

COMMISSION OF THE EUROPEAN COMMUNITIES

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THE COMMON FUND CONTRIBUTIONS TO THE FUND'S FIRST AND SECOND WINDOWS

(Communication from the Commission to the Council)

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I. INTRODUCTION

1. At the Negotiating Conference which took place in Geneva from 12 - 20 March 1979 agreement was reached on the Common Fund's fundamental elements, which largely coincide with the ideas always defended by the Commission and discussed within the Community.

1.1 A number of these elements must now be further defined, in particular as they relate to the outline of the financial structure that has been proposed.

	First window	Second window												
Minimum Equal Amounts (MEAs) of \$ 1 million	80 ⁺	70												
Other obligatory contributions	320 ^o	-												
<table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td>China</td> <td>5 %</td> <td>16.0</td> </tr> <tr> <td>Group of 77</td> <td>10 %</td> <td>32.0</td> </tr> <tr> <td>Group D</td> <td>17 %</td> <td>54.4</td> </tr> <tr> <td>Group B</td> <td>68 %</td> <td>217.6</td> </tr> </tbody> </table>			China	5 %	16.0	Group of 77	10 %	32.0	Group D	17 %	54.4	Group B	68 %	217.6
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Group B	68 %	217.6												
Voluntary contributions	-	280 ["]												
	400	350												
<p>+ Assuming 150 members and a roughly 50:50 division between the 2 windows. ^o Of which 70 paid up; 150 on call; and 100 callable. ["] Target figure.</p>														

1.2 The following arrangements have been made concerning the further work to be undertaken :

- States Members of UNCTAD and international organisations have been invited to indicate at UNCTAD V (Manila, 7 May - 1 June) their intentions on pledging voluntary contributions to the Fund's second window.

- An Intergovernmental Interim Committee is being established, which is to meet for the first time after UNCTAD V in order "to consider the elements requiring further elaboration, to draft articles of agreement ... and to make recommendations regarding the preparatory work required to bring the Fund into operation".
- The Negotiating Conference is to be reconvened before the end of the year with a view to adopting the articles of agreement.

1.3 Throughout the negotiations, the Community played a major role, notably as the originator of the compromise which enabled the discussions to reach a successful conclusion.

It would therefore be logical and useful for the Community as such to participate in the Fund alongside the Member States, both as a member and as regards the financial contributions.

1.4 In the light of the above considerations, the purpose of this Communication is to propose a common approach on the following questions :

- Community membership of the Fund;
- Contributions towards the financing of the Fund's first and second windows;
- The allocation and division among the Member States of the financial burden of the Minimum Equal Amounts.

II. COMMUNITY MEMBERSHIP OF THE COMMON FUND

In view of its particular status, the Community is already a member - either alone or alongside the Member States - of the existing international commodity agreements (ICAs), which may be expected to join the Common Fund.

The Commission would recall the proposals it has made to the Council concerning Community participation in the agreement on rubber.

In the same spirit, the Commission proposes that the Community as such, alongside the Member States, should :

- be a member of the Common Fund and that to this end provision should be made for the articles of agreement to contain a clause enabling inter-governmental organisations with responsibilities for the negotiation, conclusion and implementation of international agreements, particularly commodity agreements, to participate in the Fund;
- contribute to ensure its credibility towards the financing of the Fund on the basis of the guidelines set out in the remainder of this Communication.

III. THE FINANCING OF THE COMMON FUND : FIRST AND SECOND WINDOWS

3. It is certain that some industrialised countries will, at Manila, indicate their intention to contribute to the Fund's second window. It is politically important that the Community should be able to indicate its intentions if it appears advisable to do so during the Conference. The determination of the industrialised countries' contributions to the first window is less urgent; it is essential, however, that the Community should have a coherent view of the financing of the Fund as a whole.

3.1 Financing of the first window. The two key questions which will remain to be settled after UNCTAD V are (i) the key to be adopted between industrialised countries for the amounts not covered by the Minimum Equal Amounts, and (ii) the composition of the Community's contribution. The Commission proposes that the following general guidelines be adopted :

- Key : according to the agreement reached already, the amount to be subscribed (in the form of paid up capital, capital on call, and callable capital) to the first window is to be divided between the four regional groups according to a formula based two-thirds on the United Nations key and one-third on per capita GNP.

An examination of possible alternatives shows that there is no good reason why the same key should not be adopted to determine the breakdown between industrialised countries of the amount attributable to them (which would give a figure of around £ 52 million for the Community on the basis of the hypothesis given in the table on page 2).

- The Community share : until such time as the principle of a contribution from the Community as such, either alone or alongside the Member States, is recognized, the Commission does not wish to prejudge the arrangements (inclusion in the budget or national contributions) or the internal breakdown of the Community share.

3.2 Voluntary contributions to the second window. The Community should announce, at the most suitable moment during the Manila Conference, that it intends to make a voluntary contribution to this window, provided that other countries and groups of countries announce their intention of doing likewise.

Whilst it is unlikely that the Community will wish to indicate a specific figure at UNCTAD V, it might make it clear that its contribution will be determined in the light of :

- the Community's overall financial participation in the Common Fund;
- the willingness of other countries and groups of countries to contribute.

It goes without saying that those Community Member States that wished to do so could announce their intention of making supplementary national contributions.

- 3.3 Minimum Equal Amounts (MEAs). In common with all members of the Fund, the Member States of the Community will be required to contribute £ 1 million each. The Commission proposes that this contribution be allocated to the two windows in approximately equal shares. For the reasons given in paragraph 3.1, the Commission does not wish at this stage to prejudge either the arrangements or the internal breakdown of this contribution, between the Member States.

IV. CONCLUSIONS

- i. In the light of the role played by the Community throughout the negotiations, it is proposed that the Community as such should participate in the Common Fund, alongside the Member States, both as a member and as regards the financial contributions.
In this context, steps will have to be taken, when the negotiations resume, to ensure that the clause required to make such participation possible appears in the final agreement.
- ii. The contributions of industrialised countries to the first window should be determined according to the same formula as that used to determine the contributions of the various groups of countries.
- iii. The Community should announce, at Manila, its intention to make a voluntary contribution to the second window.
- iv. The Minimum Equal Amounts should be allocated to the two windows in approximately equal shares.
- v. As regards the allocation of the financial burden of the various contributions within the Community, the Commission reserves the right to forward precise proposals to the Council at a later date when the Council has stated its view on the principle of the participation of the Community as such in the Fund and on the principle of its financial contribution.

FINANCIAL RECORD

A. PART 1 : INTERVENTION APPROPRIATIONS

1. Relevant budget heading code : Title 9, Chapter 97 - token entry
2. Title of budget heading :
Cooperation : Community contribution to the financing of the Common Fund.
3. Legal basis : Article 113 and Article 116
4. Description, objective(s) and justification of the project :
Community commitment to participate in the financing of the Common Fund,
which will support commodity agreements (the Community is already a member)
5. Financial implications of the project (in u.a.)
 - 5.0 Token entry.
 - 5.0.0 Multiannual timetable : single payment.
 - 5.0.1 Pattern of utilization of appropriations during the financial
year now being prepared : disbursements to first window as
commodity agreements join; once and for all disbursement to
second window.
 - 5.0.2 Method of calculation : not applicable.
 - 5.1 Implications in respect of revenue : none.
 - 5.1.0 Multiannual timetable : not applicable.
 - 5.1.1 Method of calculation : not applicable.
6. Type of control to be applied : general budgetary control.

B. PART 2 : ADDITIONAL DATA TO BE PROVIDED FOR A NEW PROJECT

7. Overall financial implications of the project (for the whole of its expected
duration) (in u.a.)
 - 7.0 In respect of expenditure (costs) : token entry
 - 7.1 In respect of revenue : none

8. Information regarding staffing and the appropriations for administrative expenditure necessary for the implementation of the project (For the current financial year, for the next three years, and (if possible) for the entire duration of the project) : none.
9. Project financed from : Community budget.