

TALSMANDENS GRUPPE  
SPRECHERGRUPPE  
SPOKESMAN'S GROUP  
GROUPE DU PORTE-PAROLE  
GRUPPO DEL PORTAVOCE  
BUREAU VAN DE WOORDVOERDER

INFORMATION  
INFORMATISCHE AUFZEICHNUNG  
INFORMATION MEMO

Brussels, May 1978

NOTE D'INFORMATION  
NOTA D'INFORMAZIONE  
TER DOCUMENTIE

THE COMMUNITY CONTRIBUTION FOR THE CIEC SPECIAL ACTION PROGRAMME  
Terms of the agreement with the International Development Association

1. Background

At the end of the Conference on International Economic Cooperation (CIEC) on 2 June 1977, the industrialized countries decided to make available additional aid of \$ 1000 million to meet the immediate needs of low-income countries facing specific difficulties.

The original Community initiative envisaged an entirely multilateral action administered by the International Development Association (IDA), to which the OPEC countries would also have contributed. In the event, the special action has taken the form of various types of contribution ranging from ODA debt relief or cancellation measures (Canada, Sweden and Switzerland)<sup>1</sup> to bilateral aid (United States and Japan), without the participation of the OPEC countries. The Community - with \$ 385 million the main contributor - is the only party undertaking an entirely multilateral action in the form of programme and project financing channelled through the IDA.

2. The stage reached in implementation of the Community contribution

After the Member States of the Community had reached an internal agreement on 28 November 1977, negotiations took place between the Community and the IDA in December 1977 and January 1978. The resulting draft agreement was formally approved by the Community on 7 March and the agreement of the Board of Executive Directors of the IDA is expected by 28 March. The formal signing of the Agreement is therefore scheduled to take place some time between 1 and 10 April. The EEC-IDA Agreement will then have to be ratified in those Member States that require such a procedure before the IDA can actually pay funds to the recipient developing countries. However, the period required for ratification will not be wasted since the IDA can begin to look for and appraise

<sup>1</sup> In this case, the discounted value of the amount cancelled must be taken into consideration in any comparison with the volume of new financial aid contributions.

programmes and projects to be financed with the \$ 385 million as soon as the Agreement is signed.

### 3. The IDA as executive agent of the Community

Under the EEC-IDA agreement, the Community is entrusting the IDA with responsibility for managing the Community Special Action within the framework of general guidelines concerning the geographical allocation of the aid and with special arrangements for the procurement procedures. For the rest, the IDA will administer the Community Special Action in accordance with its normal rules, and in consultation with the Community.

As regards the geographical allocation, the Community has informed the IDA that, in accordance with the undertaking given at the CIEC, the Special Action must be used to benefit low-income developing countries with immediate needs, particularly among the least developed (LLDC) and most seriously affected (MSA) countries, whose development prospects have been seriously reduced by external factors, which face general problems of resource transfers and which may as a result be faced with debt servicing difficulties. These criteria are accompanied by a number of factors which the IDA must take into consideration, notably dependence on ODA, export earnings and debt servicing trend and prospects.

During the consultations prior to the conclusion of the negotiations, the IDA indicated to the Community how it intended to translate these general guidelines into operational terms. The IDA's intentions show that the spirit in which the Community wished to see the Special Action implemented will be respected, since:

- (i) of the 45 potential recipients, 37 are on the list of least developed countries (LLDC) and/or on the list of most seriously affected countries (MSA);
- (ii) operations will be concentrated in the developing countries with a 1976 per capita GNP of \$ 280 or less; altogether these countries will be receiving \$ 344.9 million, that is 89.6 % of the total;

(iii) there is a balanced allocation between major continents, as Asia will be receiving 50 % of the total and Africa 48.3 %;

(iv) there is a balanced allocation among major potential recipients, the main recipient receiving no more than 11.7 %, the second 10.4 %, the third 9 %, etc.

Any major alteration in these intentions would be made by the IDA only after consultations with the Community.

In addition, invitations to tender will be issued and contracts awarded in the Member States of the Community and in the developing countries, included in the list of potential beneficiaries of the Community Special Action at the time the invitation to tender is issued.

For the rest, the normal rules of the IDA will be applied. This means in particular that the developing countries will have to present their applications directly in the IDA, which will appraise and assess the operations in accordance with the criteria laid down by the Community. The IDA will take the financing decisions in accordance with its normal procedures (i.e. through the Board of Executive Directors) and will finance these operations - which may be either projects or programmes - on its standard terms (duration of the development loans 50 years, 10 year grace period, no interest charged, service commission of 0.75 % per annum).

The EEC-IDA Agreement stipulates that the finance provided under the Community Special Action will for each recipient be additional to the operations - projects and programmes - envisaged by the IDA from its normal resources during the period of commitment of the Special Action, i.e. during the six month following the entry into force of the EEC-IDA Agreement.

The objective of quick-disbursement is respected in two ways: firstly disbursements from the Member States to the IDA will be effected in two tranches (one in 1978 immediately after ratification, the second on 1 January 1979) and secondly, the IDA will endeavour to commit the funds within six months and disburse them within the two years following the entry into force of the Agreement.

#### 4. The Special Action as part of the Community's development policy

The Community Special Action does not fit directly under either of the two major headings (contractual or worldwide) of the Community's development policy, as it is an exceptional action aimed at dealing with a very specific type of problem (development hampered by certain external factors) currently affecting certain developing countries.

On the other hand, the Community nature of the Special Action is clearly the result of the political will of the Member States and is apparent both from the origin of the action (the Community was represented as such at the CITEC) and from the guidelines decided by the Council and the form of the Agreement to be concluded with the IDA (mixed-type agreement, i.e. the Community + the nine Member States as in the Lomé Convention). However, the Special Action remains a "mixed" action since it involves resources supplied by the Member States directly to the IDA that are distinct from their normal contributions to the IDA and since no Community financing instrument is involved (EEC Budget or the EDF), while the implementation of this action will be on a Community basis.

Breakdown of contributions to the CIEC Special Action

EEC	\$ 385 million
United States	" 375 "
Japan	" 114 "
Canada	" 51 "
Sweden	" 29 "
Switzerland	" 26 "
Australia	" 18 "
Spain	" 2 "
	<hr/>
Total	\$ 1000 "

Note: Contributions from Canada, Sweden and Switzerland are, in whole or part, in the form of ODA debt cancellation or debt relief for certain low-income countries. In these cases, the present discounted value - not the nominal value - of the debt cancellation is considered for the purpose of comparison with the volume of new ODA commitments. For example, Canada is cancelling \$ 254 million of ODA debt in nominal value, of which the discounted value (\$ 35 million) is counted together with \$ 16 million of new ODA to form the Canadian contribution (\$ 51 million). The United States and Japan will channel their contributions through bilateral ODA programmes.