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COMMISSION REPORT TO THE ACP-EEC  
COUNCIL OF MINISTERS  
ON THE ADMINISTRATION OF FINANCIAL  
AND TECHNICAL COOPERATION IN 1977  
UNDER THE LOME CONVENTION

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## I N T R O D U C T I O N

This report has been drawn up pursuant to Article 41 of the Lomé Convention and deals with the administration of financial and technical cooperation between the European Economic Community and the ACP States during 1977. The parts of the report which concern the European Investment Bank have been drawn up in conjunction with the Bank.

The last nine months of 1976, with which the first report was concerned, marked the initial phase of implementation of the Lomé Convention, when the various instruments of cooperation and procedures for mobilizing under satisfactory conditions the funds earmarked for financial and technical cooperation were progressively established. During that period nearly 450 million EUA was committed out of the 3 390 million EUA provided for in Article 42 of the Convention (amount increased to 3 444.1 million EUA in view of the accession of additional countries but subject to ratification by the Member States of the Agreement of 28 March 1977 amending the Internal Agreement on the financing and administration of Community aid signed on 11 July 1975).

The year 1977 may be considered a normal year of activity during which the establishment of the various cooperation bodies and procedures was completed and 775.0 million EUA was committed, bringing total commitments decided by the Community institutions up to 1 209.8 million EUA by the end of 1977.

Throughout the year, which was marked by an important meeting of the ACP-EEC Council of Ministers in Fiji on 13 and 14 April, the Community and the ACP States devoted their attention, within the relevant bodies, groups and committees, to monitoring and directing the implementation of the aid provided for in the Convention.

At the same time the Lomé Convention continued to arouse great interest internationally, particularly among the developing countries.

The "Lomé Club", which on 1 April 1976 - the date of entry into force of the Convention - had 55 members (46 ACP States and 9 Member States of the Community), has grown progressively bigger with the accession to the Convention in 1976 of three States - the Republic of Surinam, the Republic of Seychelles and the Republic of the Comoros - and, in 1977, of the Democratic Republic of Sao Tome and Principe, the Republic of Cape Verde and the Republic of Papua New Guinea. The procedures for ratifying the accession of the last three countries are in progress. The accession procedure for the Republic of Djibouti is nearly completed, the ACP/CEE Council having given its approval on 21st December 1977.

The Lomé Convention therefore now brings together 53 independent African, Caribbean and Pacific States and the nine Member States of the Community, which together have an overall population of an estimated 550 million.

Chapter I of this report will set out, particularly from the qualitative point of view, the results of these joint efforts pursued in keeping with the guidelines of the Convention and the Resolution of the ACP-EEC Council of Ministers adopted in Fiji, especially with regard to regional cooperation, small- and medium-sized firms, measures in favour of the least developed ACP States, training and the operation and maintenance of investment projects.

Chapter II will take stock of the establishment of the various cooperation bodies and procedures.

Chapter III will analyse the financial commitments made, broken down by method of financing and sector.

Lastly, Chapter IV will take stock of the execution (where much has already been achieved) of the projects for which financing decisions have been taken since 1 April 1976.

After 21 months of the Convention's life, it can be said that the combined efforts of the ACP States and the Community have proved effective, since nearly 40 % of the non-Stabex funds earmarked for financial and technical cooperation has been committed in accordance with the Lomé Convention and in the light of the recommendations made by the Ministers at the Fiji meeting.

These results, which are in keeping with the extent and urgent nature of the requirements, have been achieved in spite of difficulties that may be imagined, if one takes account of the fact that in the 21 months of implementation of the Lomé Convention, more than 1,200 M. EUA have been committed whereas in the nearly 5 years of implementation of the Yaoundé II Convention, the amount of commitments reached only about 900 M. EUA (or a monthly average of 57 M. EUA against 15 M. EUA).

One may rest assured that the Community and the ACP States will maintain their efforts at the same rhythm in the future, to allow the implementation of the Lomé Convention to proceed under the most favourable conditions.

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## CHAPTER I

### IMPLEMENTATION OF THE RESOLUTION OF THE ACP-EEC COUNCIL OF MINISTERS ADOPTED IN FIJI ON 14 APRIL 1977 WITHIN THE FRAMEWORK OF THE MAIN GUIDELINES OF THE LOME CONVENTION

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#### I.1. Participation of the ACP States in the determination and adminis- tration of aid and the performance of contracts

The provisions of the Lomé Convention have continued to be applied with all due attention and diligence, particularly as regards the drawing-up of the indicative programmes (some of which were prepared or amended during the year), project appraisal, the preparation of financing proposals and the implementation of projects and programmes.

The priorities set by the ACP States when the indicative programmes, by mutual agreement, were drawn-up or amended have been observed.

In accordance with the guidelines and priorities established by States during programming the emphasis has been on aid to production, accounting for more than 60 % of the total commitments entered into by 31 December 1977 under the indicative programmes (non-Stabex, exceptional aid, other).

Nearly 30 % of these commitments are for the rural sector, which is worthy of note considering the practical difficulties involved in designing, preparing and implementing agricultural projects.

With regard to study and technical assistance contracts, the choices made by the ACP States from the short-lists proposed by the Commission have led to a certain number of contracts being awarded to consultancy firms which are nationals of ACP States.

#### I.2. Special measures in favour of the least developed ACP States

In accordance with Article 48 of the Convention special attention has been paid to the situation of the 26 (1) least developed ACP States, in particular :

##### as regards the overall distribution of the programmable resources

This has been done by taking account of special criteria for the least developed countries : more than 60 % of the programmed financial resources which the Commission is responsible for managing has been allocated to them.

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(1) Including the Comoros and Seychelles since 14 April 1977. The Republic of Sao Tome and Principe and the Republic of Cape Verde will also be included in Article 48 of the Convention as soon as the relevant accession agreements enter into force.

as regards the methods and terms of financing

Financing for the least developed ACP States is granted on the most favourable terms possible and therefore generally takes the form of grants, although loans on special terms and operations managed by the EIB (risk capital and loans from own resources) are also possible depending on the nature of the investment.

Examination of the commitments shows that these guidelines have been respected : grants represented approximately 96 % of the total funds committed for the least developed ACP States as at 31 December 1977, while the corresponding percentage for the other ACP States was only 59 %.

Similarly, 71 % of the risk capital committed by the EIB was granted to countries classified among the Least developed ACP States.

Special measures have also been taken to cater for the specific requirements of each of the least developed ACP States in the following areas :

- (a) technical assistance, in order to strengthen the relevant departments of the least developed ACP States, particularly so as to improve their capacity to absorb financing ;
- (b) the temporary financing, on a diminishing scale, of running costs or major repairs, relating to investments previously financed by the Community for which the least developed ACP States are eligible by derogation from Art. 46 (2) of the Lomé Convention. The Commission is endeavouring to promote systematically training schemes for management and maintenance staff in the contact of these operations, more particularly, in view of limiting their proliferation ;
- (c) regional cooperation, in the selection of regional cooperation projects eligible for financing by Community aid very special attention has been paid to the schemes presented by the least developed ACP States. Since the countries concerned are landlocked and have a very under-developed transport infrastructure the emphasis has been placed on upgrading transport and communications networks so as to improve links with neighbouring countries (e.g. links between Togo, Upper Volta and Niger, Niger and Benin, Chad, Central African Empire and Cameroon, a transport system for Rwanda, Burundi, Tanzania, Zambia, Zaire, Guinea and Mali).

Some of the least developed ACP States have also received a large amount of financing for industrial projects.

Lastly, Stabex<sup>(1)</sup> - which admittedly does not come under financial and technical cooperation - also provides for preferential treatment for the least developed ACP States (dependence and trigger thresholds at 2.5 % instead of 7.5 %, non-repayment of transfers).

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(1) System of Stabilisation of Export Earnings.

### 1.3. Regional cooperation

On a proposal from the Commission, the Community authorities adopted on 21 March 1977, in agreement with the ACP authorities, the programme for a first instalment of the Commission-managed resources earmarked for regional cooperation in the Lomé Convention. Since the use of the funds managed by the European Investment Bank is not strictly programmable, it was agreed that the regional projects financed by the Bank would be taken into account retrospectively.

This programme provides for the mobilization of 207.8 million EUA, or approximately two-thirds of the resources reserved for regional cooperation. Of this total, 20 million EUA is earmarked for general cooperation schemes (industrial development programme, training, research, technical assistance, etc.) and 187.8 million EUA is earmarked for projects and programmes chosen from among those put forward officially by the ACP States and regional and interstate bodies (Africa 147.8 million EUA, Caribbean 30 million EUA, Pacific 10 million EUA).

A sectoral breakdown reveals that the priority has been given to transport infrastructure - mainly road projects - which account for almost 50 % of the total amount ; operations of a more directly productive nature account for some 25 % of the total, and 10 % is earmarked for training and education. This result reflects both the low level of economic integration of the African countries and the needs felt by the ACP States - particularly those belonging to the least developed category (as listed in Article 48 of the Convention) - with regard to the extension and improvement of their communications and transport systems.

Up to now, however, the implementation of this important regional aspect of the Lomé Convention has presented certain difficulties at project level. Financing decisions taken up to 31 December 1977 amounted to 64.6 million EUA, corresponding to 31 % of the total amount programmed (including 20 million EUA in the form of risk capital and Bank loans).

This situation reflects the fact that work on the preparation of certain regional investment projects has in many cases not progressed very far and bears witness to the material difficulties of coordination at institutional level resulting from the regional nature of the projects.

Another factor that is bound to delay the effective implementation of regional cooperation projects is the large number of projects that need cofinancing which in any case is difficult to set up.

The programme for the second instalment of the resources earmarked for regional cooperation is scheduled to be prepared during the



first half of 1978 in the light of the experience acquired to date by the Community ; this programme will be submitted for the approval of the Member States and ACP States authorities in accordance with the programming procedures.

#### I.4 Financing of small- and medium-sized firms

The development of small- and medium-sized firms in the ACP countries is one of the innovations of the Convention. It reflects a growing awareness on the part of both the ACP States and the industrialized countries of the Community of the role of such firms in the developing countries. It has become clear that, in addition to supporting major development projects, cooperation efforts should be geared more than in the past to the development of grassroots activities, both rural and urban, and play a more direct part in promoting the establishment of a network of small firms that can generate trade and progress for everyone.

Small business represents :

- i. a major factor for sectoral diversification and geographical equilibrium ;
- ii. an appreciable contribution towards the independence of the national economy and thus a guarantee of reduced vulnerability ;
- iii. a generator of domestic savings for investment operations which though small in scale are highly beneficial in that their effects are spread across the whole of the economy ;
- iv. a source of jobs, worthy of note, both in agriculture and in the manufacturing, artisanal, commercial and service sectors ;
- v. the essential economic environment for the creation under optimum conditions of bigger firms and industries.

It is for these strictly economic reasons that any development and cooperation policy to promote the setting-up, extension and progress of small business in the ACP States is viewed more and more favourably. This is the sense of Article 32 of Title III of the Lomé Convention, which lists the various activities eligible for Community financial and technical cooperation, and of Article 13 of Protocol N° 2 to the Convention, which gives certain details on the financial arrangements

for operations involving small business. The existing texts underline extremely well two essential aspects of the small business question :

the need for an integrated approach to the various forms of aid :  
creation of appropriate infrastructure, advisory and assistance services (technical and management), training and financial resources ;

the major importance of ensuring that the aid given is adapted to the specific features, requirements and capabilities of small business.

In 1977, the Commission approved the initial financing proposals relating to special loans opening a line of credit for ACP bodies supplying credit to small business. Certain loans cover only the line of credit intended for small firms (Guyana, Sierra Leone), whereas others are linked to complementary operations or themselves involve parallel operations providing support for infrastructure (Botswana), technology (Botswana), measures to promote and assist small business (Mali), or training.

In the same spirit, the EIB considerably increased the number of global loans extended to ACP development banks which in utilizing these funds give priority to small industrial firms.

Lastly, the implementation of several EDF projects has been entrusted to small and medium-sized national firms (notably in Cameroon, Chad and Senegal), with appropriate technical assistance, being provided to enable the firms concerned to become accustomed to the procedures and constraints involved in the performance of public contracts.

#### I.5. Assistance and transfer of technology

Under Articles 26 and 31, which deal with technology, its adaptation to conditions in the ACP countries, the development of ACP research capacity, and industrial training, two operations are being carried out on a joint basis. One is concerned with scientific and technical research, while the other is designed to meet practical needs felt by the ACP countries, being mainly geared to the development of new sources of energy, among which solar energy occupies an important place.

The growing interest shown by the ACP States in scientific and technical research indicates that this trend should become more marked as time passes and will require a genuinely bigger effort on the part of the Community.

In the field of applied research, reference should be made to a financing decision involving an amount of 3 million EUA for a regional project to promote trade in groundnut products and combat aflatoxin.

As far as solar energy is concerned, the Commission has kept up a constant effort to promote this avant-garde technology through the selection of sufficiently reliable equipment that can be used in several types of project financed from EDF resources. A first practical experiment using this technology is being conducted in an agricultural project in Mauritania (intensification of agricultural production in the Senegal River Valley). A 10 kW solar pump will be used to irrigate a 20 ha rice-growing area. The cost of the "solar" operation has been estimated at 520 000 EUA. A second project costing 550 000 EUA, is intended to enable an ACP State research body, the ONERSOL (Niger Solar Energy Board), to install two 5 to 10 kW solar pumps to irrigate two areas of 10 ha and 20 ha. (EDF grant of 550,000 EUA for supply and installation of two solar pumps, nigerian contribution of 105,000 EUA for the development of the areas concerned.)

#### I.6. Microprojects

The suggest for microprojects, one of the Lomé Convention's innovations, was greeted with much interest by the ACP States.

During programming, 21 ACP States explicitly expressed the desire to benefit from this type of operation under their indicative programmes and three other ACP States stated that they intended to apply for aid in principle, but without specifying at that stage either the amount or nature of the programme envisaged.

Other ACP States could adjust their indicative programme so as to give place to microprojects.

The implementation of microprojects achieved a satisfactory pace in 1977. This was made possible by the fact that implementing arrangements suited to this type of operation had been defined by mutual agreement with the ACP States and the Commission Delegates had been equipped with instructions enabling them to assist the administrations of the ACP States in drawing up the programmes to be proposed to the Community.

At the present time, initial annual programmes are being implemented in 11 ACP States for a total amount of almost 5.1 million EUA.

In the light of the experience obtained from the first 11 financing proposals presented to the Community decision-making bodies, an accelerated procedure for the approval of the annual programmes has been established and very rapid action can now be taken in response to financing requests from the ACP States.

Although it is still too soon to evaluate the results of the microprojects already financed, it can be stated that the execution of small "grassroots" development projects has been greeted with much satisfaction both by Governments and by the local communities and populations that have benefited. Indeed, the impact of microprojects in the field is quite unrelated to the amount of money spent on them.

#### I.7. Training of supervisory and managerial staff and vocational training

At its Fiji meeting, the ACP-EEC Council of Ministers laid great stress on the importance of training.

Similarly, Protocol N° 2 to the Lomé Convention pays particular attention to the training of supervisory and managerial staff and the retraining of officials of the ACP States.

As indicated in Chapter III.C.2. below, a very special effort was devoted to training in 1977 using the various instruments available, namely :

- scholarships and training courses,
- advanced training sessions,
- symposia,
- the provision of instructors,
- specific training schemes,
- the provision of training as a part of projects.

In almost all the indicative Community aid programmes, the stress is on the training of technical and middle-management staff, priority being given to training in the ACP countries themselves (national or regional establishments) ; as a general rule, scholarship holders are sent to Europe only in cases where there are no specialized establishments on the spot.

#### I.8. Evaluation of completed projects - operation and maintenance of investment projects

It would be premature as yet to try to implement Articles 50 and 57 of the Lomé Convention relating to the evaluation of the effects and results of completed projects and of the physical state of the work carried out. This evaluation will be made in the spirit of the resolutions adopted on 14 April 1977 by the ACP-EEC Council of Ministers - as indicated in the exchange of letters in October and November 1977 between the Secretary-General of the Council of Ministers of the European Communities and the Secretary-General of the ACP States - as soon as the first investment operations financed under the Lomé Convention have been carried out and the relevant projects and programmes have been completed.

Nevertheless, the Commission has carried out on evaluating projects financed under the earlier EDFs, in particular in the fields of public health, water supplies for human consumption and integrated rural development. This sectoral evaluation exercise will be forwarded to the ACP States during 1978, so that an exchange of views between the competent authorities of these States and that of the Community may take place.

Already, the Commission has noted certain shortcomings in the maintenance of a number of projects involving roads and public buildings. These shortcomings are quite often the result of the low level of funds earmarked for maintenance in the budgets of certain ACP States, but they also stem from the numerical or qualitative weakness of the staff responsible for the maintenance and/or management of the projects - a factor not influenced by the size of maintenance appropriations. A certain amount of indifference is sometimes noticed on the part of the users of public buildings (patients, pupils, students), little accustomed to make use of complex infrastructure and equipment. It would be advisable to attend to this state of affairs by running appropriate training and motivation schemes.

The Commission and the ACP States concerned have therefore been at pains, when financing major repairs to earlier projects, to apply lasting remedies to these shortcomings by including in the projects training for the maintenance staff and by providing means and equipment to facilitate maintenance (repairs to hospital units in Chad, repairs to primary schools and general education colleges in Niger). Also, an attempt is being made to introduce simplifications in the projects in question, since sophisticated plant and equipment are very hard, if not impossible, to maintain.

As far as new operations are concerned, an attempt has been made (see Chapter III below) to invest only after considering very carefully the beneficiary's real capacity to bear the operating costs and the facilities for the supply of spare parts and after providing, from the outset, for training programmes for the staff who will be responsible for management and maintenance (public health infrastructure in Liberia and Sierra Leone, secondary polytechnic institutes in Guinea).

The EIB, for its part, has continued to monitor the execution and operation of the investment projects financed by loans from its own resources and, in conjunction with the Commission, those financed by special loans accorded under the second and third EDFs, in respect of which it has received management mandates from the Community.

CHAPTER II

CONTINUATION OF THE ESTABLISHMENT OF THE VARIOUS COOPERATION BODIES AND  
PROCEDURES

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II.1. Programming

The institutionalized programming of Community aid measures for the ACP States is one of the innovations of the Lomé Convention.

Article 51 of the Convention lays down the general objectives of programming. It also provides guidelines for its implementation.

The aim of programming is twofold :

to help the ACP States to establish their national priorities and their investments by enabling them to know in advance the volume of financial resources which they can reasonably expect from the Community during the period covered by the Convention ;

to ensure that the projects and programmes submitted for Community aid dovetail with the objectives and priorities set by the ACP States themselves in their development plans.

Programming also facilitates coordination between Community aid and the Member States' bilateral aid on the one hand and aid from other sources of capital or international organizations on the other, thereby helping to increase the effectiveness of the economic and social development measures.

Programming has been used for drawing up national indicative programmes for each of the ACP States and for implementing regional cooperation. In those sectors where the EIB is primarily involved (industry, mining, tourism) programming has of course been flexible.

The year 1976 was one of intense activity as regards programming, since the Commission, working in conjunction with the EIB, managed to draw up in a relatively short time the indicative programme for 42 out of 46 ACP States.

During 1977 programming activities reached a plateau :

the indicative programmes for four ACP States (Nigeria, Equatorial Guinea, the Bahamas and Grenada) were examined by the competent authorities of the Community :

programming was carried out for five of the six ACP States which acceded (ratification under way) to the Convention after the date of its entry into force (Seychelles, the Comoros, Sao Tomé and Príncipe, Cape Verde and Papua New Guinea) ;

six indicative programmes were amended at the request of the ACP States concerned (Kenya, the Gambia, Malawi, Mauritius, Sudan and Tanzania) and they were presented and adopted by the Community authorities, in accordance with the programming procedures.

The fact that these amendments were made less than a year, or even just a few months, after the adoption of the indicative programmes is a healthy sign. In fact, one of the important characteristics of programming as it is defined in the Lomé Convention is its flexibility. It enables programmes to be adapted to take into account changes in the economic situation of the beneficiary States or any changes in priorities which they may decide to make.

The programming of the first instalment of resources earmarked for regional cooperation, involving an amount of 207.8 million EUA, was finalized in March 1977 (see section I.3.).

## II.2. Establishment of the Delegations

Establishment of the Commission delegations was completed in 1977 with the setting-up of a new Delegation in Nigeria and the creation of multidiscipline teams (advisers and attachés with highly varied specializations) who are responsible within the Delegations for all the various forms of cooperation.

This brings the number of Delegations open at present to 41, with a total staff (Delegates, advisers and attachés) of 220 people.

At its Fiji meeting in April 1977, the ACP/EEC Council of Ministers recommended that reports drawn up by the Commission pursuant to Article 41 of the Convention should in future contain information on the cost of the Delegations. Table VII gives figures on a country-by-country basis for real expenditure on this item during 1976 and estimates for 1977. The total cost of the Delegations for the first two years of application of the Lomé Convention is 36.7 million EUA, namely 3.2 % of the aggregate total of commitments entered into by the Commission during that period.

### II.3. The general conditions

Article 22 of Protocol No 2 to the Lomé Convention stipulates that :

"The general provisions and conditions applicable to the placing and performance of public works contracts financed by the Fund shall be the subject of common rules adopted, on a proposal by the Commission, by a decision of the Council of Ministers at its second meeting following the date of entry into force of the Convention".

The Commission accordingly submitted to the Council of the Communities draft general conditions for public works contracts (7 January 1977), draft general conditions for public service contracts (14 June 1977) and draft general conditions for public supply contracts (13 December 1977).

The Council of the Communities has almost completed its examination of the general conditions for public works contracts. On definitive approval by competent authorities of the Council of the Communities, it will be forwarded to the ACP States.

The general conditions regarding services are currently being discussed by the relevant specialized working party of the Council of the Communities.

The general conditions for supplies will be examined very soon by the same working party.

### II.4. Coordination and harmonization of aid

The coordination and harmonization of the various forms of external aid which contribute towards the implementation of the ACP States' economic and social development programmes are needed to improve the optimum effectiveness of Community aid, with due regard for the guidelines and priorities fixed by the ACP States themselves.

The Community carried out the following work in this field during 1977 :

within the Community, measures were taken to improve the coherence and effectiveness of the aid of the Member States and the Community as regards both the programming by ACP countries and regions and the sectoral guidelines, evaluation and financing of the projects ;

outside the Community, improvements were made to the arrangements for exchanging information and findings with the bilateral and multilateral aid bodies, aimed in particular at taking advantage of the possibilities for cofinancing large-scale projects promoted by the ACP States.



Cooperation between the ACP States and the Community institutions aimed at bringing together the necessary financing resources and achieving satisfactory project execution conditions has increased, and Arab specialized institutions have shown growing interest in the establishment of effective coordination between their aid measures and those of the Community.

During 1977 work started on several major cofinancing projects after appraisal had been completed : the Kpong dam in Ghana, the Nkula Falls II hydroelectric project in Malawi, the Upper Tana reservoir scheme and the sugar complex at Southnyanza in Kenya, the textile unit at Morogoro in Tanzania, the agricultural development of South Chad, the Twifo palm oil project in Ghana, etc. Appraisal of the following projects continued : the Upper Demerara Forestry operation in Guyana, the hydroelectric development in Fiji, the Tambao railway in Upper Volta, the Sudan railway, the airport at Maseru in Lesotho, the sugar complex in Swaziland, the Douala-Yaoundé railway in Cameroon, river infrastructure in the Central African Empire, the working of the Guelbs iron ore mines in Mauritania, etc. It is hoped that financing decisions will be taken on them in the coming months.

Statistics on 25 large-scale cofinancing projects, costing 2 000 million EUA in all show that the Community's share of the total external aid is 21 %, 17 % is accounted for by the bilateral aid of the Member States of the Community, 19 % by the Arab Funds and 20 % by the World Bank.

CHAPTER III

FINANCING DECISIONS TAKEN IN 1977

III.1. Breakdown by method of financing

In 1977, 775 million EUA was committed (including 37.2 million EUA in Stabex transfers), which brings the total commitments decided upon by the Commission and the Bank to 1 209.8 million EUA out of the 3 444 million EUA of Community aid provided for in Article 42 of the Convention.

Regarding aid administered by the Commission, the rate of overall monthly commitments rose from 49.5 million EUA in 1976 to 57.5 million EUA in 1977.

The level of decisions taken by the Bank in 1977 remained satisfactory as regards both loans combined with interest rate subsidies (66.9 million EUA) and risk capital operations (18.1 million EUA). In the case of risk capital the rate of commitment was even higher than provided for in the Convention's implementing texts, which limit the maximum commitments that can be made during the first two years of application of the Convention to 40 million EUA : the two-year period will come to an end on 31 March 1978 and the Bank had already committed this amount by the end of 1977.

In spite of the difficulties inherent in the appraisal of many projects, in preparing preliminary studies for them, and in finalizing certain regional projects and other multidonor operations, the Commission and the Bank will try, together with the ACP States, to speed up project appraisal even more. It should be borne in mind, however, that financing decisions cannot be taken until all the details of projects have been worked out - which, incidentally, constitutes a guarantee for their speedy execution.

Aid administered by the Commission

Aid granted under this head totalled 678.6 million EUA in 1977 :

627.8 million EUA for projects included in the ACP States' indicative programmes and on the first regional projects list agreed upon by the parties ;

50.8 million EUA for Stabex (37.2 million EUA) and exceptional aid (13.6 million EUA).

Non-repayable aid (non-Stabex) :

For 1977 513.1 million EUA was committed in the form of non-repayable aid.

As has been said above, 61 % of this total has gone to the least developed countries (Article 48 of the Convention).

The aid is mainly for rural production and economic and social infrastructure projects.

Repayable aid (non Stabex) :

In 1977 128.3 million EUA was committed in the form of loans on special terms -an appreciable increase on the 18 million EUA committed in the first nine months of 1976.

The Commission is trying to commit repayable aid at a pace comparable with the rate of commitment of non-repayable aid. In conjunction with the ACP States, it decides on the method of financing for projects in accordance with the stipulations of the Lomé Convention and bases its decisions on objective criteria which take account of the type of project, the level of development and the economic and financial situation of the country or countries concerned.

Although most of the ACP States consider it desirable that the projects on their indicative programmes be financed by grants, the Commission, while appreciating the arguments put forward, must propose, in accordance with Art. 43 of the Convention, the most appropriate financing methods, for the best use of the available resources, in particular the 440.1 million EUA in loans on special terms, provided for under Art. 42 of the Convention.

However, the fact remains that the terms of these loans are particularly soft : interest rate 1 %, duration 40 years and grace period 10 years. The result is a very big grant element which may be estimated at about 80 %.

Negotiation of loans on special terms :

The Lomé Convention provides for the sum of 440.1 million EUA (1) to be mobilized in the form of loans on special terms, but the arrangements are different from those used under the Yaoundé Convention. Now the relevant projects are appraised and administered by the Commission and, once the decision to make the loan has been taken, the Bank is merely required to help prepare the financing contracts and ensure that the loans are repaid in its capacity as agent for the Community.

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(1) Subject to ratification by the Member States of the Agreement of 28 March 1977 amending the Internal Agreement on the financing and administration of Community aid (signed on 11 July 1975).

The texts of the contracts used under the third EDF have, therefore, had to be adapted to the new division of responsibilities.

As at 31 December 1977, the Commission had drawn up in connection with loans on special terms :

33 financing agreements (148 841 000 EUA), of which 30 had been signed (144 915 000 EUA) by the above date ;

22 special loan contracts (114 052 000 EUA), of which 12 had been signed (92 033 000 EUA) ;

6 guarantee contracts, of which 5 signed.

#### Aid administered by the European Investment Bank

Total financing committed by the EIB in 1977 amounts to 85 million EUA, of which :

66.9 million EUA in loans combined with interest rate subsidies ;

18.1 million EUA in risk capital (including blocked funds totalling 0.9 million EUA),

bringing the total financing committed by the EIB under the Lomé Convention to 146 million EUA, including 38.3 million EUA in risk capital from EDF resources.

#### Subsidized loans :

The EIB made 14 subsidized loans totalling 66.9 million EUA for projects in industry and tourism in six ACP countries. All these loans were granted on very similar terms : duration of between 10 and 15 years, with interest rates of between 5 % and 6.5 %, taking into account interest rate subsidies, charged against EDF resources and totalling 11.3 million EUA (discounted to present values).

#### Risk capital :

The 18.1 million EUA in risk capital committed during the year bring commitments of this new form of aid up to 38.3 million EUA, almost 40 % of the maximum amount provided for in Article 42. An initial run-down on risk capital operations is given in the following chapter on the development of production.

### III.2. Breakdown by sector

#### III.2.A. Development of production

##### III.2.A.1. Industrialization

Title III of the Lomé Convention sets out the means available for promoting the industrialization of the ACP States. These means are either derived from the financial, technical or trade cooperation measures provided for elsewhere in the Convention or constitute innovations relating specifically to industrial cooperation.

The first category includes the creation of back-up infrastructure for industrial development, the financing of industrial projects (the EIB's essential function), access for ACP manufactures to the Community market and corresponding trade promotion schemes and technical and vocational training schemes for people working in ACP industries.

Industrial information, the establishment of contacts between industrial promoters and measures to encourage the transfer and adaptation of technology are new instruments. Schemes to promote small and medium-sized firms also form part of this industrial cooperation between the ACP and the EEC ; Chapter I.4. of this report contains remarks on specific measures in this field (business promotion infrastructure, technical assistance and lines of credit).

The Centre for Industrial Development (CID) is a public operational body run jointly by the ACP and the EEC. Its function is practical, geared to specific industrial projects, and essentially involves providing information, promoting contacts between ACP and European industrial promoters and devising measures required to ensure smooth execution and proper management of projects. The ACP States, the Member States of the Community, the Commission and the EIB, which are responsible for the planning and coordination of international industrial cooperation, lay down guidelines for the CID and monitor its activities in the Committee on Industrial Cooperation. This Committee's task is to coordinate the CID's activities with the Community's other instruments of industrial cooperation as listed above and with the ACP States' policies on industrialization and the cooperation of foreign private industrialists. The Commission and the EIB, for their part, are always in close contact with the CID for information and consultation purposes.

The CID was able to start operating quite quickly thanks to the sustained activity of the Committee on Industrial Cooperation during 1977. As a result of the Committee's work, a number of decisions were taken involving institutional aspects (make-up of the CID's Advisory Council) and regulations (financial regulation, staff regulations, staff recruitment, budget).

With regard to general industrial promotion, the Commission has continued updating and reprinting the compendium of investment codes and other rules and regulations of interest to foreign investors attracted by the ACP States. It intends to continue this information campaign on the conditions for setting up industrial firms in those States.

#### The Community's financial contribution in 1977

The financing decisions taken in 1977 - totalling 179.8 million EUA, as broken down in Table IV under the heading "Industrialization" - are in line with the objectives set and the industrial cooperation policy pursued right from the start of the Convention period.

In accordance with the role conferred upon it by the Convention, the EIB has financed the bulk of industrial projects proper.

**Development Banks :** The EIB carried on extending global loans to these banks, the funds being used primarily to benefit small business ; five operations involving 13.6 million EUA were approved. In the same sphere, the Commission committed the sum of 6 million EUA in 1977 (see Chapter I.4. "Financing of small and medium-sized firms"). Several projects involving industrial promotion and aid to small and medium-sized firms were approved for Botswana, Mali and Mauritius, as were lines of credit for Guyana and Sierra Leone.

**Agro-industrial complexes :** A large proportion of the Bank's aid went to agro-industrial complexes. Among these operations are several projects for oils and fats and two sugar complexes in Kenya and Malawi.

**Manufacturing industries :** This sector has equally benefited from several Community financings, notably for a canvas mill in Tanzania (loan on special terms and risk capital), several cement works in Cameroon and Kenya (subsidized loans) and in Zaire (risk capital). The Commission also provided a large loan on special terms for the rail and social infrastructure of the CIMA0 regional project (West Africa cement company - Togo), which in 1976 had received a subsidized loan from the Bank and been the subject of risk capital operations.

**Energy :** The Community has been making substantial contributions - especially from EDF resources - to the energy sector since the beginning of the Convention period and, in spite of a certain slowdown, the sector still accounts for a very high percentage of the industrial financing allocated by the Community. In 1977, the Commission took decisions to finance the Kpong dam (1) in Ghana and the Nkula Falls plant in Malawi. The Bank, for its part, gave a loan to "Energie Electrique de la Côte d'Ivoire" for the extension of its transmission network.

(1) The EIB gave a 10 million EUA loan for this project in 1976 (see the Commission report to the ACP-EEC Council of Ministers on the administration of financial and technical cooperation in 1976, page 21).

### Utilization of risk capital

Of the 16 risk capital operations which the Bank had agreed to by the end of 1977, 13 were for the direct financing of 11 industrial projects which, because of their particular features, would probably not have been financed only with loans from the Bank's own resources. The majority of these projects are agro-industrial complexes, but some concern other industries (cement, textiles, chemicals).

The remaining funds were allocated to a pool for the financing of specific studies or granted as aid to development banks for financing their activities, essentially in the industrial field, in favour of small and medium-sized firms, in many cases local ones.

Nearly three quarters of the total risk capital allocated went to six countries classified as least developed ACP States in Article 48, which should normally receive Community aid on very soft terms. The remainder went to five other countries to supplement the own resources of firms or development banks ; hence the Bank was able to give additional loans out of its own resources.

Risk capital was used in all the ways that were possible : the Bank acquired direct holdings on behalf of the Community in the capital of national undertakings and institutions involved in financing development ; indirect aid for building up own resources was channelled via the ACP States or financing bodies in the form of conditional or subordinated loans ; quasi-capital aid was provided in the form of subordinated and/or conditional loans or loans convertible into shares and there was an overall commitment authorization for the financing of specific studies for the preparation of projects and measures to help firms get off the ground. Aid for building up own resources, which takes various legal forms and represents the essential objective of risk capital, accounts for two-thirds of the total sum. In view of these results, it may be considered that the use of risk capital specifically for the financing of industrial projects has been particularly successful.

#### III.2.A.2. Tourism

In 1977, for the first time under the Lomé Convention, the EIB contributed to the development of tourism by making loans for two hotel projects in Cameroon and Ivory Coast.

### III.2.A.3. Rural production

In 1977 the emphasis remained on this sector, which is vital for developing the economies of the ACP States in depth and for improving the standard of living of large sections of their populations.

To date the rural sector has received 28.5 % of the total commitments made under the Lomé Convention. As for the other sectors, numerous studies have been started which will lead to the implementation of new operations in the years to come. This is well in line with one of the Lomé Convention's major objectives, which is to weight aid in favour of the rural areas of the ACP States, where most of the population is concentrated.

#### (a) Agricultural production

In this sphere, financing decisions involving a total of 174.2 million EUA were taken in 1977.

As regards export crops, account was taken of the long-term prospects for selling the anticipated output on the world market, irrespective of the often unforeseeable short-term fluctuations that have affected tea and coffee inter alia. Account was also taken of the existence of preferential markets in deciding upon certain financing operations, such as the development of banana production in Jamaica. Lastly, supplementary financing was provided to obtain a better rate of return on certain investments made at an earlier date (e.g. the tea plantations in Rwanda), so as to enable these projects to pay their own way.

Where food crops are concerned, it should be emphasized that the produce is not intended exclusively for own consumption by the peasants but is frequently channelled into large internal marketing networks and thus increases the ACP States' self-sufficiency in food (fruit production in Senegal and Gabon, vegetable production in Ghana and so on).

Also, there are several projects benefiting the peasantry of little-developed States - notably in the Sahel - which help improve the well-being of the poorest sections of the population and enable them to raise their level of development. Projects that could be quoted as examples in this context are the Sikasso rice production project in Mali, the rural development project in Zinder (Niger), the Yatenga rural development project in Upper Volta and the project for the development of the Kara valley in Togo.



Conservation of natural assets (fertility of the soil) received special attention in 1977 : it was decided to finance two forestry projects - operations that had been very rare in the past.

As was said in Chapter I, the implementation of microprojects - essentially affecting the rural population - was carried on actively throughout the year. The procedures for taking financing decisions on this particular type of project were simplified as much as possible.

Lastly, a project that is likely to have far-reaching effects on all groundnut-producing countries is the regional research project on aflatoxin which is being carried out under the auspices of the African Groundnut Council.

(b) Stock-farming

The growing shortfall of meat production in relation to demand in most ACP States is a well-known phenomenon, whose consequences have been made even more serious for certain countries by the successive droughts that have struck the Sahel over the last few years. This situation renders regional cooperation more necessary than ever before. Such cooperation has been established between the Member States of the CILSS (Permanent Inter-State Committee for Drought Control in the Sahel), which are assisted by the Club du Sahel. At the meeting of the Club du Sahel in Ottawa in May/June 1977, the CILSS States said that they were in favour of the adaptation of stock-farming techniques to particular climatic areas, the combination of stock-farming with other forms of agriculture and the economic integration of the Sahel and the Sudano-Sahelian areas.

The various ways in which stock-farming can be combined with arable farming include the creation of transit and grazing areas for herds that are transhumant or being settled in one spot, the fattening of cattle on peasants' pastures or the development of the use of draught animals.

Many ACP States are showing a growing interest in farming small animals, which would bring a quicker solution to the meat shortfall than an increase in the head of cattle.

Lastly, the authorities of the ACP States are continuing the animal health campaigns undertaken at regional level.

In 1977 the Commission met the wishes of the ACP States by launching a number of schemes geared to these various types of animal production. Because of its importance for obtaining lasting results, the stress was placed on training the cadres needed for the smooth operation of the investment projects carried out in this sphere.

(c) Fisheries

Alongside the efforts to develop animal production fishery projects have been financed in several ACP States ; here again the aim is to improve production of the protein needed to give the population a balanced diet. The most common type of project involves the introduction of methods fishing and preserving fish and the supply of more efficient equipment.

III.2.B. Economic infrastructure

The development of economic infrastructure, especially transport, is essential for the development of the ACP States, whose economies depend largely on the level of foreign, regional or internal trade. A lowering of transport costs is often the sine qua non for the success of operations undertaken in the productive sectors.

In 1977 the Community pursued an active and effective policy in this sector. During the year 132 million EUA was committed for the financing of economic infrastructure ; this represents roughly 17,1 % of the year's commitments.

A large proportion of the money spent in this area went on regional cooperation, aimed in particular at helping to open up the least developed ACP States (article 48 of the Lomé Convention).

III.2.B.1. Roads and bridges

In spite of the projects already carried out in the last few years, the roads and bridges sector remains the area where activity is greatest

The requirements in this sphere are still enormous and the general improvement in the ACP States' road network does not mean that there can be any let-up yet. Almost all the funds referred to above were allocated to this sector.

Roads are, in fact, one of the aspects of development of the ACP's. Roads maintenance is receiving a good deal of attention - and in the future must receive even more - from both the ACP States and external aid sources.

#### III.2.B.2. Railways

There are fewer railway projects. Since they are extremely costly, they can only become viable if they carry a traffic load that in many cases is beyond the present-day requirements of the ACP States. The modernization work carried out on existing railways in recent years means that the ACP States have - or will have as soon as the current work is completed - rail networks that are relatively well suited to their needs. The only operation financed during the year, concerning the RAN railway from Ivory Coast to Upper Volta, was the continuation of modernization work on the line between the capitals of these two countries.

Large-scale projects, requiring cofinancing, are still under appraisal.

#### III.2.B.3. Ports and waterways

Activity in the sphere of port and waterways infrastructure has also slowed down, which shows that the overall situation in this sector is more satisfactory now than it has been in the last few years. There are, however, a number of major studies under way, but they are so complex from the economic and technical angles that they are taking a long time to complete. Few projects of any size have been programmed in this field under the Lomé Convention.

#### III.2.B.4. Telecommunications

Commitments in the field of telecommunications were confined to one study in 1977. Some large-scale projects are under appraisal, however, in the Pacific and Indian Oceans which bears witness to the Community's continued interest in this sector.

### III.2.C. Social development

Given the time required to prepare the dossiers on social infrastructure projects and on the implementation of programmes of scholarships, training grants and specific training, commitments in this sector were very limited in 1976 (16.7 million EUA, i.e., 3.7 % of total commitments). This relative delay was largely made up in 1977, since, at 148,8 million EUA, the sector now represents overall 16 % of total commitments under the indicative programmes.

On the basis of past experience, account was taken in implementing the projects financed not only of the usefulness of putting up buildings suited to the surroundings and to the populations' needs but also of the advisability of providing simple, solid equipment which is easy to maintain and for which spareparts can be supplied regularly and at very short notice.

It was endeavoured to finance only projects with recurring costs compatible with the funds available in the operating budgets of the ACP States concerned.

Attention was paid in each case to the availability of staff for operation and maintenance, and appropriate training schemes were set up where required.

Materials of local origin or manufactured locally were used for the buildings, which, in several cases, were or are being put up by small- or medium-sized firms (for example in Chad, Senegal and Cameroon).

The constant attention paid to the various points mentioned above should bear fruit by encouraging, for the future, the satisfactory management and upkeep of the investments financed with Community aid.

#### III.2.C.1. Educational infrastructure

Fifteen educational infrastructure projects were financed in 1977. Most of them concern the teaching of practical or technical subjects, at an intermediate level, rather than general training at advanced or university level. This is in line with the needs of the ACP States, where the lack of intermediate-level and technical staff constitutes a hindrance to development, and also with the direction which the Community wishes to give its assistance in the field of training.

### III.2.C.E. Training

#### . Multiannual training programmes

In 1977 multiannual training programmes for a total of about 62 million EUA, have been committed in 29 ACP States.

These multiannual training programmes are the follow-up to the "Training" part of the indicative programme signed with each ACP State ; they encompass all training schemes and thus provide an overall view of the EDF's contribution to each ACP State's national training policy. These programmes do not include projects which, owing to their size, require the opinion of the EDF Committee and a Commission decision or projects which are linked with a capital project and cannot be dissociated from it.

Multiannual training programmes mainly comprise three sections : the provision of instructors, the supply of teaching material, and scholarships and training grants.

Instructors have been sent to the ACP States to give short further training schemes (for example, expert-instructors in accounting or management have been sent to Burundi), or longer schemes (three instructors have been sent to Somalia for three years to provide training in the maintenance of equipment in Mogadishu hospital).

The scholarships and training grants may be combined with the other two sections (instructors and teaching material) or from an independent action programme. For the specific programmes of scholarships and training grants, the Commission has endeavoured with each ACP State to concentrate on a few specific areas within the framework of the objectives set by the Lomé Convention (article 40) and the indicative programme of Community aid, for the country concerned, rather than spread the available scholarships over all the areas of training.

At the end of June 1977, 2085 scholarships had been awarded, of which 432 in Europe and 1513 in the ACP States.

The breakdown by area of study is indicated in the table below :

Breakdown by field of training						
Economics	Agriculture	Science/ Technology	Health	Education	Other	Total
376	553	606	170	245	135	2085
18 %	26,5 %	29 %	8,2 %	11,8 %	6,5 %	100 %

For the ACP States which owing to various circumstances (recent accession, time required to complete dossiers, etc.), had not yet signed an indicative programme, a provisional amount was provided so that, in the sphere of scholarships and training grants, it is possible to start or continue urgent training courses or participate in study sessions. This amount is 4 300 000 EUA. The sums committed are later charged against each of the indicative programmes concerned.

. Specific training projects

Several specific projects have been selected with the ACP States in the context of the training schemes to be implemented during the period of the Lomé Convention these projects include : the retraining of primary school teachers following educational reform (Sierra Leone) ; the improvement of the level of training of technical education staff (Liberia) ; further training in wood classification (Gabon) etc.

These programmes are carried out for the most part - and sometimes entirely - in the countries concerned so that they can be geared to local problems and realities ; before they are implemented a selection is made of the candidates in order to obtain optimum effectiveness.

. Training component of projects

Activities in this category are by definition situated outside the multiannual training programmes. They take the form of training connected with a production or infrastructure project and designed to guarantee the proper functioning and continuity of the investment.

The few projects adopted under the fourth EDF (fisheries project in Gambia, medical equipment in Sierra Leone, technical college in Liberia, etc.) show that the percentage represented by training in the total cost of an investment is relatively low (10 % or less) and totally unrelated to the increased value which it gives to upon the total investment. The training component may either be included in an EDF project or added as a supplement to other investments made from own funds or by means of external aid.

. Seminars and advanced training sessions

In 1977 an amount of 650 000 EUA was committed under regional activities to finance, in addition to seminars, various advanced training sessions for ACP officials and managerial staff.

As in the preceding year, the seminars were attended in Brussels, Luxembourg and London by more than 400 students and consisted of 18 two- or three-days sessions dealing with the fundamental aspects of the Community's development policy and of the Lomé Convention.

In addition, specific seminars are to take place in Europe and the ACP States ; the first of these was held in Denmark in August 1977 and was attended by ACP students of agricultural subjects (veterinary surgeons, agriculturalists, economists, etc.) in order to examine Danish achievements and compare their approaches to this sphere.

#### III.2.C.3. Public health

A total of 15.4 million EUA was committed in this sector in 1977. The emphasis was placed on small- or medium-sized medical units located mainly in rural areas, rather than on the construction of large urban hospitals, on the adjustment of infrastructure and equipment to the needs and life-style of the users, and on the training of medical and ancillary medical staff and maintenance staff. Close attention is paid to the coordination of preventive medicine, health education and curative medicine schemes.

#### III.2.C.4. Water engineering, urban infrastructure

Whereas in 1976 a relatively small amount, earmarked moreover, solely for studies, had been committed, by the end of 1977 almost 40 million EUA had been committed for water engineering operations (the supply of water to the population, drainage, works preceding agricultural improvements, but excluding the latter, which are dealt with under "Rural production" in this Chapter). In 1977 the emphasis - 70 % - was placed on supplying the population with water, particularly in rural areas. In urban areas, drainage operations took precedence over water supplies.

#### III.2.C.5. Housing

A scheme to improve the housing of the poorest sections of the population was financed in Ethiopia; and a project to improve the housing conditions of squatters was financed in Jamaica. The appraisal of several other projects in this sphere is in programme.

#### III.2.D. Trade promotion

In order to attain the trade cooperation objectives set by the Lomé Convention, the Commission has implemented most of the trade promotion activities provided for in Article 13 of the Lomé Convention, namely :

- i. improvement of the structure and working methods of the organization concerned with developing the foreign trade of ACP States ;
- ii. basic or advanced vocational training of staff in trade promotion ;
- iii. participation by the ACP States in fairs and specialized international shows ;
- iv. improvements of cooperation between economic operators in the Member States and the ACP States and the establishment of links to promote such cooperation ;
- v. the carrying out and making use of market research and marketing studies ;
- vi. production and distribution of trade information within the Community and the ACP States.

The implementation of these various types of activities poses difficulties, however, for several reasons.

Firstly, it has been noted that, despite the Commission's efforts, many ACP States have not yet fully realized the scope of the trade promotion aid provided for by the Lomé Convention. The Commission has, however, circulated widely, since the entry into force of the Convention, a general memo specifying the nature of the possible activities emphasizing their value and indicating the procedure to be followed in order to benefit from them.

The explanation may be that these activities directly concern producers and exporters whereas the Commission traditionally deals with Governments and official departments.

Secondly, it is clear that even now this type of activity constitutes an innovation for many ACP States, which accept the principle (they did so at the ACP-EEC Ministerial meeting in April 1977) but are waiting for the industrialized States in general, and the Community in particular, to take initiatives in this sphere.

Lastly, for the reasons set out above, most of the ACP States have not earmarked funds for trade promotion activities under the national indicative programme or, if they have done so, they have not yet proposed a use for these funds.

In order to remedy these difficulties, the Commission adopted a number of measures. It first of all took the initiative of sending officials on duty visits to the new English-speaking ACP States. These visits, which were short did not always enable action programmes to be drawn up. The Commission then proposed to the ACP States, which recently accepted the proposal, that delegations of specialized experts be sent to ACP States that so wished in order to identify trade promotion requirements and problems and to propose solutions and action. Lastly, in agreement with the ACP States in February 1978, it will organize a working meeting in Brussels between Commission staff and those responsible for the expansion of foreign trade and export promotion in those States, in order to seek and define with them appropriate means of developing trade promotion activities.



For each type of activity provided for in the above-mentioned Article 13, the main Community operations are specified ;

(a) assistance for organizations concerned with developing foreign trade

Technical assistance from the Commission has enabled the Ivory Coast Foreign Trade Centre (CICE) to encourage the setting up or development of several Ivory Coast industrial and trading companies ; it was the Centre, for example, which promoted the establishment of the Ivory Coast International Textile and Clothing Show in Abidjan, which in 1977 attained a turnover of CFAF 2 000 million ; it also promoted the setting up of factories producing household utensils, prefabricated units in wood, etc..

Cameroon, Togo, Mauritius, Senegal, Jamaica, Kenya and Malawi have requested assistance from the Commission for setting up or developing their foreign trade centres ; other States intend to submit similar requests. Some of these operations will start in 1978.

(b) basic or advanced vocational training of staff in foreign trade

A marketing seminar for the directors of the ACP States' export promotion boards, was held for about ten days in Yamoussokro (Ivory Coast) and a large number of European experts described marketing and marketing study methods.

A similar seminar was held in Dublin for the English-speaking ACP States.

In addition, when international trade events take place, the Commission organizes inter-trade meetings, at which the African delegates are put into contact with European businessmen.

A two-month seminar for commercial attachés to ACP States at embassies and for the representatives of foreign trade centres is in preparation.

(c) participation in international trade events

In 1977 the Commission organized 204 ACP attendances at 28 fairs and specialized shows. Independently of these attendances and in the context of specific regional projects, such as the promotion of varieties of tropical wood little known in Europe and out-of-season fruit, participation in other specialized trade events was organized by the Commission.

The ACP States do not, however, take full advantage of the trade opportunities afforded them by participation in these events. All too frequently, the trade contacts made during these events are not followed up by concrete measures, one reason being the lack of contact between the national administrative departments taking part in the fairs and the producers themselves.

The setting up of national foreign trade centres should to a large extent remedy this lack of communications.

- (d) improvement of cooperation between economic operators in the ACP States and the Member States and the establishment of links to promote such cooperation.

As already mentioned above, inter-trade meetings are organized by the Commission at most of the trade events.

In addition, the Commission has given its support to the establishment of two inter-trade links designed to inform producers about European markets and competition, to assist them where necessary in production and lastly to conduct campaigns to promote products.

These links are the Liaison Committee for producers, exporters, importers, distributors and transporters of ACP tropical fruits and vegetables (COLEACP) and the Federation for the Development of Utilitarian Artisanat (FEDEAU).

The Commission also proposed to the ACP States engaged in forestry the establishment of a similar link essential to the harmonious development of trade flows between producers in the ACP States and European importers and industrialists dealing in tropical wood now that competition in timber is becoming increasingly severe.

- (e) the carrying out of market studies

No opportunity arose in 1977 for carrying out market studies. With the development of industrialization in the ACP States, requests could be submitted in the fairly near future, and the Commission will satisfy them provided that the studies requested can result in a concrete trade operation.

- (f) production and distribution of trade information within the Community and the ACP States

Given the importance of trade information for trade promotion, the Commission offered each ACP State the opportunity to publish a general brochure on its economy and a trade sheet for four products in all the Community languages. This has now been done for 26 ACP States.

These documents are used mainly in the fairs and shows in which the ACP States take part. They are also used by the departments responsible for promoting foreign trade and by the commercial counsellors in the embassies of the ACP States.

In addition, the Commission has published a very detailed "Exhibitor's Guide" in English and French ; this document is particularly useful to the ACP States in organizing their participation in trade events.

The Commission has also published, in all the Community languages and in Spanish, data sheets concerning the varieties of tropical wood little known in Europe ; these sheets specify the origin and available supplies of these varieties, the characteristics of the log, the technological features and possible uses of each type of wood, i.e. all the information potential buyers must be given in order to show interest in these varieties.

Lastly, the Commission has given technical assistance to certain national administrative departments responsible for organizing fairs in the ACP countries (Nigeria, Sudan).

### III.2.E. Exceptional aid (Article 59)

Under Article 59 of the Lomé Convention, exceptional aid totalling 13 547 000 EUA was committed in respect of seven countries (Table No VIII).

The purpose of this aid was to enable these countries to cope with the severe difficulties resulting either from natural disasters (Ghana, Tonga, Kenya), or from comparable extraordinary circumstances (Comoros, Congo, Botswana, Zambia).

The funds supplied have been used to import essential products (medicines, fertilizers, fuel, rolling stock) and also to build or repair houses, hospitals or schools.

The exceptional aid granted since the entry into force of the Lomé Convention totals 61 287 345 EUA, leaving an available balance of 88 712 655 EUA.

### III.2.F. Stabex

Although the export earnings stabilization system does not come under financial and technical cooperation, the transfers effected under this system for 1977 are set out in Table No IV, in order to provide an overall view of EDF commitments and expenses.

### III.2.G. Other

#### "The Courier"

In 1977, the readership of the magazine continued to expand

in the ACP countries. Through this magazine, with its different sections, in which leading figures from the ACP States and Europe have an opportunity to voice their opinions, many ACP nationals and European circles concerned with development problems can, on an ever increasing scale, be supplied, with substantial information and documentation. The different aspects of the Lomé Convention, and in particular the activities of the European Development Fund, the agreements concluded by the Community with the developing countries, and on a general level, the European Community's cooperation policy towards economic and social development in the Third World, are dealt with in detail.

At present, the magazine is read by the élites of the French-speaking ACP States and its circulation increases with each issue among the élites of the English-speaking ACP States. The magazine, already a link between the Community and the ACP countries, is also becoming a link between the ACP countries, its usefulness and value now being self-evident.

The rate of publication of the "EEC-ACP Courier", namely every two months, has remained the same. The number of pages - about a hundred - has increased slightly ; the total circulation of the French and English editions is at present about 45 000 copies.

In 1977 each issue continued to carry a section, entitled "Dossier", dealing with a special topic : fisheries in the ACP States, urban development, water and rural development, regional cooperation in the ACP States, trade between the Community and the Third World, training.

As in other spheres, close cooperation has been established with the Committee of ACP Ambassadors. At meetings held at regular intervals, our partners therefore have the opportunity to put forward their point of view and participate in establishing the general outlines of the magazine.

#### Further information

Over the past year, as in 1976, the Directorate-General for Information of the Commission has carried on its information activities aimed at the ACP States, taking into account local conditions and the opportunities for access to the media, in particular by receiving at the Commission headquarters ACP journalists (press, radio and television) and government officials responsible for information who are passing through or invited to Europe by the Member States following recommendation by the information counsellors in the Member States' embassies in a given ACP State.

These visits have enabled them to make contact with the various departments of the Commission and of the ACP Secretariat

with a view to covering European-ACP relations in items or columns regularly fed by documentation specially prepared and supplied for this purpose.

These activities of prime importance have been supplemented by short-wave radio broadcasts from the Member States. Some of them give regular cover to Community news and all matters relating to the Community's development policy.

## CHAPTER IV

### EXECUTION OF AID ADMINISTERED BY THE COMMISSION

#### IV.1. Signing of financing agreements

With regard to financing agreements, 1977 was marked by the organization of ceremonies to which the Ambassadors of several recipient States were invited to sign the documents with the Member of the Commission responsible for development policy.

In the course of 1977, five such ceremonies were organized, resulting in the signing of 78 financing agreements, for a total amount of 407 021 000 EUA, and training programmes for a total amount of 29 062 000 EUA. The aggregate of these commitments - i.e. 436 083 000 EUA - represents 17.2 % of the overall sum earmarked under the Lomé Convention for grants and special loans.

#### IV.2. Rate of invitations to tender

In the course of 1977, 71 invitations to tender were issued for a total amount of 181 874 190 EUA, i.e. a monthly average of six invitations to tender for about 15 000 000 EUA.

The breakdown of the total figures is as follows :

22 invitations to tender by standard procedure for works contracts for an aggregate of 119 674 749 EUA (average : 5 439 761 EUA per contract) ;  
10 invitations to tender by accelerated procedure for works contracts for an aggregate of 6 454 000 EUA (average : 645 000 EUA per contract) ;  
39 invitations to tender for supply contracts for an aggregate of 55 745 441 EUA (average : 1 429 370 EUA per contract).

#### IV.3. Disbursements

The disbursements effected under the fourth EDF during the 1977 financial year total 207 million EUA. After less than two years' operation, the aggregate total of disbursements under the fourth EDF therefore amounts to 341 million EUA, i.e. almost 10 % of its total resources.

This percentage was not reached until the third year of operation in the case of the preceding Funds.

Despite the difficulties inherent implementing projects in over 25 new countries not yet familiar with EDF procedures, the rate of disbursements is faster than under the preceding Funds.







LOME CONVENTION

TABLE III

FINANCING SITUATION IN 1977, BY METHOD OF FINANCING

AND BY ADMINISTRATIVE BODY

(000 EUA)

	Total volume (article 42 of the Convention)		Commitments taken in 1977					
			Aid administered by the Commission		Aid administered by the E.I.B.		T o t a l	
	Amount	%	Amount	%	Amount	%	Amount	%
<u>EDF Resources</u>	<u>3.000</u>	<u>88,5</u>	<u>678,833</u>	<u>100,0</u>	<u>29,392</u>	<u>30,6</u>	<u>708,025</u>	<u>91,4</u>
- Grants	2.100	61,9	513,121	75,6	11,337	11,7	524,458	67,7
of which : micro projects	(20)		(6.513)	(1,0)			6,513	0,8
interest rate subsidies	(100)				(11,337)	(11,7)	(11,337)	1,5
exceptional aid	(150)		(13,547)	(2,0)			(13,547)	1,7
- Special loans	430	12,7	128,338	18,9			128,338	16,6
- Risk capital	95	2,8			18,055	18,9	18,055	2,3
- Stabex	375	11,1	37,174	5,5			37,174	4,8
<u>EIB Resources</u>	<u>390</u>	<u>11,5</u>			<u>66,930</u>	<u>69,4</u>	<u>66,930</u>	<u>8,6</u>
- Loans from EIB resources	390	11,5			66,930	69,4	66,930	8,6
<b>T O T A L</b>	<b>3.390 (1)</b>	<b>100,0</b>	<b>678,633</b>	<b>100,0</b>	<b>96,322</b>	<b>100,0</b>	<b>774,955</b>	<b>100,0</b>

(1) Sum increased to 3,444.1 M UA due to new accessions, subject to ratification by the Member States of the Agreement of 28 March 1977 amending the Internal Agreement on the financing and administration of Community aid (signed on 11 July 1977).

TABLE IV

## LOME CONVENTION

Financing situation in 1977, by method of financing and by sector  
(million EUA)

	DEVELOPMENT OF PRODUCTION				ECONOMIC	SOCIAL	TRADE	EXCEPTIONAL	STABEX	OTHER	BLOCKED	TOTAL								
	INDUSTRIALIZATION	TOURISM	RURAL PRODUCT.	%	INFRASTR.	DEVELOPMENT	PROMOTION	AID			APPROPRIAT.		%							
					%	%	%	%	%	%	%	%	%							
<b>1. Aid administered by the Commission</b>	<u>89.403</u>	<u>50</u>	<u>191.578</u>	74,7	132.566	100	<u>148.769</u>	100	<u>9.915</u>	100	<u>13.547</u>	100	<u>37.174</u>	100	<u>51.215</u>	100	<u>4.415</u>	83,1	<u>678.633</u>	87,6
1.1. Non-repayable aid	13.303	50	163.460	47,0	113.196	85,4	145.019	97,5	8.915	89,9	13.547	100	-	-	51.216	100	4.415	83,1	513.121	66,2
Programmable grants (of which microprojects)	13.303	50	163.460 (6.513)	47,0	113.196	85,4	145.019	97,5	8.915	89,9	-	-	-	-	51.216	100	4.415	83,1	499.574 (6.513)	64,5 0,8
Exceptional aid	-	-	-	-	-	-	-	-	-	-	13.547	100	-	-	-	-	-	-	13.547	1,7
1.2. Special loans	76.100	-	26.118	27,7	19.370	14,6	3.750	2,5	1.000	0,1	-	-	-	-	-	-	-	-	128.338	16,6
1.3. Stabex	-	-	-	-	-	-	-	-	-	-	-	-	37.174	100	-	-	-	-	37.174	4,8
<b>2. Aid administered by the EIB</b>	<u>90.371</u>	<u>5.051</u>	-	25,3	-	-	-	-	-	-	-	-	-	-	-	-	<u>0.900</u>	16,9	<u>96.322</u>	12,4
2.1. Loans from EIB resources	62.610	4.320	-	17,8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66.930	8,6
2.2. Interest rate subsidies	10.606	731	-	3,0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11.337	1,5
2.3. Risk capital	17.155	-	-	4,5	-	-	-	-	-	-	-	-	-	-	-	-	0.900	16,9	18.055	2,3
<b>Grand Total</b>	179.774	5.101	191.578	100,0	132.566	100	148.769	100	9.915	100	13.547	100	37.174	100	51.216	100	5.315	100	774.955	100,0
	23,2 %	0,7 %	24,7 %		17,1 %		19,2 %		1,3 %		1,7 %		4,8 %		6,6 %		0,7 %		100,0 %	
of which from EDF resources (1, 2.2., 2.3.)	117.164	781	191.578	82,2	132.566	100	148.769	100	9.915	100	13.547	100	37.174	100	51.216	100	5.315	100	708.025	91,4
from EIB resources (2.1.)	62.610	4.320		17,8															66.930	8,6

TABLE V

STABEX - Results of 1977 operation (for the year of application  
1976) by ACP State (1)

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(in 000 EUA)

BENIN	Cotton	2.750
	Palm oil	766
CAMEROON	Cocoa paste	464
ECA	Sann timber	550
COMORES	Coprah	287
FIJI	Cocoanut oil	1.450
GUINEA BISSAU	Groundnuts	4.442
	Palm nuts and kernels	627
MADAGASCAR	Sisal	1.763
	Cloves	1.140
NIGER	Groundnuts oil	6.756
	Groundnuts cake	153
UGANDA	Tea	1.400
	Cotton	2.250
WESTERN SAMOA	Coprah	1.332
	Wood in the rough	350
SIERRA LEONE	Iron ore	3.977
TANZANIA	Sisal	5.165
TONGA	Coprah	832
	Fresh bananas	72

(1) In fact, a financial transfer of 649  
has been carried out in 1977 for Mali for the year  
of application 1975

GRAND TOTAL 37.174  
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TABLE VI

## SUBSIDIZED LOANS AND RISK CAPITAL COMMITTED BY THE EIB IN 1977

## A. Breakdown by country

Country	Loans from the EIB's own resources		Risk capital from EDF resources		T o t a l	
	Amount (million EUA)	%	Amount (million EUA)	%	Amount (million EUA)	%
CAMEROON	4,67	7,0	-	-	4,67	5,5
IVORY COAST	21,55	32,2	0,25	1,4	21,80	25,9
KENYA	25,88	38,6	1,06	6,4	26,94	32,0
MALAWI	9,50	14,2	0,99	5,7	10,49	12,5
MAURITIUS	3,00	4,5	-	-	3,00	3,6
RWANDA	-	-	3,00	17,4	3,00	3,6
TANZANIA	-	-	7,40	42,8	7,40	8,8
TOGO	2,33	3,5	3,25	18,8	5,58	6,6
ZAIRE	-	-	1,20	7,0	1,20	1,4
T o t a l	66,93	100,0	17,15	100,0	84,08	100,0
Blocked appropriations	-	-	0,90	-	0,90	-
GRAND TOTAL	66,93	-	18,05	-	84,98	-

B. Breakdown by sector

Sector	Loans from EIB's own resources		Risk capital from EDF resources		Total	
	Amount (million EUA)	%	Amount (million EUA)	%	Amount (million EUA)	%
Global loans	11,00	16,4	2,60	15,0	13,60	16,1
Energy	11,00	16,4	-	-	11,00	13,1
Metal-working industries	-	-	3,00	17,4	3,00	3,6
Agro-industr. complexes & food industr.	29,73	44,4	4,49	26,0	34,22	40,6
Chemical ind.	5,88	8,8	1,06	6,4	6,94	8,3
Manufacturing industries	5,00	7,5	6,00	35,2	11,00	13,2
Tourism	4,32	6,5	-	-	4,32	5,1
<b>T O T A L</b>	<b>66,93</b>	<b>100,0</b>	<b>17,15</b>	<b>100,0</b>	<b>84,08</b>	<b>100,0</b>

## COST OF THE DELEGATIONS

TABLE VII

C o u n t r i e s	Amount in EUA		
	Cost of the Delegation		
	1976	1977	Grand Total 1976/1977
BARBADOS	26.793	58.778	85.571
BENIN	365.300	580.000	945.300
BOTSWANA	78.458	248.050	326.508
LESOTHO	78.698	248.806	327.504
SWAZILAND	42.114	133.144	175.258
BURUNDI	336.680	420.000	756.680
CAMEROON	772.915	806.298	1.579.213
EQUATORIAL GUINEA	13.135	13.702	26.837
CENTRAFRICA	462.330	580.000	1.042.330
CONGO BRAZZAVILLE	426.730	515.000	941.730
IVORY COAST	696.240	710.000	1.406.240
ETHIOPIA	190.170	640.000	830.170
FIJI	36.944	94.377	131.321
WESTERN SAMOA	15.087	38.542	53.629
TONGA	10.305	26.325	36.630
GABON	346.810	290.000	636.810
GAMBIA	113.460	290.000	403.460
GHANA	132.620	575.000	707.620
GUINEA BISSAU	105.430	275.000	380.430
GUINEA CONAKRY	150.330	330.000	480.330
GUYANA	93.450	340.000	433.450
UPPER VOLTA	550.190	705.000	1.255.190
MAURITIUS	155.157	294.937	450.094
COMORES	38.341	72.882	111.223
SEYCHELLES	14.711	27.964	42.675
JAMAICA	382.498	299.999	682.497
BAHAMAS	20.008	15.692	35.700
KENYA	326.050	530.000	856.050
LIBERIA	126.400	345.000	471.400
MADAGASCAR	681.187	733.310	1.414.497
MALAWI	187.490	525.000	712.490
MALI	596.200	695.000	1.291.200
MAURITANIA	399.220	515.000	914.220
NIGER	585.960	605.000	1.190.960
NIGERIA	-	190.000	190.000
RWANDA	244.980	395.000	639.980
SENEGAL	649.220	885.000	1.534.220
SIERRA LEONE	148.200	365.000	513.200
SOMALIA	372.280	640.000	1.012.280
SUDAN	329.320	610.000	939.320
SURINAM	256.180	245.000	501.180
TANZANIA	176.420	610.000	786.420
		+300.000	+300.000
CHAD	544.930	610.000	1.154.930
TOGO	362.900	420.000	782.900
TRINIDAD & TOBAGO	323.908	306.053	629.961
GRENADA	33.200	31.369	64.569
UGANDA	87.490	500.000	587.490
ZAIRE	648.440	725.000	1.373.440
ZAMBIA	182.490	470.000	652.490
ALL STATES	1.234.230	1.060.000	2.294.230
	14.151.599	20.940.228	35.091.827
	=====	=====	=====

TABLE VIII

EXCEPTIONAL AID 1977 (Article 59)

COMORO Is.	2.597.000 EUA	Repatriation allowance, housing construction and hospitals repair
CONGO	250.000 EUA	Sanitary assistance to Cabinda refugees
BOTSWANA	70.000 EUA	Installation expenses to Francistown refugees
ZAMBIA	8.000.000 EUA	Purchase of fertilisers, agricultural and transport equipment
GHANA	2.130.000 EUA	Purchase of transport equipment for food aid (drought)
TONGA	200.000 EUA	Repairs to damages caused by earthquake
KENYA	300.000 EUA	Repairs to flood damages
<u>GRAND TOTAL</u>	<u>13.547.000 EUA</u> +++++	