment in the area of Belmopan. In addition there will be a small contribution to the effort to save foreign exchange as the production in the workshop replaces imports. The activities of the workshop will also be a valuable aid to establishing a domestic furniture industry and will also serve as an important demonstration centre.

The transfer to the BCB has been valuable in covering the Board's deficits during 1978 and 1979. The transfer has helped relieve pressure on the central treasury at a time of acute shortage of funds.

63. On foreign exchanges :

Sur les échanges extérieurs :

Although the transfer to the Forestry is for revenue generating projects the impact on foreign exchange balances of the project is likely to be insignificant for the foreseeable future.

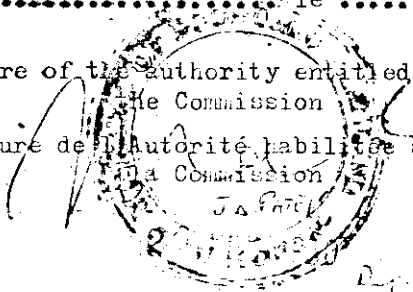
When existing expansion plans are implemented in the Panama industry the value of exports is likely to increase substantially. The full effect of this is likely to be felt in about 3 years.

Done at ..... Belmopan ..... on ..... 26 February ..... 19 80

Fait à ..... le ..... 19

Signature of the authority entitled to inform the Commission

Signature de l'Autorité habilitée à informer la Commission



2 FEB 1980

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