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REPORT FROM THE COMMISSION TO THE COUNCIL

on the use of the funds transferred for 1975 and for 1976 to the OCT under the export earnings stabilization system set up by the Decision on the association of the OCT with the EEC

COM(78) 446 final.

I. Introduction

1. In accordance with Article 29 of the Internal Agreement on the financing and administration of Community aid, the Commission is forwarding to the Member States the OCT reports, on the use to which they have put the funds transferred for 1975 and for 1976 under the export earnings stabilization system.

2. Information concerning the utilization of resources transferred in 1975 and in 1976 to Djibouti and Comoros (former OCT but now ACP states) is examined in the ACP reports on utilization.

3. Although these annual reports are obligatory under Article 22 of the Council Decision on the Association of the Overseas Countries and Territories with the European Economic Community, one OCT, Tuvalu, has still to send a report to the Commission. A Commission representative was informed during a recent mission, that the funds transferred might be used to improve the local electricity supply. The Delegate of the Commission has been asked to pursue this matter. The Commission will forward this country's report to the Council, as soon as it has been received.

4. The remaining OCT, which benefited from transfers in 1975 and in 1976 have provided the Commission with the annual information on the use of the resources transferred, as required by Article 22 of the Association Decision. However, most of the reports were sent to the Commission later than the time limit laid down in the Transfer Agreements.

5. The material received, shows that the recipient countries have used the funds in one of two ways : either to improve the economy of the product in respect of which the fall in export earnings entitled them to a transfer, or for other purposes. One country has not touched the resources received.

II. Utilization of the funds transferred - breakdown by country

2.1. In BELIZE, the original 1975 transfer was accorded to three organisations : 47 % of the funds went to the Banana Control Bord, 31 % to the Forestry Department, and 22 % to the Marketing Board. Additional information is as follows :

'The original transfer was allocated as follows:

$ 150,000 to the Banana Control Board
$ 100,000 to the Forestry Department
$ 68,986 to the Marketing Board.

The allocation to the Forestry Department was for investment in revenue producing operations. However they had not spent anything by the time we were notified of the repayment and so the amount allocated to them was withdrawn for the repayment. The rest of the repayment was met from general revenue.

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The other sums were spent as follows :

> Banana Control Board ($ 150,000) - improving access roads, part establishment of cableways and completion of one packing station. This expenditure facilitates the delivery of bananas to the packing plant by farmers, the packing of them and the subsequent movement to the shipping point.
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> Marketing Board ($ 68,986) - purchase of equipment (bas sewing machine and moisture meter), bags and seeds. The seeds will be sold to farmers on a revolving fund basis.'

2.2. The GILBERT ISLAND'S authorities did not use the 1976 transfer. They prefered to await results for 1977, and to know the amount to be reconstituted to the System.

> 'STABEX - Transfer 1976 : the STABEX allocated amount to the Gilberts for copra 1976 has never been touched, by the Government. The amount has been lying idle in the Bank, as it was foreseen by the time of receiving this money, that the reference levels for 1977 would be exceeded.'

The above information was transmitted by the Delegate of the Commission. The Gilbert Islands are required to reconstitute 174,972 EUA - approximately 16 % of the original transfer. The Delegate has now been asked to find out, if and how, the outstanding sum has been utilized. Details will be passed to the Council, when they become available.

2.3. The NEW HEBRIDES has used the 1975 transfer to rebalance the 1976 budgetary programme. The 1976 payment is likewise to be incorporated with the budgetary operation for 1978. The New Hebridian Government intends to create a development bank, and to introduce a system to regularize and stabilize copra prices and prices of other coconut products. Both projects would have a direct impact upon the economic development of the country. The national competant authorities have provided the following information :

> 'The first transfer amounting to 1,103,499 EUA (99.5 million NHF), based on the loss of copra exports during 1975, has allowed a rebalance of the 1976 budgetary operation, which was endangered by insufficient public resources, resulting from the diminuation, as much from export dues on copra sales, as from import duties, which are influenced by the restriction of the internal revenue.
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> If, later on, the economic conjuncture improves, the second transfer of 327,364 EUA (29.5 million NHF), based on external trade statistics for 1976, must still be incorporated with the 1978 budgetary exercise : with the accession of the New Hebrides to the regime of internal autonomy, public charges will be increased in proportions that are still difficult to appreciate exactly, as long as the fusion and the transfer of the united services are not fully carried out.
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> I might add that the new expenses, which we must take on, do not comply with the requirements for the working of the administration. Among my government's projects, figure two objectives, which will

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have a direct impact on economic development : namely the creation of a development bank and the setting up of a system to regularize and to stabilize copra prices and the prices of products derived from the growing of nuts.'

2.4. The funds transferred to the SOLOMON ISLANDS for 1976, are being used to improve the copra industry, and to direct government investment towards fisheries and agricultural projects. The following report has been received :

'The 1976 Stabex transfer amounted to SI $ 1,368,067, converting EUA to SI $ at 1.074. Of this amount, $ 750,000 was transferred to a special fund to finance the development of a new copra-handling port in the Western Solomons. The Copra Board is developing this facility to improve the efficiency of the industry, and so strengthen the Board's ability to secure favourable prices for producers. Work has begun on the new port. It is likely that some aspects of the port may be financed by bilateral aid.

The remaining $ 618,067 was passed through government revenue and expenditure to the capital funds of the Government Shareholding Agency. This is a statutory corporation which makes and manages the government's direct investments in major commercial enterprises, in a joint-venture framework. Since the Stabex transfer was made, the Agency has been investing in a new joint company (National Fisheries Development Ltd) to build and operate tuna-fishing vessels (the main source of funds being a loan from the Asian Development Bank), and in the expansion of the Solomon Islands only international-grade tourist and business-trade hotel. GSA is actively negotiating investments aimed at expanding the copra and timber industries.'

III. Conclusion

3.1. The foregoing reports (excluding Djibouti, Comoros and Tuvalu) cover an amount of 1,243,149 EUA, that is 69 % of the total funds transferred in 1975. For 1976 these cover a sum of 2,684,102 EUA and account for 81 % of the transferred resources. Therefore with respect to the combined 1975 and 1976 operations the reports cover 3,927,251 EUA, that is 77 % of all the transfers carried out.

3.2. Allowing for the vagueness of some of these reports, it can be estimated that approximately 50 % of the 1975 and 1976 total was spent on developing the products, which gave rise to the transfers. Smaller proportions were used for agricultural or infrastructural projects and to boost cash resources.

3.3. These initial reports are interesting, but it is difficult at this stage to draw any definite conclusions; taking into account the fact that clarifications have been requested from certain countries. It would therefore be better to consider these reports as being provisional. Moreover, the fact that we are dealing with the results from a single operation requires the greatest caution.

3.4. The present method of reporting does emphasise the need for a standardized reporting form. This question having recently been settled with the ACP States, the reports relating to utilization of transfers for the years of application 77, 78 and 79 will be presented in a standardized manner.