

COMMISSION OF THE EUROPEAN COMMUNITIES

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REPORT FROM THE COMMISSION TO THE COUNCIL

on the operation in 1993 of the
export earnings stabilization system under
the fourth ACP-EC Convention

I. Introduction

1. Article 31(3) of the Internal Agreement on the financing and administration of Community aid states:
"Each year the Commission shall draw up a comprehensive report for the Member States on the operation of the system of stabilization of export earnings and the use made by the ACP States of the funds transferred.

The report shall indicate in particular the effects of the transfers made on the development of the sectors to which they were allocated."

2. This report covers the activities of the ACP-EC institutions and the administration of the system in 1993, paying special attention to the allocation of transfers for 1992, the third year of application of Stabex under the fourth Lomé Convention. However, as certain decisions by the ACP-EC Committee of Ambassadors were not taken until the start of this year, the first few months of 1994 have also been included to maintain the report's overall consistency on certain points.

II. Activities of the ACP-EC institutions

3. The operation of Stabex was discussed at the 18th session of the ACP-EC Council of Ministers (Brussels, 17 and 18 May 1993) and at the 39th and 40th meetings of the ACP-EC Committee of Ambassadors (held in Brussels on 26 April and 23 July 1993).
4. The following matters were examined at these meetings:
 - (a) 'all destinations' derogation under Annex XLVII of the fourth ACP-EC Convention;
 - (b) a study into the reasons for the shortfall in Stabex resources and possible solutions;
 - (c) the 1992 application year.
5. Annex XLVII to Lomé IV stipulates that the ACP states listed in Annex XXI to the third ACP-EC Convention¹ shall continue to benefit from the 'all destinations' derogation for an interim period of three years, (corresponding to the application years 1990, 1991 and 1992). It goes on to say that before the end of the interim period, which was on 31 December last year, the ACP-EC Council of Ministers will review the situation of these countries, notably in the light of trends in their exports of the products covered by the Stabex system recorded in the intervening period.

At its 18th meeting on 17 and 18 May 1993, the ACP-EC Council of Ministers delegated its powers under the above Annex to the Committee of Ambassadors.

In a letter of 26 October last year to the President of the Council of Ministers, the Commission presented a communication in which it proposed that the said derogation should no longer apply from 1993 (Doc. ACP-EEC 2166/93). After examining the proposal, the Council of the European Union signalled its agreement in principle on the Commission's conclusions. The Community takes the view that Article 189(3) of the Convention already constitutes an exception to the principle that only those exports bound for the Community are covered (Article 186) by extending to all ACP countries under certain conditions the Stabex guarantee for exports to other destinations. Therefore, the special supplementary derogation as agreed in Annex XLVII should not be maintained.

However, in light of the exceptional circumstances prevailing in some ACP countries which benefit from the 'all destinations' derogation and more specifically the harmful implications which its abolition could have at the present time, the Community has taken the view that the derogation should be extended one final time for no more than a year.

¹ Burundi, Cape Verde, Ethiopia, Guinea Bissau, Lesotho, Rwanda, Western Samoa, the Seychelles, the Solomon Islands, Swaziland, Tonga and Tuvalu

The Community's position was set out in a letter from the Chairman of the Permanent Representatives' Committee (Ref: ACP-EC 2122/94 of 21 March 1994) to his ACP counterpart. In his reply (Ref. 6/614-Vol.4-94 of 25 April 1994), the Chairman of the Committee of ACP Ambassadors agreed to the extension of the derogation for the 1993 application year. The ACP States also asked, however, for the extension to cover the 1994 application year.

6. Issues relating to the 1992 shortfall, responsibility for which was handed over to the Committee of Ambassadors by the ACP-EC Council meeting of 17 and 18 May 1993, are dealt with in points 10, 11 and 12 below.

III. Transfers for the 1992 application year

Calculation of the transfer bases

7. For the 1992 application year, the Commission found 32 ACP States to be eligible for 60 transfers. The 60 country/product groups for which losses of earnings eligible for compensation were recorded are listed in Table 1 of this report (see pages 23 and 24).
8. After application of the reduction provided for in Article 197(3) and (4) of the Convention, the transfer bases totalled ECU 1 033 million.

Under Article 204 of the Convention, the transfer basis calculated using the Community's import statistics is reduced to the level of the transfer basis calculated using the statistics relating to the exports of the ACP State concerned to all destinations, where the latter amount is less than the former.

9. Reductions under Article 203

Trends in marketed output, total exports and exports to the Community of the products in question meant that consultations between the Commission and representatives of the ACP States under Article 203 of the Convention were necessary in many instances. The consultations resulted in the following reductions being made:

(a) Reductions applied as a result of significant changes in trends in marketed output of the product in question.

<u>ACP State</u>	<u>Product</u>	<u>Reduction</u>	
		<u>Amount in ECU</u>	<u>% of transfer basis (T.B.)</u>
Sudan	groundnuts	3 553 622	85.3
	cotton	45 483 111	41.8
	Arabic gum	9 227 655	50.6
Senegal	groundnut products	3 865 770	14.0
Guinea Bissau	palm products	116 702	20.0
Sierra Leone	coffee	1 842 276	29.7
Sierra Leone	cocoa	4 923 504	75.0
Togo	cocoa	2 525 115	40.0
Central African Republic	coffee	3 838 952	23.7
	cotton	603 210	27.7
Equatorial Guinea	cocoa	536 026	12.0
Rwanda	pyrethrum	35 774	21.1
Ethiopia	coffee	26 324 018	19.7
	hides and skins	2 219 804	11.7
Kenya	coffee	7 781 272	15.5
Uganda	coffee	6 982 484	10.6
Madagascar	vanilla	426 717	29.4
Haiti	cocoa	290 568	59.8
	coffee	5 546 740	35.6
Grenada	bananas	326 431	18.0
Tonga	copra products	134 527	33.9

(b) Reductions applied as a result of a decline in exports to all destinations as a proportion of marketed output

<u>ACP State</u>	<u>Product</u>	<u>Reduction</u> <u>Amount in ECU</u>	<u>% of transfer basis (T.B.)</u>
Togo	coffee	2 157 852	32.8
CAR	coffee	40 785	0.2
Ethiopia	coffee	15 392 902	11.5
	hides and skins	3 388 521	17.8
Madagascar	coffee	4 460 032	13.7
Grenada	cocoa	257 637	37.0
Papua New Guinea	cocoa products	296 606	1.8
Tonga	vanilla	13 269	34.0

(c) Reductions applied as a result of a decline in the ratio of exports to the Community to other exports (all destinations):

<u>ACP State</u>	<u>Product</u>	<u>Reduction</u> <u>Amount in ECU</u>	<u>% of transfer basis (T.B.)</u>
Côte d'Ivoire	coffee products	11 212 027	8.5
	cotton	4 298 323	18.8
Togo	cocoa	998 052	15.8
CAR	coffee	7 556 089	46.6
	cotton	489 688	22.5
Madagascar	coffee	4 703 564	14.4
Grenada	cocoa	20 363	2.9
Papua New Guinea	cocoa products	3 896 694	11.9

10. Shortfall in resources and reductions in the transfer bases

The system's ordinary resources for the 1992 application year were established in accordance with Article 193 of the Convention, and total ECU 330 million, broken down as follows:

- the allocation for 1992, less 25% to account for the automatic drawing on that allocation made for the previous year (ECU 225 million);
- the 25% advance drawing on the allocation for the 1993 application year, made pursuant to Article 194(1) of the Convention (ECU 75 million);
- the amount of interest accumulated by 31 July 1993 pursuant to Article 192 (ECU 30 million).

11. Because the system's ordinary resources fell short of the amount required to cover the total of the transfer bases after the application of Article 203 reductions, the bases were reduced by 10%, in accordance with Article 194 of the Convention. At this stage, the total amount of transfer bases after reduction (ECU 763.2 million) still exceeded the ordinary resources available (ECU 330 million). Pursuant to Article 194(4) of the Convention, therefore, a Commission report (SEC(93)1109 final) was forwarded on 7 July 1993 to the ACP-EC Council of Ministers, which had previously decided at its meeting of 17 and 18 May 1993 to delegate its powers in this respect to the ACP-EC Committee of Ambassadors.

12. Calculating the transfers

There was no Community agreement on topping up the available ordinary resources. The ACP side was told this at the ACP-EC Committee of Ambassadors on 23 July 1993 but felt that the Community's offer was not acceptable and that further negotiations were needed.

The resulting talks continued until January, without success.

In a letter of 1 February 1994, the Chairman of the Committee of ACP Ambassadors, informed his EU counterpart that as there was no agreement on extra resources, the ACP countries would accept payment of the transfers on the basis of the available ECU 330 million in ordinary resources. In a letter of 16 February 1994, the Chairman of the PRC noted this agreement (Ref. ACP-EC 2122/94).

This exchange of letters constitutes the decision of the ACP-EC Committee of Ambassadors on the 1992 shortfall.

As a result, coverage for eligible amounts was set at 43.2%.

13. Results by recipient country and product

Table 2 on page 25 gives the results by recipient country. In terms of the concentration of resources, they are little different from the previous application year: for three ACP countries, between 10 and 16% of the total amount for transfer was approved. For twelve others, the figure was between 1 and 9% and for a further 17 it was less than 1%.

14. The results by product (see Table 3, page 26), however, show some changes: the fall in earnings due to the very low price of coffee and cocoa is still responsible for the largest share of transfers (76.28%) but is down on the previous year (81.7%). Conversely, cotton's share rose from 7.08% in 1991 to 14.25% because of falling international market prices in 1992.

However, despite the reductions made because of the shortfall in resources, the amounts transferred have in many cases provided a substantial boost to the total export earnings of the countries concerned:

<u>ACP State</u>	<u>Product</u>	<u>Transfer/1992 earnings % all products (est.)</u>	
São Tomé and Príncipe	cocoa	18.7	
Rwanda	coffee	26.0	
Burundi	coffee	23.6	
Ethiopia	coffee		44.2
Uganda	coffee	20.7	

15. However, a more precise measure of the impact of the additional revenue provided by Stabex on the sector showing a loss of earnings can be obtained by comparing the amounts transferred to the earnings from the products for which the transfer is requested.

<u>ACP State</u>	<u>Product</u>	<u>Transfer/1992 earnings % from specific product (est.)</u>
Sudan	cotton products	26.2
Burkina Faso	hides and skins	53.6
Guinea Bissau	palm products	38.0
Sierra Leone	coffee	45.0
	cocoa	30.0
côte d'Ivoire	coffee products	22.7
Cameroon	coffee	28.7
Equatorial Guinea	cocoa	31.9
Madagascar	coffee	36.6
Tonga	copra products	25.5

These proportions can be high, especially when exports of the product in question are fairly low and fluctuate substantially from year to year. When low market prices combine with temporary difficulties in the sector, losses of revenue can be severe and give rise to relatively large transfers. Even when export revenue from a particular product is high, the transfers make a significant contribution.

IV. Use of transfers

Article 210 of Lomé IV reads as follows:

"When agreement is reached on the use of resources, the ACP State and the Commission shall sign a protocol setting up a framework of mutual obligations stipulating how the funds are to be used at the various stages of the operations agreed on."

Below are details of the frameworks of mutual obligations signed over the period covered by this report.

A series of evaluations is now under way to assess the outcome of the operations carried out. This should give an idea of how effectively transfers have been used. The details will be set out in the next Commission report on the operation of Stabex.

1. BENIN

APPLICATION YEAR: 1991

PRODUCTS: palm products (ECU 357 252)

PAYMENT DATE: 6 November 1992

FRAMEWORK SIGNED: 24 August 1993

The sector saw a drop in production (ageing trees), poor performance in industrial production and the continuing free fall of international prices which started in 1985. As a result, the upkeep of plantations and oil mills has proved financially very difficult. The transfer will be used to continue the initial minimum programme of maintenance of the palm groves pending the availability of financing for a regeneration programme to boost productivity.

The government has undertaken to privatize the management structure of the industry, set up training programmes and introduce privatization legislation.

2. BURKINA FASO

APPLICATION YEARS: 1990 and 1991

PRODUCTS: hides and skins '91 (ECU 685 522)

oilseed cake '91 (ECU 354 316)

shea nuts '91 (ECU 713 067) and

hides and skins '90 (ECU 386 502)

PAYMENT DATE: 16 October 1992

FRAMEWORK SIGNED: 22 February 1994

Although cotton was not included in transfers for 1990 or 1991, the acute crisis in the sector led to a decision to allocate part of the funds to restructuring of the industry.

More generally, the three sectors concerned (hides and skins, oilseed and cotton) are suffering from the world drop in prices and a partial fall in demand (with the closure of tanneries in France and Italy and lower demand for shea nuts in Eastern Europe), poor quality (hides and skins, and shea nuts) and the lack or total absence of storage or processing equipment. Stabex transfers are designed to boost the impact of the current structural adjustment programme, which aims to restructure industries by liberalizing prices and trade, promoting private investment and gradually reducing state involvement in production and marketing.

More specifically, the planned restructuring projects will set out to:

- improve the financial situation of the Société des filières textiles (SOFITEX) vis-à-vis the banks;
- improve standards in the slaughterhouses in Ouagadougou and Bobo-Dioulasso by modernizing equipment;
- finance the purchase of sesame for the 1993 season by the farm produce price stabilization board.

3. CAMEROON

APPLICATION YEAR: 1991

PRODUCTS: cocoa products (ECU 39 865 519) and coffee (ECU 29 335 870)

PAYMENT DATE: 9 October 1992

FRAMEWORK SIGNED: 13 August 1993

As in the previous four years, losses in the cocoa and coffee sectors in 1991 were due to structural weaknesses and lower world prices.

The government decided to continue its recovery plan for the industries with the support of the European Community and other donors.

Action under this policy financed from Stabex 1991 includes:

- support for the restructuring of cooperatives;
- bank-administered rural credit in areas such as equipment, plant health products, seasonal credit and local produce processing;
- support for restructuring of the coffee and cocoa industries;
- track maintenance and improvement;
- environmental diversification and protection;
- support for restructuring of research institutes;
- upgrading of social infrastructure;
- restructuring of public farm businesses.

4. COMOROS

APPLICATION YEAR: 1991

PRODUCTS: essential oils (ECU 190 226)

PAYMENT DATE: 3 February 1992

FRAMEWORK SIGNED:.....

The draft framework is still under discussion. 1991 Stabex transfer resources will in principle be used to improve the economic environment and make production more profitable for producers, in conjunction with operations financed from programmable resources. The following measures, already under way, will be continued:

- setting of realistic farm prices for vanilla and essential oils;
- provision of inputs;
- improvements to marketing and storage potential.

5. CÔTE D'IVOIRE

APPLICATION YEAR: 1991

PRODUCTS: Coffee (ECU 67 093 454) and wood (ECU 4 658 747)

PAYMENT DATE: 16 November 1992

FRAMEWORK SIGNED: 19 March 1993

Transfers will be used to:

- improve the production and marketing of cocoa and coffee;
- improve the living conditions of producers affected by falling export revenues;
- help the government in its reforestation drive and contribute to better forestry management;
- help diversify farm exports.

In return, the government has undertaken:

- to continue restructuring the coffee and cocoa sectors, by clearing all the outstanding debts of the CSSPPA, the farm produce price support and stabilization board. This is to be done by ensuring the books for the 1992-93 season balance so that no further arrears are run up and by consolidating internal marketing liberalization;
- to continue the restructuring policies for the wood, cotton and hevea rubber sectors;
- to implement an environmentally-friendly forestry policy.

The framework contains suspension clauses, compliance with which determines payment of the instalments.

6. DOMINICA

APPLICATION YEARS: 1990 and 1991
PRODUCTS: bananas '90 (ECU 673 209) and
 bananas '91 (ECU 158 647)
PAYMENT DATE: 2 December 1992
FRAMEWORK SIGNED: 30 March 1993

Between 80 and 90% of all farm export earnings comes from bananas, the production costs for which are generally uncompetitive. As a result, Stabex funds are being channelled to schemes to increase productivity and quality.

Support will be given to a selected group of banana growers to enable them to build farm sheds in which to package bunches of the fruit using the latest techniques. This type of packaging is much appreciated by European importers and use of it will not only increase the price paid to the producer but will also safeguard Dominica's share of the banana market.

This project is part of a general banana development programme.

7. ETHIOPIA

APPLICATION YEAR: 1991
PRODUCTS: Coffee (ECU 39 815 717) and hides and skins (ECU 9 579 462)
PAYMENT DATE: 21 October 1992
FRAMEWORK SIGNED: 26 August 1993

Stabex resources will be used to support the economic reform programme agreed with the international financial institutions in September 1992. The medium-term objectives of economic stabilization and structural reform will be achieved through support for the supply of farm inputs and through investment in both sectors and in diversification.

It was agreed that 70% of Stabex resources for the 1991 application year would be allocated to investment in export development programmes while the rest would pay for farm inputs.

8. GRENADA

APPLICATION YEAR: 1991
PRODUCTS: Cocoa (ECU 341 127), bananas (ECU 395 600), and
 nutmeg and mace (ECU 1 052 755)
PAYMENT DATE: 14 September 1992
FRAMEWORK SIGNED: 15 November 1993

The vast majority of farmers in Grenada grow a number of crops simultaneously. To maximize the revenue from such farming, the government has planned assistance to help solve major production problems.

Stabex funds will be used primarily to:

- regenerate farms and rural roads;
- stabilize producer prices and develop pilot farms in the cocoa sector;
- regenerate the banana sector;
- bring in a guide price system and an R&D programme in the nutmeg and mace sector;
- help develop the spice industry;
- halt erosion through an afforestation programme.

9. GUINEA BISSAU

APPLICATION YEAR: 1991

PRODUCTS: ground nuts (ECU 180 375) and palm products (ECU 187 890)

PAYMENT DATE: 12 May 1993

FRAMEWORK SIGNED: 3 December 1993

The framework for the above transfers includes funds for:

- promoting tropical fruit production on domestic and foreign markets;
- maintaining fish stocks by introducing a fisheries licence and coastal surveillance system.

10. KENYA

APPLICATION YEAR: 1991

PRODUCT: Coffee (ECU 16 413 425)

PAYMENT DATE: 27 August 1992

FRAMEWORK SIGNED:.....

The framework is currently being drafted.

Export earnings from coffee were down because of the decline in world prices, poor management in the sector, high production costs and the depreciation of the national currency. The 1991 transfer will be used to help agriculture generally and the coffee sector in particular.

The bulk of the counterpart funds will go to finance a quick-disbursing programme in the coffee sector while most of the foreign exchange funds will be used for a fertilizer import programme.

11. KIRIBATI

APPLICATION YEAR: 1991
PRODUCT: Copra (ECU 193 107)
PAYMENT DATE: 18 March 1993
FRAMEWORK SIGNED: 27 July 1993

The sector's problems result mainly from the large area over which the islands are spread, leading to very high production and export costs.

The transfer will be used to support producer prices.

12. LESOTHO

- APPLICATION YEARS: 1991 and 1992
- PRODUCTS: wool '91 (ECU 385 688)
 mohair '91 (ECU 550 816)
 wool '92 (ECU 950 965)
 mohair '92 (ECU 378 624) and
 mohair '88 (the final use for which had not yet been decided
 (ECU 1 224 000))
- PAYMENT DATE: 15 June 1993 (for 1988 and 1991 transfers)
 8 April 1993 (for 1992 transfers)
- FRAMEWORK SIGNED: mid-May 1994

Cattle are Lesotho's biggest resource (12% of GDP) and its biggest export earner (40% of exports). The importance of the sector is therefore clear but it is now facing serious challenges. Once very productive pasture has been overgrazed, soils are suffering from erosion and so less grass is produced. All these factors are behind the downward trend of quality and productivity in the cattle sector.

Despite its economic importance, the sector receives very little state aid because of budget restrictions and macroeconomic structural adjustments. Stabex transfers will therefore act as direct support.

As improving the sector is by definition a drawn-out process, the government intends to start a long-term programme consisting of a series of projects to do with grassland management, stock improvement and marketing.

13. MADAGASCAR

APPLICATION YEAR: 1991

PRODUCTS Coffee (ECU 14 019 429), vanilla (ECU 1 637 168), and cloves (ECU 615 451)

PAYMENT DATE: 19 February 1993

FRAMEWORK SIGNED:

The draft framework is still under discussion. Agreed guidelines are for a sectoral import programme for fertilizers and plant health products to revitalize the above sectors and for a programme financed from the counterpart funds to repair service roads in coffee and vanilla producing areas.

14. MALI

APPLICATION YEAR: 1991

PRODUCT: cotton (ECU 612 134)

PAYMENT DATE: 11 May 1993

FRAMEWORK SIGNED: 26 January 1994

Export earnings from cotton were down as a result of lower world prices and the unfavourable dollar exchange rate against the French franc.

Measures are under way or are being drafted to increase competitiveness in the sector. The funds transferred will be used to stabilize producers' incomes, in line with agreements between the government and the Compagnie Malienne des Textiles.

15. MAURITANIA

APPLICATION YEAR: 1991

PRODUCTS: squid, octopus and cuttlefish (ECU 4 087 698)

PAYMENT DATE: 6 November 1992

FRAMEWORK SIGNED: 20 July 1993

Since 1990 the cephalopod fisheries sector has seen much lower productivity. A review of the sector in 1991 highlighted economic causes (linked mainly to badly planned exploitation of fish stocks combined with lower fishing levels as a result of financial difficulties, and to the poor state of equipment). There were other, structural, causes which will jeopardize future performance if the sector is not overhauled. The government has therefore adopted a set of far-reaching adjustment reforms to optimize the sector's output and its contribution to the national economy.

Stabex transfers will be used for a two-pronged operation to make foreign currency available to business people and target the local currency counterpart funds.

The foreign currency will be used to:

- boost the sectoral import programme in the 1990 framework with an extra ECU 3.9 million solely for fisheries and related activities;
- finance evaluations and technical assistance to support the country's central bank in implementing the SIP.

The counterpart funds will be used to strengthen the following projects provided for in the 1990 framework:

- restructuring of the national centre for oceanographic research and fisheries (CNROP), including quality control and access to fishing grounds;
- financial support for restructuring and developing private fishing companies;
- help for improving the central bank's fish catch pricing and monitoring service;
- support for vocational training, customs and surveillance.

The government has undertaken to:

- take appropriate measures on resource management;
- push through institutional reforms aimed at increasing the efficiency of operators in the sector;
- improve the system of incentives so as to allow the private sector to grow.

16. UGANDA

APPLICATION YEAR: 1990 and 1991

PRODUCTS: coffee (ECU 32 789 829) and hides and skins (ECU 1 419 984)

PAYMENT DATE: 24 August 1992

FRAMEWORK SIGNED: 24 June 1993

The transfers will be used partly to compensate the country and its business operators for losses incurred. Money will be made available to finance imports needed by farm exporters and, to a lesser degree, to buy back and repay debts.

An attempt will also be made to remedy some of the structural causes behind current problems, by improving the running of loss-making sectors and diversifying exportables. Support will be given for improving the hide and skin sectors and for the development of new exports. The tea and coffee sectors will also receive funds to improve their performance and support the policy for privatizing tea factories.

17. PAPUA NEW GUINEA

APPLICATION YEAR: 1991

PRODUCTS: cocoa products (ECU 7 074 839), coffee (ECU 8 695 117) and copra products (ECU 1 454 975)

PAYMENT DATE: 15 December 1992

FRAMEWORK SIGNED: 12 October 1993

Losses are mainly the result of lower world prices for farm commodities. In addition, the cocoa sector suffers from problems with supplies from the province of North Solomons and with the weather.

The transfers will be used in the context of a wider programme agreed by the Government and aimed at bringing producer prices gradually into line with world prices, rationalizing cost structures and phasing out subsidies. They will be used in particular for:

- targeted support for producer prices until they have been brought into line with world prices;
- reform and semi-privatization of the existing agricultural bodies;
- raising productivity by stepping up research and training.

18. SOLOMON ISLANDS

APPLICATION YEAR: 1991

PRODUCTS: cocoa (ECU 182 712) and copra (ECU 1 333 912)

PAYMENT DATE: 13 April 1993

FRAMEWORK SIGNED: 29 September 1993

Losses, particularly in the copra sector, are largely a result of small growers starting to switch to new crops providing a higher family income. Consequently, they are leaving the traditional coconut sector. An increase in population has also led to a rise in local consumption of fresh nuts.

As the copra sector has lost some of its appeal, funds were approved, after an independent study on an investment programme for smallholders, for: diversification of holdings, research, production increases, processing and marketing, and transport.

19. SÃO TOMÉ AND PRÍNCIPE

APPLICATION YEARS: 1990 and 1991

PRODUCTS: cocoa '90 (ECU 994 574) and cocoa '91 (ECU 1 063 068)

PAYMENT DATE: 22 July 1992 (1990)

28 August 1992 (1991)

FRAMEWORK SIGNED: 27 January 1994

The loss of earnings is primarily due to the overall failure of state-run plantations after independence, leading to a fall in production. This has been aggravated by the collapse of international commodity prices.

Faced with this situation, the government has launched a general recovery programme for farming, including as one of its main elements privatization.

The transfers will be used in ways in keeping with this policy and are designed to:

- support production;
- improve rural tracks;
- repair houses and provide water.

20. SIERRA LEONE

APPLICATION YEAR: 1990

PRODUCT: Coffee (ECU 2 041 855)

PAYMENT DATE: 10 March 1993

FRAMEWORK SIGNED: 22 June 1993

The pillage and destruction of coffee-growing areas during rebel attacks and the resulting abandonment of farms mean revitalization of the coffee sector is still a long way off. The Stabex transfer will therefore be used to bolster the government's agriculture policy as formulated with the IMF and World Bank under their structural adjustment programmes. Under the 1990 framework, Stabex funds will act as extra financing for an SIP to revitalize farming.

21. TANZANIA

APPLICATION YEAR: 1991
PRODUCT: coffee (ECU 11 224 734)
PAYMENT DATE: 29 December 1992
FRAMEWORK SIGNED: date not yet set

The farming support programme identified reduced and erratic payments to coffee growers as the main problem in the sector. In recent years, they have only received around half of the export value of their crop. This has created a vicious circle affecting both the quality and quantity of coffee produced.

The transfers should therefore enable support to continue for government reforms in bringing about macroeconomic stabilization (by supplying foreign currency for imports) and in the coffee sector (by providing technical assistance, equipment, spare parts, transport and support for the prices paid to producers).

Also included will be the means to encourage the use of coffee sector inputs and the promotion of research.

22. TUVALU

APPLICATION YEARS: 1990 and 1991
PRODUCTS: copra '90 (ECU 15 836) and copra '91 (ECU 10 640)
PAYMENT DATE: 31 August 1993
FRAMEWORK SIGNED: 21 March 1994

Losses were mainly due to problems caused by ageing trees and maritime transport.

The transfers will be used to assist the Tuvalu Coconut Traders' Cooperative Society in these areas.

23. VANUATU

APPLICATION YEARS: 1990 and 1991
PRODUCTS: copra '90 (ECU 1 702 208) and copra '91 (ECU 354 959)
PAYMENT DATE: 30 August 1992 (1990)
30 August 1993 (1991)
FRAMEWORK SIGNED: 23 July 1993

Losses are mainly due to relatively low world prices, which prevent smallholders (responsible for around 80% of production) from receiving a profitable price.

Transfers will be used primarily in the following areas:

- stabilization of producer prices;
- research into coconut palms;
- animal health;
- improvements to the rural road infrastructure;
- market access;
- access to areas of economic and agricultural potential.

Country Code	Country	Product	Loss of earnings	"franchise"	Transfer basis after franchise"	Consultations	Transfer basis after Art. 203 reductions
224	Sudan	Groundnut prod	4,248,296	84,708	4,163,588	3,553,622	609,966
		Cotton prod.	110,794,407	2,061,180	108,733,227	45,483,111	63,250,116
		Gum arabic	18,701,742	468,874	18,232,868	9,227,655	9,005,213
228	Mauritania	Squid/octopus	2,651,432	530,286	2,121,146	0	2,121,146
236	Burkina Faso	Hides & Skins	2,048,534	35,086	2,013,448	0	2,013,448
		Cotton	2,546,538	509,308	2,037,230	0	2,037,230
	Senegal	Groundnut prod	31,140,648	3,616,477	27,524,171	3,865,770	23,658,401
257	Guinea-Bissau	Cotton	185,362	-	185,362	0	185,362
		Palm prod	583,511	-	583,511	116,702	466,809
		Shrimps	361,812	-	361,812	0	361,812
264	Sierra Leone	Coffee	6,283,000	86,310	6,196,690	1,842,276	4,354,414
		Cocoa	6,655,500	96,075	6,559,425	4,923,504	1,635,921
272	Côte d'Ivoire	Coffee prod.	143,732,250	12,780,957	130,951,293	11,212,027	119,739,266
		Cotton	24,472,000	1,693,395	22,778,605	4,298,323	18,480,282
276	Ghana	Cocoa prod.	17,928,750	5,378,625	12,550,125	0	12,550,125
280	Togo	Cocoa	6,379,250	66,462	6,312,788	3,523,167	2,789,621
		Coffee	6,791,949	213,131	6,578,818	2,157,852	4,420,966
		Cotton	701,554	-	701,554	0	701,554
302	Cameroon	Cocoa prod.	75,559,500	7,794,383	67,765,117	0	67,765,117
		Coffee	61,705,250	6,361,122	55,344,128	0	55,344,128
306	C.A.R.	Coffee	16,381,250	183,142	16,198,108	11,435,826	4,762,282
		Cotton	2,217,250	43,522	2,173,728	1,092,898	1,080,830
310	Equ. Guinea	Cocoa	4,537,703	93,041	4,444,662	536,026	3,908,636
311	Sao Tome/Prin.	Cocoa	2,084,500	49,285	2,035,215	0	2,035,215
324	Rwanda	Coffee	35,345,856	858,593	34,487,263	0	34,487,263
		Hides & Skins	2,220,174	35,870	2,184,304	0	2,184,304
		Pyrethrum	169,465	-	169,465	35,774	133,691
328	Burundi	Coffee	24,017,947	791,116	23,226,831	0	23,226,831
		Hides/Skins	839,712	-	839,712	0	839,712
334	Ethiopia	Coffee	135,620,906	2,169,466	133,451,440	41,716,920	91,734,520
		Hides & Skins	19,246,246	273,563	18,972,683	5,608,325	13,364,358
346	Kenya	Coffee	56,874,250	6,801,717	50,072,533	7,781,272	42,291,261
		Tea	1,037,445	311,234	726,211	0	726,211
350	Uganda	Coffee	67,116,500	1,676,165	65,440,335	6,982,484	58,457,851
		Hides/Skins	4,165,000	77,820	4,087,180	0	4,087,180
352	Tanzania	Coffee	32,939,000	743,110	32,195,890	0	32,195,890
		Cotton	2,456,000	189,630	2,266,370	0	2,266,370
		Cloves	472,250	-	472,250	0	472,250
	Mozambique	Cashewnuts	1,425,997	-	1,425,997	0	1,425,997
370	Madagascar	Coffee	35,246,750	2,739,229	32,507,521	9,163,596	23,343,925
		Vanilla	2,072,750	621,825	1,450,925	426,717	1,024,208
		Cloves	1,411,000	132,075	1,278,925	0	1,278,925
375	Comoros	Cloves	2,135,250	31,023	2,104,227	0	2,104,227
		Essential oils	158,964	-	158,964	0	158,964
395	Lesotho	Wool	2,501,813	58,036	2,443,777	0	2,443,777
	Zimbabwe	Coffee	7,014,750	606,184	6,408,566	0	6,408,566
		Cotton	35,264,000	2,404,890	32,859,110	0	32,859,110
452	Haiti	Coffee	15,823,250	264,372	15,558,878	5,546,740	10,012,138
		Cocoa	485,250	-	485,250	290,568	194,682
460	Dominica	Bananas	3,549,116	399,008	3,150,108	0	3,150,108
	St Lucia	Bananas	1,871,815	-	1,871,815	0	1,871,815
473	Grenada	Cocoa	695,000	-	695,000	278,000	417,000
		Bananas	1,813,506	-	1,813,506	326,431	1,487,075
		Nutmeg & Mace	4,346,000	66,070	4,279,930	0	4,279,930
801	P.N.G.	Cocoa prod.	17,677,000	1,469,025	16,207,975	4,193,300	12,014,675
		Coffee	36,137,750	3,408,559	32,729,191	0	32,729,191
806	Solomon Islands	Cocoa	105,560	-	105,560	0	105,560
816	Vanuatu	Copra	687,000	-	687,000	0	687,000
817	Tonga	Copra prod.	396,018	-	396,018	134,527	261,491
		Vanilla	39,015	-	39,015	13,269	25,746
			1,102,070,293	68,273,949	1,033,796,344	185,766,682	848,029,662

Country Code	Country	Product	Transfer basis after Art. 203 reductions	Reductions		Amount of transfer
				(i) Art.194(2) (10 % T.B.)	(ii) Art.194(4)	
224	Sudan	Groundnut prod	609,966	60,997	311,608	237,361
		Cotton prod.	63,250,116	6,325,012	32,312,123	24,612,981
		Gum arabic	9,005,213	900,521	4,600,427	3,504,265
228	Mauritania	Squid/octopus	2,121,146	212,115	1,083,614	825,417
236	Burkina Faso	Hides & Skins	2,013,448	201,345	1,028,595	783,508
		Cotton	2,037,230	203,723	1,040,745	792,762
	Senegal	Groundnut prod	23,658,401	2,365,840	12,086,194	9,206,367
257	Guinea-Bissau	Cotton	185,362	18,536	94,695	72,131
		Palm prod	466,809	46,681	238,475	181,653
		Shrimps	361,812	36,181	184,836	140,795
264	Sierra Leone	Coffee	4,354,414	435,441	2,224,508	1,694,465
		Cocoa	1,635,921	163,592	835,731	636,598
272	Côte d'Ivoire	Coffee prod.	119,739,266	11,973,927	61,170,321	46,595,018
		Cotton	18,480,282	1,848,028	9,440,886	7,191,368
276	Ghana	Cocoa prod.	12,550,125	1,255,013	6,411,390	4,883,722
280	Togo	Cocoa	2,789,621	278,962	1,425,113	1,085,546
		Coffee	4,420,966	442,097	2,258,506	1,720,363
		Cotton	701,554	70,155	358,398	273,001
302	Cameroon	Cocoa prod.	67,765,117	6,776,512	34,618,668	26,369,937
		Coffee	55,344,128	5,534,413	28,273,249	21,536,466
306	C.A.R.	Coffee	4,762,282	476,228	2,432,872	1,853,182
		Cotton	1,080,830	108,083	552,156	420,591
310	Equ. Guinea	Cocoa	3,908,636	390,864	1,996,776	1,520,996
311	Sao Tome/Prin.	Cocoa	2,035,215	203,522	1,039,715	791,978
324	Rwanda	Coffee	34,487,263	3,448,726	17,618,255	13,420,282
		Hides & Skins	2,184,304	218,430	1,115,880	849,994
		Pyrethrum	133,691	13,369	68,298	52,024
328	Burundi	Coffee	23,226,831	2,322,683	11,865,721	9,038,427
		Hides/Skins	839,712	83,971	428,978	326,763
334	Ethiopia	Coffee	91,734,520	9,173,452	46,863,742	35,697,326
		Hides & Skins	13,364,358	1,336,436	6,827,351	5,200,571
346	Kenya	Coffee	42,291,261	4,229,126	21,605,027	16,457,108
		Tea	726,211	72,621	370,994	282,596
350	Uganda	Coffee	58,457,851	5,845,785	29,863,934	22,748,132
		Hides/Skins	4,087,180	408,718	2,087,988	1,590,474
352	Tanzania	Coffee	32,195,890	3,219,589	16,447,678	12,528,623
		Cotton	2,266,370	226,637	1,157,804	881,929
		Cloves	472,250	47,225	241,255	183,770
	Mozambique	Cashewnuts	1,425,997	142,600	728,488	554,909
370	Madagascar	Coffee	23,343,925	2,334,393	11,925,539	9,083,993
		Vanilla	1,024,208	102,421	523,229	398,558
		Cloves	1,278,925	127,893	653,355	497,677
375	Comoros	Cloves	2,104,227	210,423	1,074,971	818,833
		Essential oils	158,964	15,896	81,209	61,859
395	Lesotho	Wool	2,443,777	244,378	1,248,434	950,965
	Zimbabwe	Coffee	6,408,566	640,857	3,273,897	2,493,812
		Cotton	32,859,110	3,285,911	16,786,493	12,786,706
452	Haiti	Coffee	10,012,138	1,001,214	5,114,827	3,896,097
		Cocoa	194,682	19,468	99,456	75,758
460	Dominica	Bananas	3,150,108	315,011	1,609,272	1,225,825
	St Lucia	Bananas	1,871,815	187,182	956,240	728,393
473	Grenada	Cocoa	417,000	41,700	213,030	162,270
		Bananas	1,487,075	148,708	759,691	578,676
		Nutmeg & Mace	4,279,930	427,993	2,186,456	1,665,481
801	P.N.G.	Cocoa prod.	12,014,675	1,201,468	6,137,848	4,675,359
		Coffee	32,729,191	3,272,919	16,720,122	12,736,150
806	Solomon Islands	Cocoa	105,560	10,556	53,927	41,077
816	Vanuatu	Copra	687,000	68,700	350,963	267,337
817	Tonga	Copra prod.	261,491	26,149	133,586	101,756
		Vanilla	25,746	2,575	13,152	10,019
			848,029,662	84,802,971	433,226,691	330,000,000

AGGREGATE RESULTS BY RECIPIENT COUNTRY

Annex 2

Country	Amount in ECU	as % of total
Sudan	28,354,606	8.59
Mauritania	825,417	0.25
Burkina Faso	1,576,270	0.48
Gambia	9,206,367	2.79
Guinea-Bissau	394,579	0.12
Sierra Leone	2,331,063	0.71
Côte d'Ivoire	53,786,386	16.30
Ghana	4,883,722	1.48
Togo	3,078,909	0.93
Cameroon	47,906,403	14.52
C.A.R.	2,273,773	0.69
Equatorial Guinea	1,520,996	0.46
Sao Tome/Principe	791,978	0.24
Rwanda	14,322,300	4.34
Burundi	9,365,190	2.84
Ethiopia	40,897,897	12.39
Kenya	16,739,704	5.07
Uganda	24,338,606	7.38
Tanzania	13,594,322	4.12
Mozambique	554,909	0.17
Madagascar	9,980,228	3.02
Comoros	880,692	0.27
Lesotho	950,965	0.29
Malawi	15,280,519	4.63
Haiti	3,971,855	1.20
Dominica	1,225,825	0.37
Saint-Lucia	728,393	0.22
Grenada	2,406,427	0.73
P.N.G.	17,411,509	5.28
Solomon Islands	41,077	0.01
Vanuatu	267,337	0.08
Tonga	111,775	0.03
TOTAL:	330,000,000	100.00

AGGREGATE RESULTS BY PRODUCT

Annex 3

	Products	Amount in ECU	as % of total
1.	Coffee and by-products	211,499,444	64.09
2.	Cocoa and by-products	40,243,241	12.19
3.	Cotton and by-products	47,031,469	14.25
4.	Hides and skins	8,751,310	2.65
5.	Copra and by-products	369,093	0.11
6.	Squid, octopus and cuttlefish	825,417	0.25
7.	Gum arabic	3,504,265	1.06
8.	Tea	282,596	0.09
9.	Vanilla	408,577	0.12
10.	Nutmeg and mace	1,665,481	0.50
11.	Bananas	2,532,894	0.77
12.	Essential oils	61,859	0.02
13.	Groundnut products	9,443,728	2.86
14.	Cloves	1,500,280	0.45
15.	Palm products	181,653	0.06
16.	Wool	950,965	0.29
17.	Shrimps	140,795	0.04
18.	Cashewnuts	554,909	0.17
19.	Pyrethrum	52,024	0.016
	TOTAL:	330,000,000	100.00

ADDENDUM

Appraisal of Stabex transfers for Lesotho mohair for the 1992 application year has highlighted a problem concerning the appropriate unit values to use in the absence of figures for mohair imports, as the sole product.

Before using the "statistics of the ACP State concerned" pursuant to Article 200(3)(b) of Lomé IV, the values given by Lesotho had to be crosschecked with those of the South African Mohair Board (the only body with the power to sell Lesotho mohair). After confirmation of the figures by the EC Delegation on 11 November 1993, appraisal showed that mohair was eligible for a transfer.

As a result, on 15 March the Commission approved the following additional transfer for the 1992 application year:

<u>Country</u>	<u>Product</u>	<u>Amount</u>
Lesotho	Fine goat mohair	ECU 378 624

It should be noted that:

- 1) the conditions governing this decision are the same as for other 1992 transfers (lower transfer bases in accordance with Article 194(2) and (4) of the Convention and 43.237% coverage of transfer rights);
- 2) interest on Stabex funds is enough to cover the extra amount.

Following this decision, Stabex transfers for the 1992 application year total ECU 330 378 624.