

COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMISSION REPORT TO THE COUNCIL
ON THE ADMINISTRATION OF FINANCIAL AND TECHNICAL COOPERATION
IN 1979 UNDER DECISION 76/568/EEC ON THE ASSOCIATION
OF THE OVERSEAS COUNTRIES AND TERRITORIES
WITH THE EUROPEAN ECONOMIC COMMUNITY

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INTRODUCTION

Pursuant to Article 29 of Decision 76/568/EEC of 29 June 1976 on the association of the overseas countries and territories with the European Economic Community,¹ on 19 November 1979 the Commission presented a report on the administration of financial and technical cooperation covering 1976, 1977 and 1978.

This report was presented to the Council for information in March 1980, following examination and approval by the appropriate Council bodies. It outlined the main features of Decision 76/568/EEC and indicated the principles and procedures governing its application.

Consequently, it did not seem necessary to repeat this general information in the present report relating to financial and technical cooperation for 1979, as the facts stated in the report already approved by the Council remain unchanged.

The present report notes the change in the geographical scope of the Decision, describes the financial implications of this and lists the projects carried out during the year; it mentions the acts adopted by the Council in February, which follow on the new developments in 1979 concerning the application of Decision 76/568/EEC and therefore belong logically with them in the presentation of the facts.

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¹ Official Journal of the European Communities No. L 176 of 1 July 1976, p. 8.

I. GEOGRAPHICAL SCOPE OF THE DECISION

As described in the report relating to the preceding years, the geographical scope of Decision 76/568/EEC has narrowed as some of the OCT originally listed in the Annex to this Decision have become independent.

In 1979 more OCTs became independent and acceded to the Lomé Convention as ACP States in accordance with the procedure laid down in Article 89 of the Convention.

- A. For each of these cases, the Commission first of all proposed to the Council provisional measures enabling the arrangements laid down by Decision 76/568/EEC to be maintained over the period during which the OCT had already become independent but had not yet submitted to the General Secretariat of the Council their application for accession to the Lomé Convention;

For each of these former OCT, the following legal acts making the various aspects of the Lomé Convention applicable to the countries concerned were then adopted on a proposal from the Commission:

- i. transfer of resources within the fourth EDF, from the OCT allocation to the ACP allocation;
- ii. amendment of the list of OCT in the text of Decision 76/568/EEC;
- iii. amendment of the list of least developed ACP States;
- iv. Council declaration concerning the application of Stabex;
- v. adaptation of Council Regulation (EEC) No 706/76 on agricultural products and processed products;
- vi. declaration on the application of the ECSC Agreement.

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- B. In 1979, the acts listed above were adopted in respect of the following OCT:
- i. Saint Lucia, which became independent on 22 February 1979;
 - ii. Gilbert Islands, which became independent under the name of Kiribati on 12 July 1979;
 - iii. Saint Vincent, which became independent on 27 October 1979 under the name of Saint Vincent and the Grenadines.
- C. The Council approved the provisional measures relating to Saint Lucia on 23 March 1979, then began examination of the various legal acts listed above under A.

On 1 August 1979 it also approved the provisional measures relating to Kiribati. The legal acts relating to Kiribati were examined at the same time as those relating to Saint Lucia, as proposed by the Commission in view of the similarity of these acts and with the aim of grouping together the presentation of the texts and the amended figures in respect of these two countries.

- D. On 5 February 1980 the Council adopted all the texts relating to these two former OCT, namely:
- i. Council Regulation (EEC) No. 279/80 of 5 February 1980 amending the list of countries and territories in Regulation (EEC) No. 706/76 on the arrangements applicable to agricultural products and certain goods resulting from the processing of agricultural products originating in the African, Caribbean and Pacific States or in the overseas countries and territories;¹
 - ii. Council Decision 80/160/EEC of 5 February 1980 adjusting the amounts made available to the European Development Fund (1975) for the ACP States and for the overseas countries and territories and the French overseas departments;²

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¹ OJ of the European Communities No. L 31, 8.2.1980, p. 1

² OJ of the European Communities No. L 35, 12.2.1980, p. 22

- iii. Council Decision 80/161/EEC of 5 February 1980 adjusting Decision 76/568/EEC on the association of the overseas countries and territories with the European Economic Community;¹
- iv. Council Decision 80/162/EEC of 5 February 1980 on the association of the overseas countries and territories with the European Economic Community;²
- v. Decision 80/163/ECSC of the representatives of the Governments of the Member States of the European Coal and Steel Community, meeting within the Council, of 5 February 1980, on the opening of tariff preferences for products within the province of that Community originating in the overseas countries and territories associated with the Community.³

II. FINANCIAL IMPLICATIONS OF THE CHANGES IN STATUS

- A. The financial transfers within the fourth EDF were effected under Decision 80/160/EEC. The principle adopted for calculating these transfers was that the amounts already committed under the indicative programmes relating to Saint Lucia and Kiribati should be kept in the OCT allocation, whereas sums not yet committed by the Commission but earmarked under these programmes should be transferred to the ACP allocation (principle applied previously in similar circumstances).

In addition, with the agreement of the European Investment Bank, part of the risk capital allocated to the OCT under Decision 76/568/EEC was transferred from the OCT allocation to the ACP allocation. This transfer to the ACP allocation was a comprehensive one made on the understanding that although it was affected as part of the operations involving Saint Lucia and Kiribati it would cover all the OCT which have acceded to the Lomé Convention since 1976. The amount of risk capital transferred was 2 million EUA.

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¹ OJ of the European Communities No. L 35, 12.2.1980, p. 24

² OJ of the European Communities No. L 35, 12.2.1980, p. 26

³ OJ of the European Communities No. L 35, 12.2.1980, p. 27

Consequently, the allocations for the OCT were reduced to 85 064 500 EJA, broken down as follows:

1.	grants	:	28 137 500 EJA
2.	special loans	:	23 915 000 EJA
3.	risk capital	:	2 000 000 EJA
4.	reserve	:	11 012 000 EJA
5.	Stabex transfers	:	20 000 000 EJA

- B. On 7 November 1979 the Commission transmitted to the Council a recommendation for a decision concerning the provisional application to Saint Vincent and the Grenadines of the arrangements provided for by Decision 76/568/EEC pending the accession of this now independent country to the ACP-EEC Convention of Lomé. This decision on transitional measures was adopted by the Council on 18 December 1979.

It was not considered necessary to propose transfers within the fourth EDF, unlike in the cases described above, since almost the entire indicative programme for Saint Vincent had already been committed; the Council authorities accepted this view, put to them by the Commission's departments.

Still in the period under consideration, on 26 November 1979 an application for accession to the Convention was submitted by the authorities of Saint Vincent and the Grenadines. The Community and the ACP authorities immediately began an examination of the application but it was not until early in 1980 that accession to the Convention was deemed to have been approved (Decision 2/80 of the ACP-EEC Council of Ministers of 7 February 1980).

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III. APPLICATION OF THE DECISION IN 1979

(a) Financing decisions

The commitments entered into in 1979, amounting to a total of 16 307 000 EJA, come solely from the resources of the European Development Fund administered by the Commission. Total commitments since the entry into force of the Decision amount to nearly 44 million EJA, i.e. 52% of the present allocation of 85 million EJA. These commitments for the OCT are less satisfactory than commitments in respect of the ACP States since, at the same date of 31 December 1979, 73% of the resources available for the ACP had been committed. This situation is mainly the result of the fact that programming for the OCT took place at a much later date.¹

Almost all the financing operations (98%) carried out in 1979 belonged to the context of the indicative programmes, since Stabex - which, strictly speaking, does not come under the heading of financial and technical cooperation - had only a marginal role to play in 1979. Grants accounted for 70% of commitments and special loans on very favourable terms for a little less than 30%.

Sectoral breakdown of commitments

Social development

In 1979 the social development sector came top of the list by a wide margin with almost 7 million EJA, equivalent to 42% of the total amount of the financing.

Training is obviously one of the fundamental components of social development. During the year study awards were granted to nationals of Netherlands territories (84) and United Kingdom territories (5). No award was granted to nationals of French territories, since the funds earmarked for this purpose under their multiannual programme had run out. The Commission decided, however, to finance a training project in New Caledonia for an amount of 400 000 EJA.

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¹ See Report for 1976-77-78, p. 8.

The aim of this project is to help those members of the population of the interior and of the islands who are already engaged in economic activity but want to improve their living and working conditions. The training will take the form of seminars and will be provided by the Chamber of Commerce and Industry, which was chosen for this purpose since it is a public body with responsibilities in the spheres of training and technical assistance. The scheme will benefit about 9 000 people, belonging to six different ethnic groups.

Half of the funds earmarked for social development in 1979 were allocated to the building of a hotel school on Aruba (Netherlands Antilles). The formula is a valuable one for a social project, combining the building of a hotel school with a possible intake of 250 students and a small hotel annex consisting of 50 rooms. The aim of this project is to combine practice with theory, this being the most effective means of ensuring that the training meets actual requirements.

The other decisions taken in the social sector relate to a project for the building of junior secondary schools in Belize (special loan of 1 250 000 EJA) and the Saint Vincent Sanitary Organization improvement project (grant of 810 000 EJA).

If the overall amount of the commitments made since the entry into force of the Decision is considered, social development only narrowly achieves first place in front of economic infrastructure, these two sectors accounting for 53.6% of the financing (27.6% and 26% respectively).

Economic infrastructure

This sector took second place in 1979 with total commitments amounting to 5 792 000 EJA. Although economic infrastructure includes not only roads and bridges but also civil aviation, railways, ports and river transport, it was the first of the above sub-sectors, i.e. roads, which easily topped the list in 1979, with commitments exceeding 4.5 million EJA. The projects financed relate to New Caledonia (Azareu-Coula road: 2 100 000 EJA in a combined form of financing - grant and special loan), St Kitts (road repairs: grant of 1 380 000 EJA), Wallis and Futuna (Poi-Tuafata road: grant of 665 000 EJA) and Montserrat (Trant's road: grant of 360 000 EJA).

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During the year two contributions were made to Belize for economic infrastructure, one for the international airport (special loan of 500 000 EJA) and the other for Radio Belize (special loan of 420 000 EJA).

Rural production

Out of total commitments of 2 696 000 EJA (16.5% of the total commitments), a single project amounting to 1 800 000 EJA accounts for 66% of the financing in this sector. It relates to a water supply and distribution operation in Martinique (Manzo-Crève Coeur). The ultimate objective, however, is rural development since the aim is to increase and diversify agricultural production and develop stock-farming by supplying water for 4 000 hectares of land.

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The three sectors of social development, economic infrastructure and rural production account for almost all (94%) of the commitments made in 1979 since no commitment was made from the funds administered by the EIB for the industry and tourism sectors.

If the overall amount of the commitments made - apart from Stabex - since the entry into force of the Decision is broken down into its constituent parts, social development becomes top of the list with 34.7%, followed by economic infrastructure with 32.7% and the development of production with 24.4%, of which 18.2% for rural production.

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	<u>'000 EJA</u>	<u>%</u>
Social development	12 118	34.7
Economic infrastructure	11 407	32.7
Development of production	8 509	24.4
of which:		
Industry	1 345	
Tourism	800	
Rural pro- duction	6 364	
Other	2 847	8.2
	<u>34 881</u>	<u>100.0</u>

Although Stabex is not, strictly speaking, part of financial and technical cooperation, it is nevertheless worth pointing out that from the time the OCT Decision entered into force up to the end of 1979, payments made (for the financial years 1975 to 1978) in respect of seven countries or territories¹ amounted to 8 991 000 EJA, i.e. 20.5% of the total amount contributed.

The conditions giving rise to reconstitution of the reserves were fulfilled in 1978 in respect of the two transfers to the New Hebrides.

In accordance with the provisions of Article 1 (5) of the Internal Agreement on the financing and administration of Community aid, the OCT which have become independent and have acceded to the Lomé Convention are still covered by the OCT Stabex allocation.

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¹ Table IV

(b) Financial implementation:

Financing agreements

In 1979 twelve new financing agreements were signed with the authorities of the OCT, for a total of 9 770 000 EJA.

Invitations to tender

In 1979 five invitations to tender were issued in the OCT under the fourth EDF, for a total of 4 532 000 EJA. The breakdown of these invitations to tender is as follows:

- i. two invitations to tender for supplies, for an aggregate amount of 602 828 EJA;
- ii. one invitation to tender standard procedure for works, for an amount of 2 640 000 EJA;
- iii. two invitations to tender expedited procedure for works, for a total of 1 290 500 EJA.

Disbursements

Disbursements made under the fourth EDF in 1979 amounted to 8.8 million EJA (of which 4 million EJA under the OCT Stabex), broken down as follows:

- i. 631 000 EJA for the Netherlands OCT;
- ii. 4 341 000 EJA for the French OCT;
- iii. 3 851 000 EJA for the United Kingdom OCT.

These figures bring the total amount of disbursements to the OCT since the entry into force of the fourth EDF to 17 061 000 EJA, of which 8.2 million EJA for Stabex. This aggregate amount corresponds to about 16% of the OCT allocation.

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Commission delegations

Most of the overseas countries and territories, with the exception of the Netherlands Antilles, which has its own Commission delegation, are attached to delegations established in nearby ACP States. Those delegations accordingly have competence on a regional basis for the preparation, supervision and execution of EDF-financed projects in the countries and territories concerned.

The New Hebrides, New Caledonia, French Polynesia, Wallis and Futuna Islands, Pitcairn and Brunei come under the Fiji delegation; St. Kitts-Nevis, Anguilla, Antigua, Montserrat and the British Virgin Islands come under the Barbados delegation, and Belize, the Cayman Islands, and the Turks and Caicos Islands under Jamaica, while the South Atlantic OCT come under the delegation in Trinidad and Tobago.

In addition, in 1979 a number of overseas countries and territories gained their independence and acceded to the Lomé Convention as ACP States; as such, they were attached to existing delegations. Kiribati (formerly the Gilbert Islands) and the Solomon Islands were attached (1978) to the delegation in Papua New Guinea and Dominica, Saint Lucia and Saint Vincent to the delegation in Barbados.

The administration of Community aid in these countries and territories did not give rise to any particular problems.

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IV. EXPIRY OF PERIOD OF APPLICATION OF DECISION 76/568/EEC

In 1979 also the Commission proposed the measures required to fill any gap in the legal provisions at the beginning of 1980 resulting from the fact that Decision 76/568 was due to expire on 1 March 1980.

As soon as possible after the signing of the Second Lomé Convention on 31 October 1979, the Commission proposed to the Council - on 21 December 1979 - a draft decision on the association of the OCT for the period following the expiry of the Decision. This draft was based on the principles referred to in Article 136 of the EEC Treaty and was aimed at maintaining, as in the past, a certain degree of parallelism between the arrangements governing the OCT and the new ACP-EEC Convention of Lomé.

This draft includes the following headings:

- i. trade cooperation;
- ii. export earnings from commodities;
- iii. agricultural cooperation;
- iv. industrial cooperation
- v. financial and technical cooperation;
- vi. provisions relating to the least developed and island OCT;
- vii. provisions relating to payments, capital movements, establishment and services.

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Table Ia: Breakdown of financing decisions taken in 1979
for OCT-OD (EDF + EIB)

('000 EJA)

	Indus- triali- sation	Tourism	Rural produc- tion	Economic infra- structure	Social develop- ment	Stabex	Other, incl. admin. costs	Total
Netherlands Antilles.	310		136	67	4 600		100	4 213
Belize				920	1 650			2 570
Brunei								
Cayman Is.								
Caribbean,								
- Anguilla								
- Antigua					65			65
- <u>Dominica</u>								
- St. Kitts-Nevis	35		50	1 380				1 465
- <u>Saint Lucia</u>			<u>40</u>	<u>120</u>	162			322
- Saint Vincent					870			870
Comores						219		219
Djibouti								
Falkland Is.					21			21
<u>Gilbert Is. (Kiribati)</u>			<u>170</u>					<u>170</u>
Guadeloupe								
Fr. Guyana								
Martinique			1 800					1 800
Mayotte								
Montserrat				360				360
New Caledonia			500	2 100	400			3 000
New Hebrides								
Pitcairn								
Fr. Polynesia					60			60
Reunion								
St. Pierre and Miquelon								
St. Helena								
<u>Solomon Is.</u>								
<u>Seychelles</u>								
Suriname								
Fr. Southern and Antarctic Terr.								
British Antarctic Terr.								
British Indian Ocean Terr.								
Turks and Caicos Is.				180				180
<u>Tuvalu</u>						49		49
British Virgin Islands								
Wallis and Futuna Is.				665				665
Not broken down by OCT							278	278
TOTAL	345		2 696	5 792	6 828	268	378	16 307
of which: grants	345		1 166	3 972	5 557		378	11 418
Stabex						268		268
special loans			1 530	1 820	1 271			4 621

Table II: Financing situation at 31 December 1979 broken down by method of financing and sector

('000 EJA)

	Development of production				Economic Infrastr.	Social devel.	Stabex	Other	Total	%
	Ind.	Tourism	Rural prod.	%						
1. <u>Aid administered by the Commission</u>										
1.1 Grants	345	800	6 364	88.2	11 407	12 118	8 992	2 847	42 873	97.7
(of which microprojects)										
1.2 Special loans	345	800	3 349 (615)	52.8	9 257	10 117	2 847	2 847	26 715	60.9
					81.2	83.5		100	(615)	(1.4)
1.3 Stabex			3 015	35.4	2 150	2 001	8 992		7 166	16.3
					18.8	16.5	100		8 992	20.5
2. <u>Aid administered by the EIB</u>	1 000			11.8					1 000	2.3
Risk capital	1 000			11.8					1 000	2.3
Total	1 345	800	6 364	100	11 407	12 118	8 992	2 847	43 873	100

Table IIa: Financing situation in 1979 broken down by method of financing and sector
 ('000 EUA)

	Economic Infrastr.			Social devel.	Stabex	Other	Total	%
	Ind	Tourism	Rural prod.					
1. <u>Aid administered by the Commission</u>								
1.1 Grants	345		2 696	100	5 792	6 828	16 307	100
			1 166	49.7	3 972	5 557	11 418	70.--
					68.6	81.4		
1.2 Special loans			1 530	50.3	1 820	1 271	4 621	28.4
					31.4	18.6		
1.3 Stabex							268	1.6
							100	
2. <u>Aid administered by the EIB</u>								
Risk capital								
Total	345		2 696	100	5 792	6 828	16 307	100

Table III: Financing situation at 31 December 1979 broken down by method of financing and administrative body
('000 EUA)

	Commitments at end 1979							
	Allocations ¹		Aid administered by the Commission		Aid administered by the EIB		Total	
	Amount	%	Montant	%	Montant	%		
<u>EDF resources</u>	<u>85.0645</u>	89.5	<u>42.873</u>	100	<u>1.000</u>	100	<u>43.873</u>	100
- Grants of which microprojects	28.1375	29.6	26.175 (0.615)	62.3 (1.4)			26.715 (0.615)	60.9 (1.4)
- Special loans (Reserve (grants, special loans))	23.915 11.012	25.2 11.6	7.166	16.7			7.166	16.3
- Risk capital	2.000	2.1						
- Stabex	20.000	21.--	8.992	21.--	1.000	100	1.000	2.3
<u>EIB resources</u>	10.000	10.5						
- Loans from EIB resources	10.000	10.5						
TOTAL	95.0645	100	42.873	100	1.000	100	43.873	100

¹ Article 1 of the 1975 Internal Agreement on the financing and administration of Community aid, as amended by the Council Decision of 5 February 1980.

Table IIIa: Financing situation in 1979 broken down by method of financing and administrative body

('000 EUA)

	Allocations ¹		Commitments at end 1979					
	Amount	%	Aid administered by the Commission		Aid administered by the EIB		Total	
			Montant	%	Montant	%	Montant	%
<u>Ressources du FED</u>	85.0645	89.5	16.307	100	16.307	100	16.307	100
- Grants	28.1375	29.6	11.418	70.-	11.418	70.-	11.418	70.-
- Special loans (Reserve (grants, special loans))	23.915	25.2	4.621	28.4	4.621	28.4	4.621	28.4
- Risk capital	2.000	2.1						
- Stabex	20.000	21.-	0.268	1.6	0.268	1.6	0,268	1.6
<u>EIB Resources</u>	10.000	10.5						
- Loans from EIB resources	10.000	10.5						
TOTAL	95.0645	100		100			16.307	100

¹ Article 1 of the 1975 Internal Agreement on the financing and administration of Community aid, as amended by the Council Decision of 5 February 1980.

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TABLE IV: Stabex: Results of operations at end 1979

	1976		1977 (in respect of years: 1976		1978	1979	Total
	1975	1976	1977	1978	1978	1978)	
Belize		139.650		202.714			342 364
New Hebrides		1 103 499	327 364				1 430 863
Total		1 243 149	327 364	202 714			1 773 227
<p>In addition, the following agreements have been signed with the Comores, Djibouti, Solomon Islands and Tuvalu; these former OCT are now parties to the Lomé Convention but still come under the OCT Stabex allocation:</p>							
Comores		298 304	286 508	367 784 552 547 170 596		39 253 180 299	991 849 732 846 170 596
Djibouti		256 894	265 328	169 629			691 851
Kiribati		1 200 321	1 083 098				2 283 419
Solomon Islands		138 502 761 245	1 273 640				1 412 142 761 245
Tuvalu		61 541	64 417			48 771	174 729
Grand total		3 959 956	3 300 355	1 463 270		268 323	8 991 904

Stabex: Results of the 1979 operation (in respect of 1978)

		(EUA)
Comores*	copra	39 253
	cloves	180 299
Tuvalu*	copra	48 771
		<hr/>
		278 323

* former OCT still covered by the OCT allocation