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COMMISSION REPORT TO THE ACP-EEC COUNCIL OF MINISTERS
ON THE ADMINISTRATION OF FINANCIAL AND TECHNICAL
COOPERATION IN 1976 UNDER THE LOME CONVENTION

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

This annual report has been drawn up pursuant to Article 41 of the Lomé Convention - of which 1976 was the first year of implementation starting from 1 April - and deals with the administration of financial and technical cooperation between the European Economic Community and the ACP States. The parts of the report which concern the European Investment Bank have been drawn up in conjunction with the Bank.

The Lomé Convention, which was signed on 28 February, entered into force on 1 April 1976 after having been ratified by the forty-six African, Caribbean and Pacific States, the Community and the nine Member States. The time required to complete the ratification procedures was not, however, a period of inactivity in relations between the Community and the ACP States, for the year 1976 saw the application of the provisions of the Convention on trade, sugar and financial transfers for 1975 under the export earnings stabilization system.

Similarly, during the period under consideration, the instruments of cooperation and procedures for the rapid and effective mobilization of the funds provided for by the Convention under the head of financial and technical cooperation were actively established. Various implementing texts were adopted, programming missions were carried out as early as July 1975 enabling the indicative programmes to be finalized, and the Commission Delegations were established. The appraisal of actual projects was carried out concurrently so that by the end of December 1976 nearly 450 million EUA had been committed out of the total of 3 390 million EUA stated in Article 42 of the Convention. In order to accommodate the points of concern expressed at the meeting of the Joint Committee of the Consultative Assembly, more than half the funds committed have been allocated to the productive sector, particularly rural development.

The preliminary discussions on the implementation of the funds earmarked for the financing of regional programmes and projects were launched and pursued and at the same time the Committee on Industrial Cooperation was set up, thus paving the way for the opening of the Centre for Industrial Development.

Now that this start has been made the implementation of financial and technical cooperation seems likely to get fully under way in the early months of 1977, when the new ACP States will receive substantial financing

and the provisions of the Convention relating to regional cooperation and to industrial cooperation as a whole will take full effect at the same time.

Therefore, by getting off to a rapid start, the Lomé Convention has fulfilled the hopes placed in it by the 55 original signatories, which have recently increased to 58.

CHAPTER I

I. MAIN GUIDELINES OF THE LOME CONVENTION

One of the recitals of the Lomé Convention states that the signatories are "resolved to establish a new model for relations between developed and developing States, compatible with the aspirations of the international Community towards a more just and more balanced economic order". On the basis of this fundamental guideline an agreement was drawn up which contains significant innovations compared with the Yaoundé Conventions. Apart from the increase in the volume of aid and in the number of participants embracing a far wider geographical area, the main innovations are the stabilization of export earnings, the fact that the ACP States are exclusively responsible for determining their objectives and priorities (on the basis of which the indicative programmes of Community aid are drawn up by mutual agreement), increased participation by the ACP States in the administration of Community aid, the granting of special advantages to the poorest ACP States, microproject programmes, regional cooperation, industrial cooperation and new and original forms of financial aid (risk capital) entrusted to the Bank specifically for the financing of industrialization projects.

The basic objective of the cooperation is the economic and social development of the beneficiary States. However, special importance is attached to the need to "seek" via this cooperation "the greater well-being of the population".

What the Community has achieved in development aid and the experience built up over more than fifteen years, particularly in the field of financial and technical cooperation, are nonetheless irreplaceable.

Therefore, the various types of aid that already existed have been maintained: economic and social investment projects, general and investment-linked technical cooperation, exceptional aid, aid for trade promotion, etc. The same applies to the aid sectors - namely, rural and industrial development projects, economic and social infrastructure projects - and to the forms of financing, though here certain changes and improvements have been made, viz. grants, special loans on very soft terms, EIB loans (generally combined with interest rate subsidies), risk capital operations.

1. The broader geographical scope of the Convention

Instead of the nineteen AASM and six Member States that signed the Yaoundé Convention the Lomé Convention involves forty-nine ACP States and nine Member States, in other words an overall population of 525 million people.

2. Stabex

Although Stabex is not strictly speaking part of financial and technical cooperation it should be pointed out, in view of its importance as a principle and in practice, that it is a system for guaranteeing the stabilization of earnings from exports by the ACP States to the Community of certain products (twelve in all)

affected by fluctuations in price and/or quantity. The aim of Stabex is to remedy the harmful effects of the instability of these earnings and thereby enable the ACP States to achieve the stability, profitability and sustained growth of their economies.

3. Participation by the ACP States in the determination and administration of aid

The Lomé Convention gives the ACP States a crucial role in determining the aid to be granted and involves them very closely in its administration, more so than under the previous Conventions. The ACP States are now actively participating in the various stages of preparation and execution of programmes and projects: aid programming (a field in which they play a decisive role), preparation of the dossiers, the initiation of studies, project appraisal and execution.

An indicative programme of Community aid is drawn up by mutual agreement between the Commission and each ACP State and submitted for opinion to the Member States.

The ACP States are closely involved in the appraisal of EDF projects. They draw up, negotiate and conclude pre-investment technical cooperation contracts, collaborate in drawing up financing proposals, which are submitted to the Community's decision-making bodies and the final version of which is transmitted to the ACP States concerned. They may also be called upon to state their case at the financing decision level, and where a project does not receive a favourable opinion from the EDF Committee, the country concerned may be given a hearing by the Member States, within an ad hoc Committee, so that it can present the operation itself.

The ACP States are responsible for the execution of projects and therefore particularly for the negotiation and conclusion of works and supply contracts. Their powers as regards the implementation of aid have been strengthened by the fact that certain administrative, financial and technical duties previously fulfilled by the Commission Delegates have been transferred to them (for example, a large number of prior endorsements and authorizations have been abolished).

4. The "least developed" ACP States

The Lomé Convention introduced special measures for the "least developed" countries. Under Stabex these countries already receive non-repayable transfers on easier terms than the other ACP States. For capital projects, the method of financing normally used is the grant.

The least developed ACP States will be able to benefit from training schemes for management and other staff in Government departments, specific schemes designed

to help solve their particular problems, and the temporary financing, on a diminishing scale and on certain terms, of the running costs of or major repairs to big investment projects previously financed by the Community.

In the geographical breakdown of EDF funds the Commission has endeavoured to take account of the special situation of the poorest ACP States.

5. Microprojects

Community aid has made a significant contribution in the past to rural development and to improving the living conditions of peasant farmers. However, in order to reach the rural population more directly provision has been made in the new Convention for a new kind of operation, which has already proved its worth in certain developing countries - namely, microprojects benefiting local communities. These schemes are normally carried out in rural areas and include small dams, wells and water supply systems, silos and warehouses, service tracks, bridges, vaccination pens, schools, dispensaries, social assistance centres, premises for commercial activities, etc.

The sum of 20 million EUA has been earmarked for these schemes. After two years the Council of Ministers will decide on the follow-up to this experiment.

6. Regional cooperation

The objectives and scope of regional cooperation, for which provision was already made in the Yaoundé Convention, have been more clearly defined at the instigation of the ACP States themselves, particularly with a view to accelerating economic cooperation within and between the regions of the ACP States, stepping up the diversification of their economies, reducing their economic dependence on other countries, creating sufficiently wide markets and using to the full the resources and services available to each State.

The areas covered by regional cooperation are mainly industry, transport and communications, energy production, the exploitation of natural resources, research and technology, stockbreeding and agriculture, education and training, tourism and technical assistance for the establishment of regional bodies.

7. Industrial cooperation

The Lomé Convention attaches special importance to the industrial development of the ACP States. The objectives of industrial cooperation have been carefully defined. The areas where there will be cooperation are essential sectors: infrastructure linked to industrialization (transport and communications, energy), industries processing raw materials and industries manufacturing finished and

semi-finished products, industrial training in Europe and in the ACP States, and industrial information, research, promotion and studies.

Special structures have been set up to activate industrial cooperation. These are the Committee on Industrial Cooperation, a joint body responsible for seeing to the implementation of the industrial cooperation provisions of the Convention and the Centre for Industrial Development, whose main role is to encourage European firms to participate in the execution of specific industrial projects by arranging all the necessary contacts at the technical and financial levels.

In order to encourage the development of small and medium-sized firms, particularly from the industrial angle, the Convention provides for the possibility of financing projects in favour of such firms through the national development banks.

In the same spirit the new Convention has significantly improved the practical steps already taken previously to encourage participation by local firms in the execution of EDF projects.

8. Extension and diversification of EIB operations

Among the salient features of the Convention mention should be made of the fact that EIB operations have been extended and diversified both in terms of the Bank's sectoral responsibilities and as regards the financial techniques which it may use.

It should be stressed, however, that all special loans, which generally bear the most favourable terms (duration 40 years, grace period 10 years, interest rate 1%), are granted under the sole responsibility of the Commission.

Sectoral responsibilities

The texts of the Convention stipulate that industrial, mining and tourism projects are to be given priority financing from the resources administered by the Bank, in other words mainly by loans from its own resources combined with interest rate subsidies, and by assistance in the form of risk capital. Projects in these sectors are therefore first submitted to the Bank, which appraises them in accordance with its Statute and the provisions of the Convention.

This guideline does not rule out the possibility of Bank loans being granted for profitable infrastructure projects in countries where this form of financing would appear appropriate. Nor does it exclude covering the cost, from the funds administered by the Commission, of various operations provided for in Title III of the Convention (training, information, promotion, industrial studies, etc.) or of infrastructure required for industrial development and, possibly, certain projects which are worthwhile in themselves but unlikely to be financed by one of the forms of aid administered by the EIB.

Interest rate subsidies

In accordance with the provisions of the Convention and with account being taken of the exceptions stipulated in Article 5 of Protocol No 2, loans made by the EIB from its own resources are generally combined with an interest rate subsidy of 3%, the amount of which is charged against EDF resources.

Risk capital

Within the context of industrial cooperation, the Convention gave the Bank responsibility for implementing this type of financial aid, which may take highly flexible forms that are especially adapted to the financing of industrial projects.

The purpose of risk capital is:

(i) to step up the own resources of firms either through the direct acquisition by the Bank on behalf of the Community of a minority holding in the authorized capital of firms or by granting quasi-capital assistance to the ACP State or to a national institution in order to enable the latter to acquire a holding in the capital of industrial firms where this operation is supplemented by another financial intervention by the Community in favour of that firm. In appropriate cases other forms of aid for stepping up the own resources of firms are also possible (e.g. shareholder advances or bond subscription);

(ii) the direct financing of investments by means of quasi-capital assistance in the form of subordinated or conditional loans as defined in Article 4(3) of Protocol No 2;

(iii) the financing of specific studies and of technical assistance to help firms get off the ground. This aid may be used for the preparation of projects which are already at an advanced stage and which could qualify for Bank assistance.

CHAPTER II

ESTABLISHMENT OF THE VARIOUS COOPERATION BODIES AND PROCEDURES

(a) The partners

After the Community, all the Member States and all the ACP countries had deposited their instruments for ratification of the Lomé Convention, the Convention entered into force for all the parties concerned on 1 April 1976. The political will marked by the signatures appended to the text of the Lomé Convention was therefore fully confirmed.

The interest which the Lomé Convention continues to arouse among the developing countries is illustrated by the desire expressed by a number of States not included initially among the 46 to accede to the Convention also.

Three former overseas countries and territories (OCT) which have since become independent (the Republic of Surinam, the Republic of the Seychelles and the Comoros) acceded to the Convention under Article 89 thereof, on 16 July, 27 August and 13 September 1976 respectively, thus raising the number of ACP States to 49.

Three other countries (São Tomé and Príncipe, Cape Verde and Papua New Guinea) submitted a formal request for accession under Article 90 of the Convention. The procedures for the conclusion of the accession agreements are under way and these countries will therefore soon become full members of the Convention.

(b) Programming

I. Financial and technical cooperation, which constitutes one of the cornerstones of the Lomé Convention, provides for the financing, from the sum of 3 390 million EUA (3 000 million from the European Development Fund and 390 million from the European Investment Bank's own resources), of projects and programmes which contribute towards the economic and social development of the ACP States.

Article 5I of the Lomé Convention stipulates that this aid must be programmed. The very principle of aid programming is one of the innovations of Lomé **as it was institutionalized** for the first time in the Convention.

The same Article lays down the general objectives of programming and also provides guidelines for the practical execution of this work. The aim of programming is twofold :

- (i) to ensure that the projects and other development schemes undertaken with Community aid dovetail with the objectives and priorities set by the recipient State under its development programme;
- (ii) to facilitate implementation of the development plan of the recipient State by enabling the latter to obtain as clear an idea as possible as regards objectives pursued, terms and overall amount of the aid it can expect during the period covered by the Convention.

It also facilitates coordination between Community aid and other sources of capital (e.g. Member States, multilateral organizations, etc.).

In order to attain the objectives laid down within a short time, the Member States, the ACP States, the Commission and the EIB have diligently completed, in a coordinated manner, a considerable task.

2. It was first of all necessary to have, for each ACP State, a thorough knowledge of the economic and sociopolitical realities of the country and of its development policy, its potential and its constraints.

This problem was more acute for the new ACP States while for the former AASM States all that needed to be done was to update the information already available.

3. On completion of this work, an exchange of views was held, for each ACP State, between representatives of the Member States, the Commission and the EIB at a "pre-programming committee" meeting to determine the "general framework" of the programming missions in accordance with Article 17(2) of the Internal Agreement.

The discussions of this committee were centred mainly on the national objectives and priorities which seemed best-suited to Community aid operations. This pre-programming enabled the Community's aims to be more closely coordinated with the bilateral programmes of the Nine.

4. The programming missions began in July 1975 and were virtually completed by June 1976 (except, of course, for the three new ACP States which were formerly OCT).

As a general rule, the missions comprised three phases:

an outline, by the authorities of the ACP State in question, of the development policy pursued in terms of general objectives and priorities;

determination in successive concrete stages of the various intermediate objectives, and finally, step by step, of the most suitable Community action for attaining those objectives;

drafting and signing of an indicative Community aid programme for the duration of the Lomé Convention.

The outline is of course a general flexible one in view of the objective realities, which quite naturally differ from one country to another.

The indicative programmes all have one point in common, however: each of them is the result of joint work and a dialogue between the ACP country concerned and the Community.

Altogether the indicative programmes involve an overall amount of almost 2 000 million EUA (of which 51.6% is for the former AASM and 48.4% for the new ACP). This is the aid which is "programmable" by country, and it does not include Stabex, exceptional aid, regional projects, and generally speaking, aid administered by the EIB.

5. The Bank has taken part in all phases of programming and has been represented in almost all the missions sent out to the places concerned. Nevertheless, in the case of the sectors for which the Bank is responsible, the projects referred to in most of the indicative programmes have been mentioned only in general terms since it is impossible for the Bank to quote exact figures for aid before the projects have been appraised and since particular flexibility must be maintained in this sector.

6. The estimated breakdown by sector of all the indicative programmes - although subject to adjustments and amendments in the future - nevertheless reflects the national priorities of the recipient States.

Thus the major part of the programmed aid - almost 50% - goes to the productive sector, the accent being on rural production, which accounts for more than a third; the abovementioned percentage should increase over the years as numerous industrial, mining or tourism projects are financed.

Economic and social infrastructure take second and third place respectively, with around 28% and 15% of the total.

7. Each indicative programme has been the subject, in accordance with Article 17(3) of the Internal Agreement, of an exchange of views between the representatives of the Member States, the Commission and the EIB at the "post-programming" meetings.

8. So it can now be said that the first - essential - phase of the programming, culminating in the approval of all the indicative programmes, has been completed; within very reasonable periods of time, it has been possible to progress to the stage of appraisal and financing of programmes and projects.

The programming is not completely finished, however. According to Article 51(4) of the Lomé Convention, the indicative programmes must be sufficiently flexible to enable account to be taken of changes occurring in the economic situation of the recipient countries and any modifications of their initial priorities. Consequently, it must be possible to review each programme during the period covered by the Convention.

Major changes of programme are discussed with the Community by the ACP State concerned. A new indicative programme is then prepared and is the subject of a further exchange of views with the Member States (Article 17(5) of the Internal Agreement) on the very basis of the criteria of coherence applied during the first exchanges of views; some ACP States are already making use of the opportunities provided by Article 51(4) of the Convention.

The principle of programming will also apply to those States which were not initially included among the 46 ACP States but have already decided or will decide in the future to accede to the Convention. For these countries, Community aid will be programmed in accordance with the same principles and methods already applied for the 46 ACP States.

In addition to programming the financial and technical aid allocated directly to each ACP State and replying to the communication presented in July 1976 by all of these States, the Community, after defining the criteria, prepared a programming project of a first instalment of the resources earmarked for regional cooperation under Article 47 of the Lomé Convention. This programming, based on the proposals officially presented by the ACP States, is for financing projects and programmes which can be expected to be implemented within a relatively short time.

As soon as possible the Community will also draw up, proposals for the content of the second instalment of the regional fund, which will involve projects and programmes which cannot be expected to be implemented as soon as for the first instalment.

It should be pointed out that a number of national projects financed in 1976 in the road, railway and port sectors - in Togo, Cameroon and Congo - are of definite regional interest for a number of the neighbouring countries of the recipient States.

(c) Starting up appraisal

Once an indicative programme had been drawn up, the staff of the Commission and the Bank began - or in certain cases continued - to appraise the projects or programmes in accordance with the priorities laid down in agreement with the ACP States.

Financing decisions had been taken on 81 projects by the end of 1976 and almost 200 dossiers are at a fairly advanced stage of appraisal which will enable them to be dealt with some time in 1977, while a large number of studies begun in 1976 or to be started very shortly are on projects which will be undertaken in the next two years.

(d) Establishment of the Commission Delegations

Article 31 of Protocol No 2 to the Lomé Convention laid down that the Commission was to establish delegates in the ACP States, with the approval of the authorities of those States. The Commission delegates may be considered as an essential link in the implementation of the Convention with respect to the resources administered by the Commission.

As they are in constant contact with the ministries and administration of the ACP States they are in a position to speed up implementation of the Convention considerably and to make the Commission more aware of the needs and problems of the States in which they are established.

For this reason, at the end of 1975, the Commission gave high priority to this operation of installing delegates by selecting, recruiting, training and establishing them as the approval procedures initiated with the authorities of the ACP States were completed.

Since it was possible to group together certain neighbouring States with the agreement of the States concerned, as provided for in Article 31, the Commission has installed a total of forty delegations in the ACP States.

At present, this operation is virtually completed: the forty delegates have taken up their posts while at the same time the teams for each delegation have been formed.

The Commission has sent out staff to collaborate with these delegates, to form multi-disciplinary teams (economic advisers, agricultural experts, engineers, architects, administrative and financial staff) which will enable the multiple forces of cooperation to be activated. A vast operation involving the transfer of staff already established and the recruitment of new staff has made it possible to place experienced staff alongside new recruits in order to provide the ACP States with maximum assistance in speeding up implementation of the Lomé Convention.

(e) Establishment of the bodies responsible for the commitment of Community aid

1. EDF Committee

In accordance with Articles 18 and 19 of the Internal Agreement, the EDF Committee, chaired by a Commission representative and consisting of representatives of the Member States, gives its opinion on proposals for the financing - by grant and/or special loan - of projects or programmes submitted to it. The EIB takes part in the work of the Committee and the Council Secretariat delegates an observer to it.

The EDF Committee, which has existed since 1964, has acquired considerable experience with the implementation of the two Yaoundé Conventions. Its new rules of procedure were adopted by the Council of the European Communities on 4 May 1975. This text, which is fairly close to the previous ones, enables the various procedural obligations imposed upon the Commission by the Lomé Convention and the Internal Agreement to be met with the required flexibility and diligence.

Since the Convention came into effect the Committee has held eight meetings, at which a favourable opinion was delivered on 66 projects involving a total of 305.5 million EUA (not including Stabex, interest-rate subsidies and risk capital), that is an average of nearly 40 million EUA per Committee meeting.

The first programmes already prepared for 1977 suggest that a monthly commitment rate of 50 to 70 million u.a. will be reached, which augurs well for the use, within the time laid down, of all appropriations entered under financial and technical cooperation.

2. Article 22 Committee

In the context of the duties assigned to the Bank for administering certain forms of aid from EDF resources, the Internal Financial Agreement of the Convention established under the auspices of the EIB a committee called the "Article 22 Committee" after the Article of this Agreement under which it was set up. This Committee comprises nine delegations representing the Member States, and the Bank. The Commission takes part in its work and the Council Secretariat sends an observer to its meetings. The Committee is chaired by the representative of the Member State currently assuming the Presidency of the Board of Governors of the Bank and the Committee's secretariat is provided by the Bank.

The Article 22 Committee delivers an opinion which is communicated to the decision-making bodies of the Bank; the latter act in accordance with their statutory rules and practices.

In 1976, the Article 22 Committee met three times and delivered a favourable opinion on fifteen operations including eight requests for loans with interest-rate subsidies amounting to 58 million EUA and seven proposals for financing by risk capital totalling 24.3 million EUA.

3. Committee on Industrial Cooperation

On 14 July 1976, pursuant to Article 35 of the Lomé Convention, the ACP-EEC Council of Ministers laid down the composition and rules of operation of the Committee on Industrial Cooperation (Council Decision 1/76).

The Committee, an intergovernmental body, is made up on the one hand of representatives of the nine Member States of the EEC, a Commission representative and a representative of the EIB, and, on the other, of fifteen representatives of the ACP States.

The Committee held its first meeting on 20 December 1976. At this meeting it appointed the Director of the Centre for Industrial Development (CID) and his deputy.

The Commission also prepared the Committee's subsequent discussions on making the Centre operation (see below) and on consultation of economic and social circles by the Committee (as provided for in Article 10 of Decision 1/76 of the ACP/EEC Council).

4. Centre for Industrial Development

The CID's Statutes and rules of operation were the subject of Decision 2/76 of the same Council, taken on the same date, pursuant to Article 36 of the Lomé Convention.

So that the CID, which will be situated in Brussels, can get started on its work the Commission staff has drafted a financial regulation and staff regulations. Both these texts will be put before the Committee on Industrial Cooperation so that the CID can actually become operative in the early months of 1977.

(f) Finalizing procedures for implementing projects and programmes

In order to facilitate implementation of the Lomé Convention and in particular of the resources managed by it, the Commission has undertaken a series of missions to the new ACP States in order to finalize the implementing procedures with the national authorities of each of these States.

The aim of these missions was threefold:

- (i) To negotiate with the national financial institution designated by the authorities of each State the agreement laying down the rules for exercising the functions of EDF Paying Agent for payments in the national currency of that State. These rules were negotiated on the basis of Article 32 of Protocol No 2 to the Lomé Convention.
- (ii) To meet the National Authorizing Officer who, in accordance with Article 30 of Protocol No 2, represents his country's authorities in operations relating to projects financed from the Fund's resources. On this occasion the financial procedures as defined in the Lomé Convention and subsequent texts were explained in detail to the National Authorizing Officer's staff and to the representatives of the various Ministries required to play a part in implementing the projects.
- (iii) To examine with the authorities which will be preparing and concluding works, supply and technical assistance contracts the rules and requirements of the invitation to tender procedures.

These negotiations and the discussions relating to the administrative and financial procedures of the EDF were conducted in each case in the spirit of cooperation which characterizes relations between the Community and the ACP States. They have made a significant contribution towards speeding up implementation of the Lomé Convention.

(g) Coordination and harmonization with other aid

For optimum effectiveness it is advisable to harmonize the various forms of external aid which, together with the efforts made by the countries concerned themselves, contribute towards the implementation of the ACP States' development plans. Such has always been the preoccupation of Community aid.

This has been the case during the various phases of programming when, thanks to increased exchanges of information, the Member States of the EEC, with the ACP States, the Commission and the Bank, have worked towards this goal.

The analysis and dissemination of this information will meet a twofold aim: to provide better guidance for Community measures and to inform the public of these measures in the Member States and in the ACP States.

The coordination of development policies has taken practical shape in the case of the financing of large-scale projects, which can be executed only if the contributions of the various financing institutions are brought together and harmonized. Here the ACP States and the Commission have actively collaborated with the common objective of bringing together the necessary financing resources and of adopting the implementing procedures.

In 1976, there was very marked confirmation of the interest of Arab Governments and institutions in coordinating their aid operations with Community measures. The ACP States encouraged this coordination, to which the Community for its part made a considerable contribution. The joint evaluation of the following projects, which in the course of the year were the subject of financing decisions and initial implementing measures, was completed: the Congo-Ocean railway in the Congo, the port of Douala and the Song Loulou Dam in Cameroon, the Sélingué Dam in Mali, the Mukungwa power station in Rwanda, the Golwen-Gelib road in Somalia. The Bank and other aid sources took financing decisions for the regional CIMAO cement factory project - which involves the Ivory Coast, Ghana and Togo - and the Kpong dam project in Ghana. The Commission intends to contribute to the financing of these operations at the beginning of 1977.

(h) Preparation of documents

In 1976, the Commission staff prepared a number of documents for the detailed organization of financial and technical cooperation.

A manual of instructions for the use of the Commission Delegates will shortly be forwarded to the ACP States and various Commission documents could also be sent to them, including outlines for the presentation of project dossiers, outlines for financing proposals and various information on the methods of appraising and assessing projects.

The EIB has distributed a brochure on the procedures governing its operations under the Convention.

CHAPTER III

GENERAL GUIDELINES OF FINANCIAL AND TECHNICAL COOPERATION

The descriptions of the projects given in Chapter IV of this Report provide a fairly detailed picture of the nature of the operations financed to date under financial and technical cooperation.

At 31 December 1976, an overall amount of 445.8 million EUA had been committed out of a total of 3 390 million EUA of Community aid provided for under Article 42 of the Convention.

Certain points of a more general nature should nevertheless be made at this stage.

Exceptional aid (Art. 59 of the Convention)

Nearly all the appropriations available for the first year of application of this form of aid were used in 1976 (47.7 million EUA out of 50 million EUA).

Circumstances were such that owing to natural disasters and other similar situations ten countries were in difficult situations which justified recourse to emergency aid, this being in accordance with the wishes expressed by the Joint Committee of the Consultative Assembly which met in Lomé in December 1976.

Stabex

Although Stabex does not directly involve funds used under financial and technical cooperation, it should be noted that in 1976 the financial transfers made for 1975 under the system for stabilizing export earnings amounted to nearly a fifth of the Stabex appropriation.

Microprojects

It may be noted, however, that the funds earmarked for microprojects were used less quickly since it was necessary to finalize the special procedures for appraising this type of operation. Proposals on this subject were formulated by the Commission and put before the ACP States on 10 November 1976.

Regional cooperation

In view of the time required to establish criteria for determining the regional nature of projects and programme an initial instalment of regional appropriations - work which was energetically carried out in 1976 - it was not in fact possible to finance any regional operations before the end of 1976, apart from EIB aid for the CIMAO project.

There is no doubt that in 1977 substantial Community aid will be earmarked for programmes and projects of this kind.

Breakdown of financing

By sector (see Tables 1 and 3)

With the exception of the commitments under exceptional aid and Stabex, which are of a fortuitous or relatively automatic nature, the breakdown of the financing among the various sectors - in so far as it may be considered significant after only nine months of implementation of the Convention - shows that the development of production occupies first place with 64% of the total (of which 37% for industrialization and 27% for rural production) and that economic infrastructure, mainly involving road projects, comes second with 28%. The social sector, with 5%, has got off to a fairly slow start.

With regard to the breakdown of project aid by country, it is obvious that the ACP States previously associated with the Community under the Yaoundé Convention are in a more favourable position at present than the new ACP States which have signed the Lomé Convention (about 70% and 30% respectively). A large number of project dossiers relating to the former States were already available at the end of the period of implementation of the second Yaoundé Convention, or were at a sufficiently advanced stage of appraisal for the corresponding financing decisions to be taken at an early date.

For the new associates, contacts first of all had to be made in order to enable each side to familiarize itself with the procedures used, launch the necessary studies and complete the project dossiers so that financing decisions could be taken under the optimum conditions.

The Community authorities will, in conjunction with the authorities of the ACP countries, endeavour in the course of next year to reach a commitment level for the new ACP States comparable with that of the former AASM.

By administrative institution (see Table 2)

In the period under consideration the Commission committed 377.6 million EUA (including Stabex and exceptional aid)¹. This amount would have been considerably higher if the complex discussions relating to the use of the appropriations earmarked for financing regional programmes and projects had been completed in 1976; it is to be hoped that major projects in this sphere will be financed in 1977.

The EIB, working on a parallel basis and often jointly with the Commission, committed more than 68 million EUA (including 41.5 million by way of loans from its own resources, plus 5.5 million EUA of interest-rate subsidies and 21.2 million EUA of risk capital, charged against EDF resources) for a number of projects relating mainly to the industrial sector.

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The various commitments referred to above were made in accordance with the indicative programmes prepared by the ACP States and the Community.

¹The interest-rate subsidies (5.5 million EUA) and risk capital (21.2 million EUA), which will be discussed below, mobilized at the EIB's initiative, must be added to this amount for accounting purposes.

CHAPTER IV

FINANCING DECISIONS TAKEN IN 1976

A. BREAKDOWN BY METHOD OF FINANCING

(see Table 2)

In all, at 31 December 1976, 445.8 million EUA had been committed out of a total of 3 390 million EUA of Community aid provided for in Article 42 of the Convention. This result may seem modest since it represents only 13% of the total appropriation, the bulk of which must be allocated before 1 March 1980. However, it should be remembered that the period under consideration lasted only nine months and that, particularly for the new ACP States, it must be considered as a starting-up and even running-in phase for the appraisal and implementation of programmes and projects, and also as a running-in period for the application of the procedures, some of which are completely new.

In order to analyse these results, it seemed wise to draw a distinction between aid administered by the Commission and aid which is the EIB's responsibility.

1. Aid administered by the Commission

This aid totalled 377.6 million EUA, of which:

119.8 million EUA was non-programmable aid (72.1 million EUA of Stabex and 47.7 million EUA of exceptional aid);

257.8 million EUA may be considered as programmable aid in the sense of consisting of amounts used for the indicative programmes.

Non-repayable aid (non-Stabex)

The sum of 286.9 million EUA was committed in the form of non-repayable aid; as provided for in Article 10 of Protocol No 2 to the Convention, this aid was granted on a priority basis to the least developed countries listed in Article 48 of the Convention.

The aid was mainly for projects concerning rural production and economic and social infrastructure. However, certain directly productive projects in the industrial sector, relating in particular to energy, were financed in this form in the poorest countries (Sélingué dam in Mali and the Mukungwa hydroelectric plant in Rwanda).

Repayable aid (non-Stabex)

The sum of 18.6 million EUA was committed in this form, a relatively low figure compared with the total appropriation for special loans; it will therefore be important in future to increase the use made of this method of financing, a matter to which the Commission and the ACP States are already giving their attention with regard to the projects at present under appraisal.

The loans in question were made for agro-industrial projects in Cameroon and Chad and for two transport infrastructure projects in Congo and Cameroon.

It should be noted that the latter operations were financed by a combined grant/special loan in view of the importance of these projects to less developed neighbouring countries.

2. Aid administered by the European Investment Bank

Since the entry into force of the Convention the amount made available by the Bank for financing totals 61.7 million EUA, of which:

41.5 million EUA was for loans with interest-rate subsidies;

21.2 million EUA was for risk capital operations.

Subsidized loans

The Bank granted five loans totalling 41.5 million EUA out of its own resources to four ACP States (Cameroon, Ghana, Kenya and Mauritius) and for a regional project involving Togo, Ivory Coast and Ghana.

The financial terms of these loans are fairly similar: duration of between eleven and fifteen years with interest rates of between 6% and $6\frac{1}{2}$ %, account being taken of the interest-rate subsidies.

Three loans are for the energy sector, one loan linked with three risk capital operations relates to the regional CIMAO cement works project and an overall loan will enable small and medium-sized industrial projects to be undertaken through a development bank.

Risk capital

Seven risk capital operations involving a total of 21.2 million EUA were signed on 31 December 1976, three of them being combined with a subsidized loan.

They relate to six ACP countries, namely Cameroon, Ivory Coast, Ghana, Upper Volta, Togo and Chad. Three States (Upper Volta, Chad and Togo) listed as least developed countries in Article 48 of the Convention received almost 70% of this finance.

The breakdown of these first risk capital operations by sector and according to the various methods of use is as follows:

- (i) sole financing of industrial projects (SOCAPALM, SOSUHV, BANDA, CIMAO), including one regional project.

(ii) very substantial use is being made of the various possible ways of utilizing risk capital: conditional or subordinated loans to step up own resources via share-holding States (SOSUHV, BANDA, CIMAO), direct conditional or subordinated loans to firms (SOCAPALM, SOSUHV).

B. BREAKDOWN BY SECTOR (see Tables 1 and 3)

DEVELOPMENT OF PRODUCTION

As has just been stated (see "Breakdown of financing" above), the productive sector (excluding Stabex and exceptional aid), with 64% of the funds committed in 1976, has been allocated the highest proportion of aid, which is in line with the trend emerging from the examination of the indicative programmes as a whole.

1. INDUSTRIALIZATION

The Lomé Convention placed very special emphasis on industrialization, the aim being to enable the ACP States to develop a particularly dynamic sector of their economies and achieve large increases in net output as well as creating a large number of jobs. A number of new instruments have been created to facilitate the implementation of Community aid in this field and to complement through training, information and promotion activities the operations financed in the area of industrial production proper - which is essentially the EIB's field of activity - and also those financed in the area of infrastructure, particularly energy infrastructure, upon which the development of industry depends.

In 1976 Community commitments were already made for a number of very big projects in the sectors of energy, manufacturing industry and agro-industrial complexes.

In order to facilitate the preparation of projects and the provision of assistance to firms during the starting-up period, the Bank's Board of Directors, following the favourable opinion of the Article 22 Committee, approved an overall authorization of 1 million EUA in the form of risk capital. This authorization, which is provided for in Article 51 of the Financial Regulation of the EDF, will enable the Bank to carry out the studies and provide the technical assistance that are required for the implementation of projects in the sectors for which it is responsible with speed and flexibility.

(a) Loans to development banks

Article 49 of the Convention states that development banks are among the bodies eligible for financial and technical cooperation. Accordingly, the Bank granted a global loan of 2 million EUA to the Development Finance Company of Kenya Limited (DFCK). This is the first time the Bank has used the global loan technique in Africa; it is a financing method that enables resources to be transferred via experienced local financing institutions to help develop various industrial schemes. The global loan was granted for eleven years, with a four-year grace period, at a subsidized interest rate of 6%.

Several operations of the same type are currently undergoing appraisal by the Commission and the EIB and will be implemented soon.

(b) Projects with an energy bias

Five major projects were financed in this field:

(i) In Cameroon a subsidized EIB loan of 13 500 000 EUA was granted to the Société Nationale d'Electricité du Cameroun (SONEL) to help finance a dam and hydroelectric power station at Song-Loulou on the River Sanaga, together with transmission lines and interconnection stations. The project will enable SONEL to cope with the rapid increase in demand from the southern and western regions of Cameroon.

The cost of the project has been put at 174 million EUA. Besides the EIB and the C.C.C.E. (France), Arab sources of financial aid such as the Saudi Development Fund, the Kuwaiti Development Fund and the Islamic Development Bank are involved in financing the operation.

The duration of the EIB loan is fifteen years and the subsidized interest rate is $6 \frac{1}{8}\%$ per annum.

(ii) In Ghana, the Community is participating in conjunction with other aid bodies in the financing of a hydroelectric project launched by the Volta River Authority (VRA), a public body responsible for the development of the Volta valley and Lake Volta, particularly for the production of electricity. The purpose of the financing is to construct a dam and a hydroelectric power station which will increase the VRA's installed capacity by 160 MW. This increased capacity should enable the VRA to meet Ghana's needs up to 1985 while continuing to export electricity to Togo and Benin.

The EIB has granted a loan of 10.0 million EUA. For its part, the Commission is actively pursuing the appraisal of a loan on special terms of 8 980 000 EUA for this project, in respect of which a financing decision could be taken very soon.

The total cost of the proposed structures is 243 million EUA. The IBRD and numerous other aid bodies (such as the Arab Bank for Economic Development in Africa, the Saudi Arabian Fund, the Kuwaiti Fund and the Canadian International Development Agency) intend to help finance the project.

(iii) In Mauritius, a subsidized EIB loan of 2 million EUA has been granted to the Central Electricity Board (CEB) to boost the island's electricity production capacity.

This financing will enable a new extension to be built to the largest thermal power station on the island, located at Fort Victoria. The extension will increase the station's capacity to 62.4 MW and will enable it to cope with expected increase in demand for electricity from the rapidly developing industrial and hotel and catering sectors. The loan has been granted for $13 \frac{1}{2}$ years at a subsidized interest rate of 6%.

This is the second loan the EIB has granted the CEB. In July 1975 the Bank granted a loan of 1 750 000 EUA under the second Yaoundé Convention to help finance an earlier stage in the development of the power station.

(iv) In Mali, an EDF grant of 19 157 000 EUA will go towards building the Sélingué dam, the Mali Government's biggest project to date.

This vast operation was initially conceived and studied as far back as the sixties. The Government financed the preliminary study of the dam from its own resources. Subsequently the Community, the UNDP, France, Italy and the FRG financed the various feasibility studies, those for the execution of the project, a master plan for the development of the Niger valley and the feasibility study for the development of an irrigated agricultural area situated downstream from the dam.

The priority status which the Mali Government has given this project - it occupies a choice position in the 1974-78 Five-year Development Plan - can be explained by the importance attached to the aims being pursued:

- (a) to cover Mali's electricity requirements up to about 1990;
- (b) to develop progressively the cultivation of irrigated crops (using gravity-feed or pumped irrigation techniques) so as to limit the country's dependence on cereal imports.

The construction of the dam will result in improved navigation conditions on the River Niger, particularly the stretch between Koulikoro and Markala, in the months of low water, during which the river is not navigable at present. Lastly, the lake that will form behind the dam will make a considerable contribution to fishery production.

The total cost of the project is estimated at 127 million EUA. Besides Community aid, many other sources will be participating in the financing of this important project; these are the African Development Bank and the African Development Fund, the Arab Bank for Economic Development in Africa, the Kuwaiti Fund, the Saudi Arabian Fund, the Abu Dhabi and Qatari Funds, bilateral aid from Saudi Arabia, Canada, Germany, France and Italy.

(v) In Rwanda, Community aid is to provide a grant of 20 million EUA as its contribution to the Mukungwa hydroelectric power station, which will have a nominal output rating of 6.25 MW. This project constitutes the logical follow-up as regards electricity infrastructure to a policy pursued under the earlier Funds, a large proportion of which was used to build the electricity distribution network.

The Rwandese Government sets very great store by this project as a way of coping with the energy shortfall in Rwanda and in the region of the Great Lakes (Rwanda, Burundi and Kivu) within the time-scale dictated by the forecasts for the growth of consumption.

The cost of the operation, for which the technical and economic studies have already been financed under the third EDF, is estimated at 29.9 million EUA.

Besides these five operations, Community aid has financed the following in the same sector:

in Rwanda, a technical assistance mission to the Ministry of the Plan to help solve the problems in the country's energy policy (70 000 EUA);

in Western Samoa, two studies, one on the hydroelectric potential of Upolu (50 000 EUA) and the other on two hydroelectric power stations (160 000 EUA).

(c) Agro-industrial complexes and food industries

Three schemes were financed in this field, of which two were the subject of joint Commission/EIB financing (in Chad and Cameroon).

(i) In Chad, the Banda project consists of establishing a 3 360 ha industrial sugar-cane plantation and building a sugar factory/refinery (capacity 30 000 t) to process the production of the plantation in the Sarh region. The sugar produced is intended for the domestic market, which has been dependent on imports up to now.

The project is part of the effort to diversify the national economy and aims at the same time to accelerate regional development in southern Chad, to improve the trade balance, to create jobs and produce the induced effects to be expected from an industrial project and, lastly, to satisfy domestic sugar requirements by 1981/82.

The cost of the whole project is estimated at over 57 million EUA. Its financing plan is based on potential contributions from various providers of funds including the Chad State (own resources), the CCCE (France), a consortium of local banks, supplier credits and, lastly, Community aid. This comprises:

- (a) a Commission loan on special terms of 7.5 million EUA (duration 40 years, with a 10-year grace period, and an interest rate of 1%;
- (b) an EIB conditional loan in the form of risk capital of 7.5 million EUA. This loan has been granted to the Republic of Chad to part finance the State's majority holding in the capital of the Société Nationale Sucrière du Tchad (SONASUT) on the following terms:
duration 20 years, with an 8-year grace period, and an interest rate of 2%.

It should be emphasized that the Community aid is being granted on very soft terms, which means that the project has a solid financial base and, by encouraging the industrialization of one of the least-developed ACP States, is thus fully in keeping with the spirit of the Lomé Convention.

(ii) In Cameroon, further financial contribution provided jointly by the Commission, the EIB and Cameroon itself will be used to complete the work undertaken with third EDF funds on the Dibombari agro-industrial oil palm complex. The purpose of the financing is to extend the areas slightly - to 6 295 ha - and to cover overspending due to the considerable price rises that have occurred since the previous commitments were made.

A 2.5 million EUA special loan from the EDF will partly cover the overspending on earlier agricultural investments and will pay for the upkeep of the plantations that are not yet productive from July 1977 until June 1980 (an operation which is considered virtually an investment); it will also be used to purchase various vehicles and machinery and to cover the cost of assembly and industrial trials in the oil mill. The conditions of the loan are: duration 25 years, 10-year grace period, interest rate 1%.

The EIB's contribution will be in the form of risk capital via a conditional loan of 2.3 million EUA granted to the Société Camerounaise de Palmeraies (SOCAPALM) to part-finance the industrial investments in the Dibombari complex. The conditions of the loan are: duration 20 years, 7-year grace period, interest rate 2% until 30 June 1984 and 4.5% thereafter.

Seventy per cent of the output of this project is intended for the local market and the rest is for export. It will provide over 1 300 new jobs.

(iii) In Upper Volta, the European Investment Bank has funded two operations involving assistance in the form of risk capital totalling 4 428 000 EUA for the extension of the Banfora sugar complex in the south-west.

These operations comprise:

- (a) a conditional loan of 1 428 000 EUA extended to the Upper Volta State for twenty years, with a six-year grace period, at an interest rate of 2%. It will be used to help boost the capital of the Société Sucrière Voltaïque (SOSUHV), the promotor of the project, in which the State has a majority holding;
- (b) a subordinated loan of 3 million EUA granted to SOSUHV for thirteen years, with a nine-year grace period, at an interest rate of 2% for the first seven years and 5 1/2% thereafter.

These amount will go towards extending the sugar cane plantations (from 2 250 ha to 3 350 ha) and increasing the capacity of a sugar factory whose output will be increased from 20 000 t/year to 31 500 t/year. The sugar produced is intended for local consumption, which will eliminate the need for imports, help the balance of payments and create 500 new jobs, all to be filled by Upper Volta nationals.

The Caisse Centrale de Coopération Economique (France) is also participating in the financing of this project operating through the National Development Bank.

Besides these three operations, a study costing 40 000 EUA has been financed by the fourth EDF on the Mosso sugar project in Burundi.

(d) Other manufacturing industries

In this field, one large-scale regional industrial project in West Africa and several studies have been financed. They concern Togo, Ivory Coast and Ghana and Guyana, Sudan and Tanzania.

(i) The CIMAO (Ciments de l'Afrique de l'Ouest) regional industrial project has been granted financing in the form of an EIB subsidized loan combined with risk capital assistance totalling 20 million EUA to finance the construction of a clinker plant and the provision of equipment for a limestone quarry at Tabligo, which is near Lomé in Togo.

The subsidized loan was granted to CIMAO, a company set up by an International Treaty concluded in December 1975 between the Ivory Coast, Togo and Ghana, which hold equal shares in 92% of its capital, while the three risk capital operations involve the transfer of 2 million EUA to each of the three ACP States that signed the Treaty to finance their shares in CIMAO. The interest rate subsidy on the EIB's 14 1/2-year loan is 6%.

The risk capital operations are in the form of subordinated loans to each of the three States; they have been granted for twenty years, with a fourteen-year grace period, at an initial interest rate of 2%.

In March 1976 the EIB had already granted CIMAO a loan equivalent to 5 925 000 EUA under the second Yaoundé Convention.

Moreover, the current discussions between the three States concerned and the Commission should lead, in the near future, to the allocation of a total amount of 18 million EUA from the fourth EDF for financing various social infrastructures that are an integral part of the project.

The project, which will integrate the production and marketing of a commodity which is essential for the economic development of the three States and will create new and substantial trade flows between them, is the first industrial project of a regional nature in West Africa. The plant's production capacity will be about 1 200 000 t/year and the Treaty stipulates that the three countries will buy the total output, which will be sold at a uniform price to the clinker crushing works on their respective territories.

The overall cost of the CIMAO project - which comprises, in addition to the industrial plant which will be the company's property, rail, port and power supply infrastructure required for running the clinker plant (to be financed by the Togolese Government) - is estimated at 244.82 million EUA, of which 189.65 million EUA is earmarked for the industrial plant and 55.17 million EUA for the infrastructure. The World Bank (IBRD), the Caisse Centrale de Coopération Economique (CCCE), the Arab Bank for Economic Cooperation in Africa (ABEDIA), the African Development Bank (ADB) and the CIMAO company (from its own resources) are also contributing to the financing of the industrial part of the project.

(ii) In Guyana, a comprehensive study will be carried out for a project for the construction of a fish-processing factory with an annual capacity of 18 000 t and employing 700 people, complete with the necessary port installations (cost: 140 000 EUA).

(iii) In Sudan, a grant of 334 000 EUA will be used for a number of studies on projects for the construction of factories designed to process molasses, produce paper pulp and manufacture building materials.

(iv) In Tanzania, a grant of 550 000 EUA will be used to produce technical and economic studies for establishing an industrial complex including a canvas mill, a factory manufacturing footwear (particularly canvas footwear) and a leather goods factory.

2. RURAL PRODUCTION

The ACP States had already placed great emphasis on this sector, at the programming stage, since it is essential for the in-depth development of their economies and the improvement of the lot of the greater part of their inhabitants.

The results obtained in 1976 bear out the importance attached to rural production since the sector received nearly 90 million EUA and thus comes immediately after industrialization, together with economic infrastructure. It should also be noted that large sums - 10 million EUA - have been allocated to the agricultural parts of two agro-industrial complexes classified in the industrialization sector.

As will be seen below, numerous studies have been financed which promise large-scale projects in the next three years.

(a) Plantations

Over 43 million EUA has been allocated to this important subsector of "modern" rural production, the funds being intended for both industrial and village plantations.

A feasibility study for a tea-growing project in Sudan (220 000 EUA) has been financed under the fourth EDF, and so have the following schemes:

(i) In Burundi, three tea projects were launched in 1976: the final phase of the Tora project, the extension of the Teza tea factory and the completion of the Muranvya project.

The first project constitutes the second phase of a plan to improve the Tora agro-industrial complex. This venture (580 ha of tea gardens, plus a tea factory) has already received Community financing to the tune of 4.6 million EUA,

and with this new project, which costs 3.8 million EUA and involves replanting and extending gardens, providing supplementary technical and social infrastructure and improving the existing industrial plant, Community aid will have contributed over 8.4 million EUA to the operation.

As regards the extension of the Teza factory (197 000 EUA grant), this is in fact supplementary financing intended to cover overspending incurred while the factory project was being executed under the third EDF.

Lastly, the Muramvya project (418 000 EUA grant) supplements earlier Community contributions to the project for the extension of tea growing on village smallholdings in the Muramvya region (second and third EDFs: 1 884 000 EUA) involving the development of 500 ha of tea gardens divided into small lots. It mainly involves replanting tea bushes and extending the plantations (from 490 to 500 ha) and providing additional infrastructure (tracks, sheds, etc.).

(ii) In Zaire, the project for extensions to the Gosuma (Oubangui) plantation of selected palms is receiving a grant of 12.98 million EUA. The project had already received 3 573 000 EUA under the second EDF (as part of the plan to boost agriculture in Oubangui).

The scheme financed under the second EDF is nearing completion and has enabled a 2 000 ha industrial plantation of selected palms and 432 ha of individual plantations to be established under favourable conditions.

The aim of the present project is to extend the area of the industrial plantations to 4 500 ha and that of the individual plantations to 1 500 ha.

When fully productive, i.e. as from 1990, this total area of 6 000 ha will produce 75 000 t of clusters annually, corresponding to about 16 500 t of palm oil and 3 400 t of palm kernels. The whole output is intended primarily for the domestic market.

(iii) In Ethiopia, a grant of 12.87 million EUA will enable a coffee improvement programme to be carried through.

In addition to low yields, the Ethiopian coffee industry is facing a number of serious problems. Production techniques are poor, the coffee trees are getting very old and the outbreak of the coffee berry disease is becoming a big threat to the industry as a whole.

The aim of this project is to increase yield per unit of land in the major coffee-growing areas by introducing improved cultivation techniques, applying disease and pest control measures, supplying inputs, setting up a credit system and creating marketing channels; also included in the project are the provision of supplies, the necessary means and services, together with research and

technical assistance, and the construction of infrastructure, notably rural tracks.

Moreover, the project will help improve food crop production by coffee-growers and by other farmers in the project areas through the provision of farm inputs (fertilizers and selected seeds). The project is located in eight districts spread over the five major coffee-producing regions of Ethiopia.

(iv) In Tanzania, a grant of 12.7 million EUA has been given to a coffee improvement programme. The grant is designed to raise the production of the land currently under coffee in Tanzania through a large-scale extension campaign backed up by inputs and credit to improve coffee-growing and pest-control methods. Introduced simultaneously into each area, the programme will over four years encompass an increasing proportion of the growers until about 110 500 hectares (and 280 000 growers) are involved. It is anticipated that annual production will be raised by nearly 50% from its present level of 46 350 t to 69 400 t and that in terms of quality the top five classes will represent 25% of production as opposed to 15% at present. The increased production will have a farm gate value of 16.7 million EUA and a foreign exchange value of at least 34 million EUA and will raise export taxes to 13 million EUA. The individual grower's income will be raised by a third.

(v) In Burundi, a grant of 4.3 million EUA will be used to complete the Imbo project by consolidating the results achieved since the operation was launched in 1967 and to make the project pay its way in the short term through the optimum use of the facilities created. The grant will be used to complete a coffee plantation, construct a pulping plant, install new growers and set up various kinds of technical and social infrastructure on the Ruzizi plain, which has been little exploited up to now and offers a solution to the problem of regional overpopulation. With this project, Community aid will have allocated a total of 8.9 million EUA to this important operation.

(b) Hydro-agricultural development schemes (15.4 million EUA)

A number of ACP States have a special interest in this type of operation since it means that part of agricultural production is no longer at the mercy of adverse weather conditions such as those encountered in the Sahel, particularly over the last few years. In the long run, operations of this type should at least reduce the need to resort to food aid in difficult periods, the cost of which (including transport) is very high and which frequently presents major problems as regards timely delivery. Hydro-agricultural schemes also have the advantage that they accustom the peasants to intensive growing methods, which do much to ensure that the production of food and cash crops develops steadily.

Five operations and a number of studies have been financed in this field, involving Burundi, Jamaica, Mauritania, Somalia and Upper Volta. It will also be recalled that the Sélingué dam project referred to above includes a big hydroagricultural development scheme.

(i) In Jamaica a 1 million EUA grant and a 2.7 million EUA special loan will enable equipment and technical assistance to be supplied for the construction of microdams and for irrigation. For several years now, Jamaica has suffered from periods of drought that have led to water shortages in all regions and to the intrusion of salt water into coastal region aquifers, the latter being due to intensive pumping from wells during the long periods without rainfall. The adverse weather conditions have seriously affected the output of root crops and vegetables, most of which are non-irrigated.

The inadequate growth of agriculture has given rise to rapid expansion of imports of agricultural products and declining agricultural self-sufficiency.

The Jamaican Government therefore plans to implement a number of investment schemes designed to improve water supplies to the rural sector both for social reasons and in order to increase agricultural output. The overall cost of the operation is estimated at 10 million EUA.

Community aid will contribute to this operation by covering the cost of purchasing equipment necessary for the construction of 220 microdams and pumps that will serve the irrigation schemes associated with the dams and by financing the technical assistance required for supervision of the works.

(ii) In Upper Volta a 1.8 million EUA grant will enable 300 ha of flat land downstream from the rural dams constructed with finance from the first EDF to be developed for rice growing and market gardening by means of an irrigation and drainage system. This scheme follows on from a first phase involving the development of 150 ha, financed from third EDF resources and costing 569 000 EUA. This project also involves creating a workforce to carry out the improvements and maintain the installations afterwards.

(iii) In Mauritania a 5.8 million EUA grant for the creation of a pilot area in the Gorgol will cover the cost of financing the second stage of work on this 700 ha area, the development of which was started under the third EDF. Not only in the pilot area important in its own right, being a project which involves the production of food crops (mainly rice) in a country which has serious problems in this field, but it also points the way to much bigger projects in the future, e.g. the schemes to improve the Gorgol Valley (10 000 ha) and the Senegal Valley (several tens of thousands of hectares on Mauritanian territory), which other bodies are interested in funding.

(iv) In Somalia, a 1.4 million EUA grant has been committed for agricultural and water engineering studies for the Saakow programme in the Juba Valley; these studies relate to the construction of irrigation structures for an agricultural programme involving 34 000 ha and in particular for the development of 5 000 ha of that area.

This project forms part of one of the many irrigation programmes recommended by a study financed under the third EDF, at a cost of 400 000 EUA, on the development of the whole of the Juba Valley, which involves 300 000 people including 50 000 former nomads who have recently settled down.

(v) These projects were supplemented by various operations in the technical cooperation field, namely:

- In Ghana : study for an irrigation project in Weya (95 000 EUA)
- In Madagascar : study for the second phase of the development of the Andapa Basin (32 000 EUA)
- In Upper Volta : provision of an expert for the Office National des Barrages et de l'Irrigation to monitor implementation of the irrigation programme (74 000 EUA)
- In Jamaica : provision of an engineer to work for the Government on preparing the dossier for the "220 microdams" project (8 900 EUA)

(c) Agriculture (food and cash crops - 21.3 million EUA)

This sub-sector, together with those of microprojects and traditional stockfarming and fishing, is of great importance to the bulk of the working population of most ACP States. Community aid has always attached great importance to this field, for the results that can be expected from aid operations here help to reduce regional imbalances, curb rural depopulation and in short, increase the well-being of the population, which is one of the main objectives of the Lomé Convention.

Two of the EEC's new partners - Guinea Bissau and the Gambia - will be receiving agricultural inputs paid for out of Community grants.

(i) Guinea Bissau will be importing (at a cost of 162 000 EUA) vegetable seeds and light agricultural equipment, which will be made available to the peasant farmers to encourage national production of food products.

The quantities of seeds should suffice to sow 350 ha and thus produce 5 000 t of vegetables. The light agricultural equipment, which is mainly intended for animal-drawn tillage, will help to intensify cultivation on an area of between 500 and 600 ha.

The project will therefore increase considerably the peasant farmers' income while at the same time meeting an immediate need for food for both the urban population and that of certain rural areas.

(ii) The scheme to be carried out in The Gambia (at a cost of 982 000 EUA) will enable the farmers in the provinces of McCarthy Island and Upper River to be provided with animal-traction equipment, ox teams and selected seed on terms compatible with their financial resources (the project involves 33 villages, 22 000 people and an area of 13 000 ha, which is 20% of the cultivated land).

This project will make it possible to step up agricultural production by enabling sound growing techniques to be applied at the most appropriate times and by offsetting the labour shortages during the most busy periods.

It meets the need to ensure self-sufficiency in essential foodstuffs, mainly cereals, and to improve the country's balance of payments by reducing food imports while at the same time increasing the quantities of groundnuts exported.

Four financing operations concern the extension of earlier projects whose results appear promising:

(i) The rural development project in the Department of Badéguichéri in Niger was allocated a 1.3 million EUA grant to continue the work funded with 1.1 million EUA from the third EDF for improving the production and marketing of cash crops (cotton) and food crops (millet and sorghum) and for carrying out measures to protect and conserve the soil and small-scale transport and infrastructure projects (tracks, storage sheds, etc.).

(ii) Development of the cotton-growing area in Senegal (6.5 million EUA grant). This project, which involves 5 000 farming families, forms part of the efforts made with Community aid under the second and third EDFs to diversify the Senegalese economy through the introduction and subsequent expansion of cotton growing.

It is proposed to put a further 16 000 ha under cotton in the regions of Sénégal Oriental, Haute Casamance and Siné-Saloum through the dissemination of improved growing techniques and the provision of infrastructure (sheds, rice mill).

The crops rotated with cotton will benefit from these measures and additional production of 24 000 t of seed cotton, 4 500 t of groundnuts (for export) and 40 000 t of cereals (intended for local consumption) is anticipated.

The operation will play a large part in diversifying the Senegalese economy and will help restore a balance between the regions by diminishing the preponderance of the "groundnut triangle" in favour of areas which have hitherto been less developed.

(iii) A 4.2 million EUA grant has been provided for the continuation of the peanut scheme in Senegal, the aid being granted on the strength of the excellent results of the previous Community project. This project is intended to extend by 8 400 ha the areas at present under cultivation in Siné-Saloum, Casamance and Sénégal Oriental, and to improve the quality of production over an area of 28 000 ha in the Diourbel region. The Senegalese share of the international market in these products, which offers bright prospects, will therefore be increased and the income of the rural population will be raised considerably.

(iv) The interim project forming part of an integrated programme for the development of the cotton-producing area of Chad (1977/78 agricultural year) takes over from the programmes previously financed in this field (1972-77, cost 14 million EUA). The interim project has been allocated a grant of 3.3 million EUA to tide it over pending the start of a new multiannual programme which is being prepared for financing from the fourth EDF. Because of the decisive influence of the cotton sector on the Chad economy it was of cardinal importance not to interrupt the support being given to this sector for the changeover from traditional cultivation to "productivity-oriented" cultivation using improved techniques.

A 2.7 million EUA grant supplements earlier Community aid for agricultural projects in Mali: development of rice growing using controlled flooding in the Ségou area, development of lowland rice growing in the Sikasso region, mass information campaign for the protection of seeds and crops and the development of dah growing. These are worthwhile projects whose implementation was seriously disturbed by the sharp price increases of 1973/74.

These various investment projects have been supplemented by technical cooperation measures taking the form either of studies or of technical assistance to the States concerned. These operations involve:

- | | |
|------------------------|---|
| in Guinea Bissau | : study for the development of cotton growing (200 000 EUA) |
| in Mali | : finalization of the studies for the construction of a rice mill in Dioro (55 000 EUA) |
| in Rwanda | : provision of technical assistance to promote pyrethrum growing (160 000 EUA) |
| in Trinidad and Tobago | : provision of an expert to make an initial assessment of the food production unit project (12 000 EUA) |
| | study for the development of the Oropuche (60 000 EUA) |
| in Upper Volta | : study for the development of the Valley of the Voltas (300 000 EUA) |

- in Somalia : provision of technical assistance for the Ministry of the Plan (300 000 EUA), involving studies for agricultural and stockfarming projects
- in Cameroon : study on the future reorganization of the National Rural Development Fund to enable it to fulfil the new tasks assigned to it (70 000 EUA).

(d) Stockfarming (3 030 000 EUA)

Two operations have been financed in this field in Niger, at a total cost of 3 030 000 EUA.

The object of the first operation is to provide Niger, by means of a 1.4 million EUA grant, with the means to enable the campaign against contagious bovine pleuropneumonia to be continued for a further period of three years.

The second scheme is concerned with stock-fattening by peasant farmers. A 1 610 000 EUA grant has been made in order to improve, extend and intensify the stock-fattening already practised by the farmers in the departments of Niamey and Zinder; in addition, a demonstration scheme will be carried out in irrigated agricultural areas in the department of Tahoua. By the end of the third year of this three-year programme, 8 250 farmers in 500 villages will be involved; they will receive 20 500 head of cattle.

This scheme, which is particularly important for the development of agriculture combined with stockfarming will generate an annual overall increase in value added of more than 738 000 EUA, a good deal of which will accrue to the producers.

(e) Fishing (4 828 000 EUA)

Only one project has been financed in this field. This involves the development of fisheries in Mali and follows on from an initial experimental phase, financed under the third EDF, which indicated that the project would be both useful and feasible.

In the light of the good initial results obtained during the experimental phase it was decided to grant Community aid of 4.8 million EUA to continue this project for a further five years. The objectives are to:

- increase the income and improve the living conditions of the fishermen;
- satisfy the domestic market for fresh fish on a progressive basis;
- develop further and rationally exploit the country's fishery resources and increase the number of outlets;
- increase the quantity and control the quality of exports of dried and smoked fish.

(f) Microprojects

The first annual programme involving this new type of Community aid was launched in December 1976 with a grant of 270 000 EUA to Cameroon. This programme is of a typically rural nature, not only because of its location but also because of the nature of the 25 schemes involved: the rural water engineering (wells, bore holes, small water supply systems), rural tracks, bush maternity hospital, small storage warehouses, rural markets, supply of marketing equipment, etc. All these microprojects will involve the participation of the rural communities concerned, in the form either of cash or of work, and there will be a financial contribution from the State. In all, the communities are to provide 50%, the State 19% and the EDF the remaining 31%, which will work out at between 3 900 and 30 000 EUA for each microproject.

A number of other projects of this type are under appraisal.

ECONOMIC INFRASTRUCTURE

Nearly 20% of all programmable Community aid under the Lomé Convention has been earmarked for this sector, upon which the economic development of every country depends.

1. Roads and bridges

Operations in this sub-sector relate to investment projects in the Central African Empire, Niger, Somalia, Togo and Upper Volta and to various studies of which details are given below.

The Central African Empire has received a grant of 1.2 million EUA for the reconstruction of five bridges and the improvement of their approaches. These bridges, situated on the road joining the Central African Empire to the Port of Douala and on the road between Bangui and the productive regions of the eastern part of the country, were seriously damaged or even completely destroyed during the recent rainy season. The reconstruction of these bridges will enable the major highways in question to be reopened to traffic, which will considerably reduce transport costs since vehicles have been forced to make long detours since the bridges collapsed.

Upper Volta has received a 12.8 million EUA grant for improving and asphaltting the 97 km-long Ouagadougou-Koudougou road, which links the capital with the country's third biggest urban, business and industrial centre. This work was made necessary by the population growth and economic expansion in the Koudougou region, where major agricultural and industrial projects have already been carried out in the past and others are to be executed in the future.

Niger has received a 4.7 million EUA grant to complete the Dosso-Madaoua road.

The following three projects - involving Niger, Togo and Somalia - have some particularly interesting features. The first two represent the final phase of large-scale projects to open up regions with poor communications, while the third stands out because it is being financed in a new way.

Modernization of the Niamey-Zinder highway in Niger

A 22 054 000 EUA grant will enable the Tchadaoua-Takieta section (141 km) to be improved and asphalted and the asphalt surface of the Niamey-Dosso section (129 km) to be widened; this will complete the modernization of the Niamey-Zinder highway, an operation on which Community aid has spent nearly 50 million EUA since 1965 (studies and works).

The modernization of this highway will make a major contribution to creating national cohesion and is a prerequisite for Niger's economic and social development.

The road stretches for more than 1 000 km across the south of the country - where two-thirds of the population and a fair part of the country's agricultural potential are concentrated. It will extend as far as Lake Chad when the Friendship Highway financed by Canadian bilateral aid is completed beyond Zinder. It is a vital line of communication for Niger: it enables contacts and trade between the various regions of the country to be stepped up and carries the bulk of the consumer and capital goods imported through the ports of Benin and Nigeria.

Modernization of the Ouagadougou-Lomé highway

The improvement of Togo's National Highway No 1, which is the backbone of the country's road transport system and whose main role is to give the northern regions access to the port of Lomé, will be continued with the improvement and asphaltting of the Kante-Mango road (86 km, 10.4 million EUA grant).

The building of this section also constitutes an important step towards the completion of the Ouagadougou-Lomé international highway. The total length of the highway is 972 km, of which 555 km of the 685 km on Togolese territory has already been modernized or is currently being modernized (the Upper Volta section of the road is now finished).

In order to complete this link, only the Mango-Cinkassé section (130 km) will remain to be improved.

The modernized road will provide Upper Volta with a further line of communication (in addition to the longer and less practicable roads to Ghana and Ivory Coast), and it will eventually be of growing importance to the western region of Niger too.

Moreover, it was with this in view that a tripartite agreement was concluded in September 1976 between Togo, Upper Volta and Niger. This agreement stipulates inter alia that the foreign trade of the signatory countries - now joined by Mali - should henceforth be directed preferably to the port of Lomé. Consequently it is planned to improve the port and increase its handling capacity to 5 million t in the medium term.

Improvement and asphaltting of the Golwein-Gelib road in Somalia

It should be pointed out that this conventional road modernization project is noteworthy for the fact that it is the first real cofinancing operation to be carried out with the Arab Fund for Economic and Social Development.

The project involves the improvement and asphaltting of the 257-km long Golwein-Gelib road, which is the central section of the highway linking the capital, Mogadishu, with the port of Kismayu. Its aim is to replace a poor dirt road, unfit for traffic in the rainy season, by a fast permanent road, which will be fit for use by heavy traffic all the year round. It will create a much easier and much more economical link between the country's two main centres of development, namely Mogadishu and Kismayu, and it will also facilitate development of the regions served by the road, particularly the very fertile Scebeli and Juba valleys. The cost of the whole project is estimated at 39.1 million EUA, which will be financed jointly by the EDF (19.6 million EUA) and the AFESD (19.5 million EUA).

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Under the heading of road transport a number of investment-linked technical cooperation schemes have also got under way, involving works management and supervision and road studies. Among the latter the following may be mentioned:

- in Senegal: study of the Tambacounda-Kédougou road (460 000 EUA),
study of the Kolda-Velingara road (40 000 EUA);
- in Sudan: economic and technical study of the Kadugli-Talodi road (300 000 EUA);
- in Guinea
Bissau: study of the Guebo-Xitole road (200 000 EUA);
- in Mali: study of the Bankass-Koro-Upper Volta frontier road (230 000 EUA);
- in Rwanda: study of the Kigali-Butare road (54 000 EUA).

2. Railways (7.7 million EUA)

Further Community aid - of 7.7 million EUA from fourth EDF resources, including 3.8 million EUA in the form of a loan on special terms - was given for the realignment of the Congo-Ocean railway (CFCO), bringing the overall Community contribution towards the financing of this project up to nearly 15 million EUA.

The total cost of the operation may be estimated at 196.5 million EUA. The Congolese Government is contributing 23 million EUA, and other contributions are being made by the African Development Bank (ADB), the Fonds d'Aide et de Coopération (FAC), the Caisse Centrale de Coopération Economique (CCCE), the Canadian International Development Agency (CIDA), the World Bank, the Arab Bank for Economic Development in Africa (ABEDIA), the Saudi Arabian Development Fund and the Kuwaiti Fund for Arab Economic Development.

Stretching from Pointe Noire to Brazzaville, the CFCO was brought into operation in 1934. In 1962 the discovery of substantial manganese deposits in Gabon led to the construction of a railway line from the Gabonese frontier to Mount Belo (KP 200 on the CFCO section), the ore-carrying trains then taking the CFCO line to Pointe Noire.

Very soon, in view of the steady increase in traffic, a bottleneck arose on the section of the line crossing the Mayombé massif.

Realignment of the CFCO had therefore become imperative since this section was expected to become completely saturated by 1978. This would not only slow down forestry activities in northern Congo, the Central African Empire, south-east Cameroon and southern Chad (the wood can be transported economically only by rail) but would also lead to increasing difficulties as regards the transportation of the manganese (2 million t) from Gabon.

It is therefore planned to modernize around 87 km of the line in the Mayombé range.

3. Ports and inland waterways (5 million EUA)

Two projects have been financed by the EDF in this field, one in Congo and the other in Cameroon. An appraisal of the port infrastructure in Guinea Bissau has also been financed.

A decision was taken to provide supplementary financing of 769 000 EUA for Congo to enable work on extending the port of Brazzaville to be completed.

Cameroon is to receive Community aid of 4 218 000 EUA (comprising 2 million EUA in the form of a grant and 2 218 000 in the form of a loan on special terms) for extending and improving operating conditions in the port of Douala, which is no longer able to meet the requirements of the Cameroonian economy.

The rapid development of trade has brought about a steady increase in the activities of the port of Douala, highlighting the need to modernize its facilities; projects financed from first EDF resources (supply of a dredger and rebuilding of four quays) and from various other external aid sources and government funds provided only a temporary improvement.

The extensions planned comprise the construction of a new timber port and a container wharf, dredging of the access channel to make it deeper, and the construction of a new fishing port and ship-repair yard.

The total cost of the project is estimated at 94.6 million EUA. Cameroon will put up 13.5 million EUA and various external financing sources (ABEDIA, ADB, IBRD, Canadian, French and German bilateral aid) will also be contributing.

4. Telecommunications (6.8 million EUA)

Community aid will provide a grant of 6 794 000 EUA for the improvement of telecommunications in Sudan by financing:

(i) the replacement of the out-of-date and overloaded switching centre in Khartoum by a new automatic unit for national and international calls;

(ii) the installation of a supplementary unit to extend the capacity of the existing satellite tracking station situated at Umm Haraz, near Khartoum, and permit direct communication with other countries.

The project is part of a vast operation to develop Pan-African telecommunications (PANAFTEL), which stems from a recommendation adopted by an OAU Committee in 1964 aiming at the establishment of direct telecommunications between thirty-seven African countries. Through the whole operation it is planned to create about 20 000 km of radio links and seventeen international switching centres.

The other projects forming part of the Sudanese section of PANAFTEL will be mainly financed by the Arab Fund for Economic and Social Development.

SOCIAL DEVELOPMENT (16.7 million EUA)

Social development received 3.7% of the total amount of aid which could be programmed in 1976. As already stated, the reason why the proportion of aid earmarked for this sector is so small is the amount of time needed to prepare the dossiers for infrastructure projects and to draw up the programmes of scholarships, training grants and specific training.

In appraising projects in this field particular attention is paid to the study of the questions of recurrent costs, the training of staff responsible for the operation and maintenance of capital projects, and the adaptation of buildings and equipment to the surroundings and to the needs of the population.

1. Education and training (13.5 million EUA)

Educational infrastructure

Two operations were financed in this field, one in Burundi and the other in Rwanda.

In Burundi, a grant of 3.5 million EUA will enable a Faculty of Science and a students' hostel to be constructed and fitted out in Bujumbura. The purpose of this project is to provide the establishment with the classrooms and the laboratories for practical work and research (5 456 m²) which it lacks and also to provide students reading science subjects - which are essential for the country's economic development - with satisfactory accommodation and working conditions. The hostel, which will house 208 students, will cover an area of 4 608 m².

In the Rwandese Republic, Community aid of 1 520 000 EUA will permit the construction and fitting out of the Faculty of Medicine at Butare, which is designed to train Rwandese doctors with emphasis being placed on the actual health situation in the country.

The execution of this project will help ensure the success of the Government's medical staff training policy. It will make it possible to improve the working conditions of the students and teaching staff, who are having to work in out-of-date and unsuitable premises at present and particularly lack laboratories for practical work and research.

In a more specific area, namely the provision of instructors and vocational training, three schemes were financed:

(i) one in Niger (8 000 EUA), which involved sending a technical instructor on a preparatory mission to the training centre for press and film journalists, with a view to defining the training schemes to be undertaken in this field;

(ii) a second in Uganda (10 000 EUA) involved the provision of technical assistance for management training;

(iii) a third scheme in Togo (54 000 EUA) consisted in sending an instructor to the University of Benin's School of Industrial Engineering.

Scholarships

In 1976 a provisional overall amount of 8 million EUA was distributed among the ACP States in order to enable them to award scholarships and training grants to their nationals in the 1976/77 academic year. It seemed appropriate, pending finalization of the general training programmes, for a provisional amount to be made available to enable a start to be made on the financing of training schemes assigned priority by the States concerned. This procedure offers the twin advantages of avoiding any break in continuity in the programmes drawn up with the former associates and of enabling the training programmes requested by the new ACP States to get off the ground. Each of the provisional amounts will be subsequently charged against the 1976-80 multiannual training programme of the relevant ACP State. In the year 1976/77 1 179 scholarships had been awarded by the end of December 1976, of which 267 in Europe, 798 in the home ACP State and 114 in other ACP States.

2. Public health

The problem of training management staff and above all maintenance personnel is quite acute in most ACP States. For this reason the Community financed in this field a number of preparatory and concurrent technical cooperation schemes, among which the following should be mentioned:

in Liberia, a feasibility study for the Rural Health Centre (10 000 EUA);

in Madagascar, a technical assistance mission (costing 16 000 EUA) to define the administrative system to be used in the Befelatanana and Ampefiloha hospitals and the schemes to be undertaken for the training of medical, management and maintenance staff;

in Sierra Leone, a technical assistance mission to draw up a list of equipment to be supplied to the country's hospitals, health centres and public dispensaries (10 000 EUA), and the provision of a technical instructor responsible for establishing a national maintenance service and training staff for that service.

As regards capital projects proper, only one project was financed. The amount involved is fairly small (2 150 000 EUA) but the project has certain original features. The Commission's previous experience in this field has shown that over and above the construction of buildings and the supply of equipment, emphasis should be placed on the administration of hospitals, on the recurrent costs entailed by their establishment and on the training of staff responsible for running and maintaining them. It was against this background that the project in question was appraised in conjunction with the Sierra Leone authorities.

It was therefore stipulated that the existing hospital infrastructure should first of all be strengthened by improving its equipment, and that this should be complemented by a scheme to train staff to maintain both the new and the existing equipment.

The project has two separate aspects:

the first involves equipping or re-equipping hospitals, health centres and dispensaries with medical hardware;

the second involves training two mobile teams to maintain and repair equipment in all health units.

3. Water engineering, urban infrastructure and housing (1.5 million EUA)

No major project was financed in this sector in 1976. This situation will not recur in 1977, however, since the dossiers of various operations undergoing appraisal will shortly be available and the following studies have been set in train:

Madagascar: study on drinking water supplies in the South (500 000 EUA),

Niger: technical assistance for the sinking of wells (135 000 EUA),

technical assistance to OFEDES (70 000 EUA),

Malawi: technical assistance for the preparation of projects (120 000 EUA).

With particular reference to housing, however, it should be pointed out that the exceptional aid of 3 million EUA granted to Mauritius will be devoted entirely to the construction of low-cost housing, which will make it possible to rehouse people whose homes were destroyed by the cyclone.

TRADE PROMOTION (1.9 million EUA)

The participation of the ACP States in trade events gave a large number of producers from those countries an opportunity to demonstrate their growing interest in the openings offered by the European market. At the same time these events enabled them to meet European importers and distributors interested in their products. Trading channels were established and developed as a result.

Under the programme for the participation of the ACP States in trade events held in Europe and Africa, ACP States were represented on 140 stands at eighteen international fairs and specialized shows in 1976, including seventeen in the Member States.

Moreover, the series of industrial tests on about forty little-used or unexploited tropical wood varieties originating in African ACP countries was concluded during the year and detailed data sheets were produced for each variety. These data sheets will be distributed in such a way as to reach the largest possible number of users of tropical wood in Europe. A number of ACP States possessing forestry resources took part in 1976 in two specialized fairs in Copenhagen and Rotterdam to promote the new varieties; this promotion campaign will be pursued energetically in 1977.

The ACP States in question have also requested that the study on the packaging of sawnwood be followed up in order to ensure that the rules proposed in the study are applied.

The scheme to promote tropical fruit and out-of-season vegetables was also continued, with encouraging results. A study has been undertaken with a view to identifying the opportunities for growing these products in the ACP States and the steps to be taken in Europe to increase imports of the products in question.

Furthermore, a number of meetings between European businessmen and nationals of the ACP States and non-associated developing countries were organized in the context of participation by the ACP States in trade events. These meetings provide an opportunity for improving trade contacts and the conditions under which products are marketed.

The Community provided financial and technical assistance for a seminar on marketing and international trade held at Yamoussokro in Ivory Coast for senior foreign trade officials from the ACP States. This seminar was an unqualified success and will be followed by a similar seminar for commercial attachés of the ACP States and non-associated developing countries who are posted in Europe.

EXCEPTIONAL AID (Article 59, amount 47.7 million EUA)

Pursuant to Article 59 of the Lomé Convention, in 1976 the Community decided to grant exceptional aid totalling 47 740 345 EUA to ten ACP States. The purpose of this aid was to enable the recipient countries to deal with difficult situations resulting from natural disasters (Niger, Somalia, Mauritius, Madagascar) or from conflicts (Zaire, Zambia, Malawi, Botswana, Rwanda, Lesotho).

The funds placed at the disposal of the recipient countries were used to pay for imports of essential products and materials (spares, fertilizer, seed, fuel, detergents, rolling stock) and also for building or repairing roads, houses and schools.

In general the aid was put to use within a satisfactory period of time, despite certain delays encountered at the beginning of certain operations, which were notably due to the fact that the Commission Delegations were not yet established in the new ACP States.

The following table gives details of the operations:

NIGER	9 614 345 EUA	- supply of groundnut seed
SOMALIA	3 426 000 EJA	- construction of schools for nomads
ZAIRE	15 000 000 EUA	- purchase of spares
ZAMBIA	7 500 000 EUA	- purchase of fertilizer, fuel, vegetable oils, detergents, spares
MALAWI	1 500 000 EUA	- purchase of spares, cement, fertilizer
BOTSWANA	1 000 000 EUA	- purchase of rolling stock
MAURITIUS	3 000 000 EUA	- construction of houses
MADAGASCAR	1 700 000 EUA*	- repair of damage caused by cyclones
RWANDA	4 000 000 EUA	- purchase of lorries and fuel
LESOTHO	1 000 000 EUA	- maintenance of a track
	<hr/>	
	47 740 345 EUA	

* Plus 300 000 EUA under the Yaoundé Convention.

STABEX (72.1 million EUA)

The export earnings stabilization system does not come under financial and technical cooperation.

However, in order to provide an overall view of EDF commitments and expenses, the transfers effected for 1975 under the export earnings stabilization system are set out in Table 5.

OTHER

A number of general Community aid operations do not fall within any of the above sectors. They include in particular general technical cooperation schemes and Commission activities in respect of information and seminars.

General technical cooperation

Under the heading of the special measures provided for by the Convention in favour of the least-developed States (Article 11 of Protocol No 2), experts were placed at the disposal of Burundi (National Authorizing Officer - 40 000 EUA), Upper Volta (Ministry for the Plan - 95 000 EUA), Swaziland (Central Statistical Office - 190 000 EUA) and Chad (Ministry for the Plan - 100 000 EUA) at the request of those countries.

These technical assistants, each working in his respective field, will help to identify, prepare and carry out projects coming within the framework of the programming of Community aid, and will assist in training the national staff with whom they are to work.

Information

The Courier

In the last two years or so "The Courier" has become not only a link between the Community and the ACP States but also a link between the ACP States themselves. It helps to bring together ACP States belonging to the same geographical area, as is borne out by the interest taken in it by the authorities of those countries, but it also helps to bring together the ACP States that are the furthest apart geographically by enabling them to get to know one another better. Although "The Courier" is centred on the ACP States - since it is a means of information and documentation on the Lomé Convention - it is also a forum for the exchange of ideas on development matters.

Since the beginning of 1973 "The Courier" has been published in two editions - English and French - and it now has a total print run of over 36 000 copies with a circulation in more than sixty countries, in the front rank of which are the ACP States.

The growing readership and reputation of the review are the result of six years's sustained effort to improve the quality and presentation of the articles and to increase circulation. Circulation will be boosted in the next eighteen months, moreover, particularly as regards the English edition, given the economic and demographic significance of the English-speaking group.

Other information

During the past year the Commission's Directorate-General for Information funded from its operating budget a number of information activities for the new ACP States in order to familiarize journalists from those countries (press, radio and TV) with the Commission departments responsible for the various areas of application of the Lomé Convention.

For example, about twenty journalists on training courses in Europe or passing through were invited individually to Commission headquarters and in this way direct contact was established with the editorial departments of daily newspapers and local broadcasting services.

Moreover, the specialized radio services of the Member States (in particular the BBC's African Service) have broadcast a number of reports and surveys on various aspects of the Community's financial and technical aid. The Commission was represented on specially designed stands at the Ndola and Lusaka fairs in Zambia, and in Botswana.

Training (advanced training sessions)

Advanced training sessions (traditionally known as seminars) were held in 1976, as in previous years. There were fifteen seminars in all.

These seminars brought together in Brussels 400 ACP students - plus students from other developing countries - for two- to three-day programmes covering fundamental aspects of the Community's development policy and in particular the Lomé Convention.

A number of seminars organized in conjunction with the bodies responsible for managing EDF scholarship holders in the Community countries provided an insight into how scholarship holders in Europe were faring in their studies.

This programme will be continued and expanded in 1977.

CHAPTER V

EXECUTION OF AID FROM EDF RESOURCES

A. Invitations to tender

In 1976 eleven international invitations to tender were issued in the context of the implementation of the Lomé Convention, involving an estimated total of around 134.5 million EUA.

Of these eleven invitations to tender, nine concern works estimated at 126 million EUA overall, while the other two relate to orders for supplies amounting to 8.5 million EUA.

These figures cover only eight months and are notable for the scale of the works put out to tender.

Thus, for the nine invitations to tender in respect of works - of which five concern cofinancing operations - the EDF's contribution per invitation to tender is on average approximately 14 million EUA.

B. Rate of disbursements (see Table 4)

At the end of 1976, i.e. eight months after the entry into force of the Lomé Convention, disbursements under the fourth EDF amounted to around 108 million EUA.

Over half of this amount concerned disbursements under the export earnings stabilization system.

TABLE 2

LOME CONVENTION

FINANCING SITUATION AT 31 DECEMBER 1976

(million EUA)

	Total volume: (Article 42 of the Convention)		Commitments in 1976					
			Aid administered by the Commission		Aid administered by the EIB		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
<u>EDF resources</u>	<u>3 000</u>	<u>88.5</u>	<u>377.59</u>	<u>100.0</u>	<u>26.74</u>	<u>39.2</u>	<u>404.33</u>	<u>90.7</u>
- Grants	2 100	61.9	286.86	76.0	5.51	8.1	292.37	65.5
of which: micro projects	(20)		(0.27)					
interest rate subsidies	(100)		(-)		(5.51)			
exceptional aid	(150)		(47.74)					
- Special loans	430	12.7	18.60	4.9	-		18.60	4.2
- Risk capital	95	2.8	-		21.23	31.1	21.23	4.8
- Stabex	375	11.1	72.13	19.1	-		72.13	16.2
<u>EIB resources</u>	<u>390</u>	<u>11.5</u>	<u>-</u>	<u>-</u>	<u>41.50</u>	<u>60.8</u>	<u>41.50</u>	<u>9.3</u>
- Loans from EIB resources	390	11.5	-	-	41.50	60.8	41.50	9.3
TOTAL	3 390	100.0	377.59	100.0	68.24	100.0	445.83	100.0

Lome Convention
Breakdown by sector of financing committed in 1976
(million EUA)

	DEVELOPMENT OF PRODUCTION			ECONOMIC INFRASTRUCTURE		SOCIAL DEVELOPMENT		TRADE PROMOTION		EXCEPTIONAL AID		STABEX		OTHER		TOTAL	
	Amount INDUSTRIALIZATION	Amount RURAL PRODUCTION	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<u>Aid administered by the Commission</u>	<u>51,764</u>	<u>89,011</u>	<u>67</u>	<u>91,809</u>	<u>100,0</u>	<u>16,694</u>	<u>100,0</u>	<u>1,933</u>	<u>100,0</u>	<u>47,740</u>	<u>100,0</u>	<u>72,137</u>	<u>100,0</u>	<u>6,502</u>	<u>100,0</u>	<u>377,590</u>	<u>85</u>
1.1. Non-repayable aid	41,714	86,311	61	85,963	94	16,694		1,933		-		-		6,502		239,117	55
- Programmable grants (of which microprojects)	41,714	86,311 (0,270)		85,963		16,694		1,933						6,502		239,117 (0,270)	
- Exceptional aid										47,740						47,740	
1.2. Special loans	10,050	2,700	6	5,846	6											18,556	4
1.3. Stabex												72,137				72,137	16
<u>Aid administered by the EIB</u>	<u>68,236</u>		<u>33</u>													<u>68,236</u>	<u>15</u>
2.1. Loans from EIB resources	41,500		20													41,500	9
2.2. Interest rate subsidies	5,508		3													5,508	1
2.3. Risk capital	21,228		10													21,228	5
<u>Grand Total</u>	<u>120,000</u>	<u>89,011</u>	<u>100,0</u>	<u>91,809</u>	<u>100,0</u>	<u>16,694</u>	<u>100,0</u>	<u>1,933</u>	<u>100,0</u>	<u>47,740</u>	<u>100,0</u>	<u>72,137</u>	<u>100,0</u>	<u>6,502</u>	<u>100,0</u>	<u>445,826</u>	<u>100,0</u>
of which:	209,011	(46,9%)		(20,6%)		(3,7%)		(0,4%)		(10,7%)		(16,2%)		(1,5%)		(100%)	
from EDF resources (1, 2.2, 2.3)	78,500	89,011		91,809		16,694		1,933		47,740		72,137		6,502		404,33	91
from EIB resources (2.1)	41,500															41,50	9

TABLE 4
Disbursements in 1976 from the
resources of the fourth EDF ('000 EUA)

Country	Commitments	Disbursements
Bahamas	235	-
Barbados	50	-
Benin	7 470	7 408
Botswana	1 230	-
Burundi	14 187	2 244
Cameroon	15 542	7 612
Central African Empire	1 798	589
Congo	16 023	7 693
Ivory Coast	15 250	15 000
Ethiopia	27 490	14 420
Fiji	650	615
Gabon	35	12
Gambia	1 042	-
Ghana	7 018	5 176
Grenada	35	-
Guinea	50	-
Guinea Bissau	794	-
Equatorial Guinea	30	-
Guyana	240	-
Upper-Volta	20 627	1 785
Jamaica	3 909	-
Kenya	516	-
Lesotho	1 314	-
Liberia	40	-
Madagascar	2 499	1 314
Malawi	1 770	-
Mali	27 094	1 407
Mauritius	3 424	-
Mauritania	5 830	1 808
Niger	47 112	12 798
Nigeria	50	-
Uganda	1 959	1 749
Rwanda	26 029	415
Western Samoa	522	277
Senegal	11 538	3 669
Sierra Leone	2 280	-
Somalia	27 020	2 572
Sudan	9 957	1 659
Swaziland	340	-
Tanzania	15 524	1 887
Chad	18 769	1 888
Togo	13 543	3 473
Tonga	35	-
Trinidad	222	-
Zaire	28 380	7 569
Zambia	7 750	137
All ACP States	2 618	254
Regional projects	8 224	2 224
Blocked appropriations	6 262	-
	404 326	107 654

TABLE 5

TRANSFERS EFFECTED FOR 1976 UNDER THE EXPORT EARNINGS
STABILIZATION SYSTEM²

<u>RECIPIENT ACP STATE</u>	<u>PRODUCT</u>	<u>AMOUNT OF TRANSFER IN EUA</u>
BENIN ¹	Groundnuts	464 330
	Coffee	1 174 883
	Cotton	4 299 556
	Oilcake	1 191 079
BURUNDI ¹	Cotton	965 602
	Raw hides and skins	520 053
CAMEROON	Wood in the rough	3 601 423
CENTRAL AFRICAN EMPIRE ¹	Coffee	353 108
CONGO	Wood in the rough	7 361 677
IVORY COAST	Wood in the rough	15 000 000
ETHIOPIA ¹	Coffee	9 339 683
	Raw hides and skins	5 080 364
FIJI	Coconut oil	615 140
GHANA	Wood in the rough	5 176 408
UPPER VOLTA	Groundnuts	685 239
	Cotton	175 936
MALI ^{1,3}	Cotton	648 503
NIGER ¹	Groundnuts	5 441 294
	Raw hides and skins	507 747
SOMALIA ¹	Fresh bananas	1 296 907
	Raw hides and skins	635 238
SUDAN ¹	Raw hides and skins	1 658 579
TANZANIA ¹	Cotton	1 887 082
TOGO ¹	Coffee	2 680 324
UGANDA ¹	Cotton	1 748 932
WESTERN SAMOA ¹	Cocoa	276 978
		<u>72 786 065</u>

¹These are among the least developed ACP States and therefore received non-repayable transfers.

²In the particular case of this system, commitments and disbursements are in practice one and the same.

³This transfer will not be effected until the beginning of 1977.

Special loans 1976(Lomé Convention)

(' 000 EUA)

Recipient country and project	Amount of loan	Interest %	Duration (years)	Grace period (years)
<u>Cameroon</u>				
Extension of the port of Douala	2 000	1	40	10
Additional financing for the Dibombari agro-industrial complex	2 500	1	25	10
<u>Congo</u>				
Realignment of the CFCO	3 846	1	40	10
<u>Jamaica</u>				
Supply of equipment and technical assistance for the construction of small dams and irrigation works	2 700	1	40	10
<u>Chad</u>				
Establishment of an agro-industrial complex at Banda	7 550	1	40	10
	18 596			

Table 7

SUBSIDIZED LOANS AND RISK CAPITAL COMMITTED BY THE EIB

(Situation at 31 December 1976)

A. BREAKDOWN BY COUNTRY

Country	Loans from the EIB's own resources ³		Risk capital from EDF resources		Total	
	Amount (million EUA)	%	Amount (million EUA)	%	Amount (million EUA)	%
CAMEROON	13.50	32.6	2.30	11.4	15.80	25.6
GHANA	10.00	24.1	-	-	10.00	16.2
UPPER VOLTA	-	-	4.43	21.8	4.43	7.2
KENYA	2.00	4.8	-	-	2.00	3.2
MAURITIUS	2.00	4.8	-	-	2.00	3.2
CHAD	-	-	7.50	37.1	7.50	12.1
REGIONAL PROJECTS ¹	14.00	33.7	6.00	29.7	20.00	32.5
TOTAL	41.50	100.0	20.23	100.0	61.73	100.0
BLOCKED APPROPRIATIONS ²	-	-	1.00	-	1.00	-
GRAND TOTAL	41.50	-	21.23	-	62.73	-

B. BREAKDOWN BY SECTOR

Country	Loans from the EIB's own resources ³		Risk capital from EDF resources		Total	
	Amount (million EUA)	%	Amount (million EUA)	%	Amount (million EUA)	%
GLOBAL LOANS	2.0	4.8	-	-	2.0	3.2
ENERGY	25.5	61.5	-	-	25.5	41.3
AGRO-INDUSTRIAL COMPLEXES AND FOOD INDUSTRIES	-	-	14.2	70.3	14.2	23.0
MANUFACTURING INDUSTRY	14.0	33.7	6.0	29.7	20.0	32.5
TOTAL	41.5	100.0	20.2	100.0	61.7	100.0

¹The CIMAO project (ordinary loan of 14.0 million EUA to the CIMAO company and three risk capital contributions of 2.0 million EUA each, accorded to Togo, Ghana and Ivory Coast respectively) has been entered provisionally in the "regional projects" category pending final approval of the arrangements for implementing the provisions of the Lomé Convention relating to regional cooperation.

²Overall commitment authorization for the financing by risk capital of specific studies referred to in Article 51 of the EDF Financial Regulation. At 31 December 1976 no allocation had been signed.

³Combined with a 3% interest rate subsidy from EDF resources.