



COMMISSION OF THE EUROPEAN COMMUNITIES

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REPORT FROM THE COMMISSION

**on the operation in 1999 of the export earnings stabilisation system under the fourth
ACP-EC Convention as revised by the Agreement signed in Mauritius**

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1. 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 stabilisation of export earnings and the use made by the ACP States of the funds transferred.”

2. This report covers the activities of the ACP-EC institutions and the administration of the system in 1999, paying special attention to the allocation of transfers for 1998, the fourth year of application of Stabex under the fourth ACP-EC Convention as revised by the Agreement signed in Mauritius.

For the fourth year of application in a row it has been possible to cover all transfers.

2. ACTIVITIES OF THE ACP-EU INSTITUTIONS

3. The question of fluctuations in the ACP States' export earnings was discussed in the course of the negotiations on renewing the ACP-EU partnership agreement.
4. When the negotiations had been concluded it was decided to set up a system of additional support under the new agreement to cover fluctuations in these earnings as this form of support is part of the National Indicative Programme for each ACP State. The new form of support will replace the present export earnings stabilisation system.

3. TRANSFERS FOR THE 1998 YEAR OF APPLICATION

5. Calculation of the transfer bases

For the 1998 year of application, the Commission found 13 ACP States to be eligible for 18 transfers under the Stabex arrangements. The 18 country/product groups for which losses of earnings eligible for compensation were recorded are listed in Table 1 of this report (see page 12).

6. After calculating the reduction provided for in Article 197(3) and (4) of the Convention, the transfer bases totalled €86 355 867.

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

7. Reductions under Article 203

Trends in marketed output and total exports to the Community of the products in question meant that consultations under Article 203 of the Convention had to be held between the Commission and the representatives of the ACP States. The consultations resulted in the reductions shown in the following Tables.

7.1. 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>in euro</u> | <u>as % of transfer basis (TB)</u> |
| Cameroon | Coffee | 2 162 876 | 15.4 |
| Rwanda | Coffee | 139 820 | 6.9 |
| | Pyrethrum | 232 554 | 83.3 |
| | Uncured skins | 73 590 | 18.6 |
| Burundi | Uncured skins | 872 699 | 81.0 |
| Dominica | Bananas | 671 905 | 29.7 |
| Saint Lucia | Bananas | 1 774 623 | 30.2 |

- 7.2. 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>in euro</u> | <u>As % of transfer basis (TB)</u> |
| Togo | Cocoa beans | 589 609 | 54.3 |
| | Coffee | 2 258 118 | 52.9 |
| | Cotton | 2 748 769 | 47.5 |
| Kiribati | Copra | 9 132 | 22.2 |
| Vanuatu | Cocoa beans | 93 944 | 37.4 |

8. Calculating the transfers

Following consultation, where appropriate and as required under Articles 202 and 203 of the Convention, the total amount of eligible transfers was therefore calculated as €74 728 228.

For the 1998 year of application Stabex resources stood at:

| | <u>in euro</u> |
|---|----------------------|
| – Annual allocation for the 1998 year of application | 360 000 000 |
| – Carryover from the 1995 to the 1998 year of application | 271 251 306 |
| – Carryover from the 1996 to the 1998 year of application | 286 415 194 |
| – Carryover from the 1997 to the 1998 year of application | 295 207 178 |
| – Estimated interest at 30 June 1999 | <u>33 729 441</u> |
| <u>Total:</u> | <u>1 246 603 119</u> |

This meant that it was possible to cover all transfers for the 1998 year of application.

9. Results by recipient country and product

Table 2 (page 13) gives the results by recipient country. The main recipients in respect of 1998 were the Solomon Islands, which incurred losses on their timber exports.

10. The balance per product (see Table 3, page 14) shows that timber represented 55.9%, coffee 21%, groundnut products 8.4% and bananas 7.6% of the total amount transferred. In some cases the transfers made represent a substantial addition to the recipient State's total export earnings, examples being:

| ACP States | Product | Transfers as a % of 1998 earnings from all products (estimates) |
|-------------------|----------------|--|
| Saint Lucia | Bananas | 8.7 |
| Dominica | Bananas | 3.0 |
| Rwanda | Coffee | 3.4 |
| Solomon Islands | Timber | 26.6 |

11. However, a more precise measure of the effect of the additional Stabex revenue on the sector showing a loss of earnings can be obtained by comparing the amounts transferred with the earnings from the products for which the transfer is requested:

| ACP States | Product | Transfers as a % of 1998 earnings from the product in question |
|-------------------|--------------------|---|
| Senegal | Groundnut products | 15.5 |
| Togo | Coffee | 14.4 |
| Cameroon | Coffee | 15.3 |
| Dominica | Bananas | 11.8 |
| Saint Lucia | Bananas | 13.4 |
| Vanuatu | Cocoa | 12.5 |

4. USE OF TRANSFERS

12. Framework of Mutual Obligations

This part of the report is on the Frameworks that were signed in 1999 but cover the use of transfers decided in earlier years.

12.1. Grenada

| | | |
|---------------------|------------------|----------------|
| Year of application | 1995 | |
| | | <u>in euro</u> |
| Products | Bananas | 1 192 784 |
| | Nutmegs and mace | 531 300 |
| Date of payment | 3.6.1997 | |
| FMO signed | 10.10.1999 | |

Summary

The transfers will be used so to position the agricultural sector that it can respond to the market challenges faced by its main export crops.

The 1995 transfer for bananas will be used to give producers the support they need to establish viable banana producing units by means of:

- on-farm investment;
- drainage and irrigation;
- off-farm capital investment;
- farm practices and mobilising farm labour;
- publicity campaigns.

In the case of nutmegs and mace, the 1995 transfer will be used to make the nutmeg industry more competitive and enable it to diversify into new products and markets. The specific objectives are:

- to establish a quality assurance laboratory;
- to expand the Nutmeg Oil Distillation Plant, so that it can produce nutmeg butter and organic fertiliser, and to install a water purification system.

12.2. Papua-New Guinea

| Year of application | Residue of the first Financial Protocol | <u>in euro</u> |
|---------------------|---|----------------|
| Products | Cocoa products | 1 422 631 |
| | Coffee | 2 680 376 |
| | Copra products | 419 512 |
| | Palm products | 486 422 |
| Payment date | 17.07.1998 | |
| FMO signed | 28.12.1999 | |

Summary

The whole transfer will be used to revive agricultural activity in Bougainville Province by financing ad hoc measures such as:

- the hiring of a barge;
- construction and/or maintenance of rural tracks;
- a system of small-scale loans.

12.3. Saint Lucia

| Year of application | 1996 and 1997 | <u>in euro</u> |
|---------------------|---------------|----------------|
| Product | Bananas 1996 | 3 212 647 |
| | 1997 | 9 345 575 |
| Payment date | 27.10.1998 | |
| FMO signed | 4.3.1999 | |

Summary

In accordance with the Castries II Memorandum of Understanding, the Government of Saint Lucia and the Commission of the European Communities have agreed to use the Stabex transfers for 1996 and 1997 to promote sustainable economic growth and reduce poverty.

In view of the overall objectives, which are:

development and implementation by the central government of macro-economic and sectoral policies, human resources development, social and community development with a view to reducing poverty, and institutional development, the following specific objectives have been agreed:

- an increase in central government and consolidated public savings;
- more emphasis on manufacturing, tourism and non-tourism services where the economy as a whole is concerned, and more diversification in the agricultural sector;
- where the balance of payments is concerned, keeping the balance on current account and the external debt within manageable limits;
- further opening up of the economy by implementation of the Caricom Common External Tariff;
- raising standards of education and skill levels to enable people to obtain employment;
- increasing the capacity of communities to play a central role in their own development;
- more collaboration between government and NGOs;
- facilitating the delivery of services to vulnerable groups;
- strengthening and upgrading the capability of public and private institutions in order to make them more efficient and effective, particularly in developing and implementing policies.

12.4. Saint Vincent

| | | | |
|---------------------|---------------|------|----------------|
| Year of application | 1996 and 1997 | | |
| | | | <u>in euro</u> |
| Products | Bananas | 1996 | 8 397 816 |
| | | 1997 | 6 419 882 |
| Payment date | 28.8.1998 | | |
| FMO signed | 4.3.1999 | | |

Summary

In accordance with the Castries II Memorandum of Understanding, the Government of Saint Vincent and the Commission of the European Communities have agreed to use the Stabex transfers for 1996 and 1997 to promote sustainable economic growth and reduce poverty.

In view of the overall objectives, which are:

development and implementation by the central government of macro-economic and sectoral policies, human resources development, social and community development with a view to reducing poverty, and institutional development, the following specific objectives have been agreed:

- an increase in central government and consolidated public savings;
- more emphasis on manufacturing, tourism and non-tourism services where the economy as a whole is concerned, and more diversification in the agricultural sector;
- where the balance of payments is concerned, keeping the balance on current account and the external debt within manageable limits;
- further opening up of the economy by implementation of the Caricom Common External Tariff;
- raising standards of education and skill levels to enable people to obtain employment;
- increasing the capacity of communities to play a central role in their own development;
- more collaboration between government and NGOs;
- facilitating the delivery of services to vulnerable groups;
- strengthening and upgrading the capability of public and private institutions in order to make them more efficient and effective, particularly in developing and implementing policies.

12.5. Solomon Islands

| | | | |
|---------------------|---|------|----------------|
| Year of application | 1994 and 1995 | | |
| | Residue of the first Financial Protocol | | |
| | | | <u>in euro</u> |
| Products | Copra products | 1994 | 1 275 901 |
| | Cocoa | 1995 | 182 989 |
| | Residue of the first Financial Protocol | | 45 502 |
| Payment dates | 21.01.99 (1994) | | |
| | 19.01.99 (1995) | | |
| | 25.11.98 (residue) | | |
| FMO signed | 26.08.99 | | |

Summary

In accordance with the Government's medium-term development strategy and earlier FMOs the funds will be used in support of an integrated rural programme, and particularly for:

- agriculture and rural businesses;
- rural infrastructure; and
- the forestry sector,

or for ad hoc measures, such as:

- making credit available in rural areas;
- agricultural research;
- copra processing and planning how to market copra;
- encouraging more participation by women in the projects financed;
- maintaining rural infrastructure;
- studies on new varieties;
- training programmes.

12.6. Vanuatu

| | | |
|---------------------|---|----------------|
| Year of application | 1995 and 1996 | |
| | Residue of the first Financial Protocol | |
| | | <u>in euro</u> |
| Products | Cocoa 1995 | 455 819 |
| | Cocoa 1996 | 198 668 |
| | Residue of the first Financial Protocol | 25 205 |
| Payment dates | 29.04.98 (1995) | |
| | 25.11.98 (1996) | |
| | 26.06.97 (residue) | |
| FMO signed | 06.08.99 | |

Summary

As with earlier transfers, these funds will be used mainly to support diversification in, and opening up of, the agricultural sector. Ad hoc measures to improve the road infrastructure, particularly by building bridges and fords on the island of Espiritu Santi, are planned.

ANNEX

Table 1: CALCULATION OF THE 1998 TRANSFER BASES (in euro)

| Country code | Country | Product | Loss of earnings | “Excess clause” | Transfer basis after deduction of excess clause | Art.202/203 consultations | Transfer basis after consultations | Art.194(2) reduction | Art.194(4) reduction | Amount of transfer |
|--------------|-----------------|------------------------------------|-------------------|-------------------|---|---------------------------|------------------------------------|----------------------|----------------------|--------------------|
| 248 | Senegal | Groundnut products | 8 583 782 | 2 249 497 | 6 334 285 | 0 | 6 334 285 | 0 | 0 | 6 334 285 |
| 280 | Togo | Cocoa beans | 1 084 000 | 0 | 1 084 000 | 589 609 | 494 391 | 0 | 0 | 494 391 |
| | | Green or roasted coffee | 4 443 366 | 180 112 | 4 263 254 | 2 258 118 | 2 005 136 | 0 | 0 | 2 005 136 |
| | | Cotton, neither carded nor combed | 6 443 425 | 661 898 | 5 781 527 | 2 748 769 | 3 032 758 | 0 | 0 | 3 032 758 |
| | | Oilcake | 424 510 | 0 | 424 510 | 0 | 424 510 | 0 | 0 | 424 510 |
| 302 | Cameroon | Green or roasted coffee | 18 794 638 | 4 777 297 | 14 017 341 | 2 162 876 | 11 854 465 | 0 | 0 | 11 854 465 |
| 324 | Rwanda | Green or roasted coffee | 2 072 064 | 72 064 | 2 000 000 | 139 820 | 1 860 180 | 0 | 0 | 1 860 180 |
| | | Pyrethrum: saps and other extracts | 279 032 | 0 | 279 032 | 232 554 | 46 478 | 0 | 0 | 46 478 |
| | | Uncured skins | 394 098 | 0 | 394 098 | 73 590 | 320 508 | 0 | 0 | 320 508 |
| 328 | Burundi | Uncured skins | 1 076 502 | 0 | 1 076 502 | 872 699 | 203 803 | 0 | 0 | 203 803 |
| 386 | Malawi | Cotton, neither carded nor combed | 147 612 | 0 | 147 612 | 0 | 147 612 | 0 | 0 | 147 612 |
| 452 | Haiti | Cocoa beans | 278 033 | 0 | 278 033 | 0 | 278 033 | 0 | 0 | 278 033 |
| 460 | Dominica | Green bananas | 3 227 304 | 968 191 | 2 259 113 | 671 905 | 1 587 208 | 0 | 0 | 1 587 208 |
| 465 | Saint Lucia | Green bananas | 8 387 399 | 2 516 220 | 5 871 179 | 1 774 623 | 4 096 556 | 0 | 0 | 4 096 556 |
| 806 | Solomon Islands | Timber | 43 330 923 | 1 510 701 | 41 820 222 | 0 | 41 820 222 | 0 | 0 | 41 820 222 |
| 812 | Kiribati | Copra | 41 068 | 0 | 41 068 | 9 132 | 31 936 | 0 | 0 | 31 936 |
| 816 | Vanuatu | Cocoa beans | 251 034 | 0 | 251 034 | 93 944 | 157 090 | 0 | 0 | 157 090 |
| 819 | Samoa | Oilcake | 33 057 | 0 | 33 057 | 0 | 33 057 | 0 | 0 | 33 057 |
| | | Total | 99 291 847 | 12 935 980 | 86 355 867 | 11 627 639 | 74 728 228 | 0 | 0 | 74 728 228 |

Table 2

BREAKDOWN BY RECIPIENT COUNTRY
1998 YEAR OF APPLICATION

| Country code | Country | Amount in euro | as % of the total |
|---------------------|-----------------|-----------------------|--------------------------|
| 248 | Senegal | 6 334 285 | 8.48% |
| 280 | Togo | 5 956 795 | 7.97% |
| 302 | Cameroon | 11 854 465 | 15.86% |
| 324 | Rwanda | 2 227 166 | 2.98% |
| 328 | Burundi | 203 803 | 0.27% |
| 386 | Malawi | 147 612 | 0.20% |
| 460 | Dominica | 1 587 208 | 2.12% |
| 465 | Saint Lucia | 4 096 556 | 5.48% |
| 806 | Solomon Islands | 41 820 222 | 55.96% |
| 812 | Kiribati | 31 936 | 0.04% |
| 816 | Vanuatu | 157 090 | 0.21% |
| 819 | Samoa | 33 057 | 0.04% |
| 452 | Haiti | 278 033 | 0.37% |
| | | 74 728 228 | 100.00% |

Table 3

BREAKDOWN BY PRODUCT
1998 YEAR OF APPLICATION

| | Product | Amount in euro | as % of the total |
|----|------------------------------------|-----------------------|--------------------------|
| 1 | Groundnut products | 6 334 285 | 8.48% |
| 2 | Cocoa beans | 929 514 | 1.24% |
| 3 | Green or roasted coffee | 15 719 781 | 21.04% |
| 4 | Cotton, neither carded nor combed | 3 180 370 | 4.26% |
| 5 | Oilcake | 457 567 | 0.61% |
| 6 | Pyrethrum: saps and other extracts | 46 478 | 0.06% |
| 7 | Uncured skins | 524 311 | 0.70% |
| 8 | Green bananas | 5 683 764 | 7.61% |
| 9 | Timber | 41 820 222 | 55.96% |
| 10 | Copra | 31 936 | 0.04% |
| | Total | 74 728 228 | 100.00% |