REAL RESOURCE TRANSFERS: Some Potentially Practicable Proposals for a Successor to Lomé II
Reginald Herbold Green

What level of increased funding is required for the sixth European Development Fund if the constant decline in the real spending per-capita over the previous EEC-ACP Conventions is to be halted? How can the massive backlog of unspent funds from previous EDFs be freed to assist the ACP countries to deal with their current development crises? How can the speed and flexibility of EEC financial assistance to ACPs be enhanced and what is the optimal distribution of EDF funds among the variety of instruments of the ACP-EEC Convention? In this Briefing, Professor Green answers these and other key questions concerning the successor to the second Lomé Convention.

To plan is to choose, Choose to go forward.
J. K. Nyerere

Even the longest journey Begins with the first step.
Chinese Proverb

EEC, ACP and Negotiations for a Successor to Lomé II - Some Working Assumptions

Negotiations towards a sixth European Development Fund (EDF) and the new ACP-EEC Convention encompassing it will, inexorably, be bounded by certain parameters. World recession has led to reluctance to raise aid budgets but concern with sustaining the fragile, emergent industrial economy recovery has created greater openness to pragmatic global reflation proposals like those of Common Crisis (Brandt Commission II). Aid is central to EEC-ACP relations partly because trade gains have been limited and partly because the prospects for recovery of the ACP economies solely through resumed world trade growth are negligible. No EEC-ACP convention can remove the basic inequality between the two sides but changes to reduce it are possible. Some successor to Lomé II is likely - the EEC's self image as a proponent of development and the ACP’s need for resource transfers both point in that direction.

These parameters do not define anyone's ideal world. They are arguably economically inefficient and unjust. But they are aspects of a reality which negotiators must take into account.

This Briefing Paper deliberately seeks to make proposals which are potentially negotiable given ACP needs, and Commission, EEC member state and interest group perceptions of EEC interests.

The issues posed below relate to EEC concessional resource transfers to ACP states. Can the fall in volume of real (constant price) per capita transfers which took place between Yaoundé II and Lomé I and again between Lomé II be halted? Can the backlog of funds from earlier EDFs be free to raise actual transfers in the early years of EDF VI to combat ACP economic crises and help restore their external liquidity?

Second, how should total EEC transfers to ACP be distributed among different 'windows': regional, Stabex, output maintenance, food aid/strategies, national project packages? Third - and linked with shares in allocation - how can the overall speed and flexibility of EEC transfers to ACP be increased?

Real Volume of Transfers: The Size of the Cake

Calculating the real value of EEC resource transfers to ACP states is not easy. Comparing Lomé I and Lomé II is even more difficult:
- adjustments for inflation and for population increases are not simple;
- the items in the specifically ACP programmes have altered in coverage and relative importance;
- ACP participation in non-EDF, general budget programmes (e.g. food aid and part of regional aid) is not formally part of the Lomé agreements;
- the implementation process is so slow that actual disbursements can exceed allocation amounts.

A few rough parameters are clear. By 1982 EDF commitments were running at Ecu 1,000 million and disbursements at Ecu 700-750 million. The disbursements average Ecu 2.5 per capita for ACP states, slightly over a tenth of their total concessional resource transfer receipts. There are very wide variations by state.

In nominal terms EDF V (or Lomé II) plus European Investment Bank (EIB) funds is 30% larger than EDF IV (or Lomé I)
plus ELB. Adjusted for inflation it is at best constant in real terms. Further adjusted for ACP population increases, real per capita resource transfers under Lomé II are at least 20% below Lomé I. On the same basis Lomé I real per capita transfers were 20-25% below its predecessor, Yaoundé II. In other words over a decade EEC per capita real resource transfers to ACP states have fallen 40%, about double the decline of overall real per capita resource allocations by OECD (Organisation for Economic Co-operation and Development) states.

ACP states' need for resource transfers increased during Lomé II. Because of their export mix they are among the economies worst hit by post 1977 terms of trade shifts. They are also least able to secure or afford commercial bank credit. Many now literally face import strangulation. Export revenues plus aid not tied to new capital projects cannot pay for the minimum import levels needed to maintain existing capital stock and to sustain reasonable capacity utilisation rates.

The case for substantial increases in real per capita EEC transfers to ACP states is threefold:

- most ACP states are least developed, landlocked or island economies. EEC states – in principle at least – accept the Multilateral UNCED (UN Conference on Environment and Development) and Paris Least Developed Conference declarations in favour of doubled real resource transfers to such economies;
- additional finance is needed to enable ACP states to meet capital maintenance, rehabilitation and operation needs. If achieved purely by reducing aid directed to new projects this will have very high costs in medium term development (and ability to increase primary product exports) when the global economy moves into recovery;
- EEC Commissioner Pisani's call for EEC states to raise total EEC channelled (not necessarily ACP directed) aid from 0.05% to 0.1% of GDP.

A reasonable and potentially negotiable target is a 25% real per capita increase in EEC frame allocations to ACP states in the new Convention above Lomé II EDF and other transfers to ACP including items not now formally within the Convention. As a minimum a constant real per capita level should be maintained halting the erosion since EDF III (Yaoundé II). The case for real and per capita constancy, or augmentation, is simple. If the purpose of aid is to assist development (or mutually advantageous aspects of development) the meaningful aggregate figures are those of actual purchasing power, not current price data balloonied by inflation. Further if development is about people then the basic issue is of real augmentation or constancy per person not per country. The last point is by no means minor – over 1986-90 the typical ACP state's population will have increased by 13.5% above 1981-1985.

To achieve constant real per capita transfer would require an EDF VI (Lomé III) of Ecu 8,000 million. To achieve a 25% recovery back to Lomé I real per capita levels would mean Ecu 10,000 million. Those levels are about Ecu 6½ and Ecu 8 per year per EEC citizen versus about Ecu 4 at present. This is by no means self-evidently non-negotiable given most EEC states' commitment in principle to raise aid as a proportion of national product, and increase the share of aid to the least developed countries.

However, if real per capita aid increases are 25% or less then this approach alone cannot do much to overcome the immediate EEC liquidity crisis preventing financing imports vital for capital maintenance and utilisation. To do so is critical in order to avert falls in EEC exports to ACP states and credit/banking headaches from escalating ACP commercial payments, interest and loan repayment arrears or defaults. To the costs of failure to act might be added loss of EEC credibility (internally as well as externally) as a partner in development. The costs of failure to act might be added loss of EEC credibility (internally as well as externally) as a partner in development. To avoid such a collapse of trust in development co-operation – by its own statements – it has the greatest responsibility and with whom it has the closest and most contractual relations.

A possible source for an early, substantial transfer to help meet the immediate ACP import/liquidity crisis is the backlog of unspent (to a substantial degree uncommitted) EDF III, IV, and V funds. These are likely to amount to at least Ecu 3,000 million at the end of 1985. If they could be used to finance an 18-month (ie quick disbursing) programme to help meet ACP states import/liquidity needs this could have a substantial positive impact on the ACP economies via this one time and for all increase in EEC transfers.

Such an approach is possible because the EDF receives funds on a frame basis. The disbursement backlog counterpart represents real continuing commitments – much of it literally in 'money in the bank' between EEC and ACP states. If work had started could have future payments rolled forward as a first charge on EDF VI while projects committed, but not physically begun, could be given priority consideration for inclusion in EDF VI programmes. This implies also that out of EDF VI some projects would be begun and others studied on the basis that they would be completed during a (probable) EDF VII, thus permanently reducing the lags between fund voting, fund committing to specific projects and fund disbursal to ACP recipients.

To be effective this approach would need to operate on agreed sectors to be supported, translated into broad categories of approved imports (as in most World Bank Structural Adjustment Programmes). The ACP state could authorize imports for goods within the lists from any EEC supplier (up to the amount of the programme) with invoices sent by the supplier to DG VIII for payment (again as in most Bank import support programmes). Case by case vetting of orders would be fatal as would requirements of tenders for anything except major (over 5 million Ecu) orders.

### Priorities Among Uses: Recipes for the Cake

How EEC concessional transfers to ACP countries are divided among different categories may be almost as critical to their overall impact on development as their total level.

**Regional funds** – partly within Lomé and partly from the general EEC aid budget – should be increased absolutely and relative to total transfers to ACP states. South-South groupings – at least in the present global economic context – are and will remain substantially dependent on external finance. EEC in principle – and to a degree in practice – favours strengthening such South-South groupings including those grouping ACP and neighbouring non-associated states. Most ACP members are members of one or more. However, to be effective and genuinely based on equality, several procedural changes are needed:

- funds should be allocated to, or in consultation with, actual institutional or functional groups of countries, eg Southern African Development Coordination Conference, Kagera Basin, Central and Northern Corridor (transport links to Uganda – Rwanda – Burundi – Zaire), ECOWAS, UDEAC, Caricom, Pacific Forum,
- amounts should be negotiated between EEC and the concerned ACP states not set unilaterally by EEC;
- the programmes for utilizing the funds (eg project selection) and the channels for disbursal (whether national or regional on the ACP end) should be agreed between the EEC and the members of the regional bodies as groups, not between EEC and individual states.

**Food aid** should be programmed on a multi-year basis at least for those states with medium term deficits and should be available for building up national and regional reserves as well as meeting annual shortfalls. It should also – as suggested by Commissioner Pisani – be integrated into more coherent national food security strategies including production, procurement, transport and storage as well as food aid elements. In that context more food aid would be a priority.

**Stabex** poses problems. It is quick disbursing and does help meet immediate government reserves and which work had started could have future payments rolled forward as a first charge on EDF VI while projects committed, but not physically begun, could be given priority consideration for inclusion in EDF VI programmes. This implies also that out of EDF VI some projects would be begun and others studied on the basis that they would be completed during a (probable) EDF VII, thus permanently reducing the lags between fund voting, fund committing to specific projects and fund disbursal to ACP recipients.

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Such problems of interpretation, explication and disagree-
ment as to rights and obligations under the Convention are not
unique to Stabex even years. The Lome Convention has no
operational dispute resolution procedure and, in practice, EEC
acts as judge or arbitrator as well as disputant when the inter-
pretation of what are said to be definite contractual obliga-
tions arises. This is not satisfactory in the context of a con-
tractual relation among equals. Lome III should include an
independent dispute resolution procedure to which cases could be
taken by EEC, ACP or member states. The simplest form
would be a tribunal with one judge appointed by the European
Court of Justice, one by the ACP states from among their
judges and one by the President of the International
Court of Justice (ICJ) from among its members. This is not a
new ACP-EEC institution nor a negotiating forum but a body
to resolve disputes on the meaning of clauses in a contract. As
the ICJ is both the supreme organ of existing international law
and is representative of world (including ACP) jurists it should be
acceptable to EEC, ACP and legal opinion as the body to
provide the third tribunal member.

Syssmin as a scheme to preserve standby mining capacity in
ACP countries may be worth continuing. But it is not aid.
Rather it is an insurance policy against rapid metal price rises
when European demand recovers. As such it should not be
treated as an alternative to EDF, useful as they may be as a
complement. Special loans (from EDF, administered by EIB)
are aid, serve purposes not readily handled under normal
project aid and should be maintained in real per capita terms.
However their post-disbursement administration under EIB
criteria (as opposed to EDF or IDA) raises problems for ACP
states and should be reviewed.

Maintenance — 1982’s new EDF sub-programme within
country and regional programmes should be broadened to
cover inputs needed to sustain capacity utilisation in key
sectors and expanded to — say — 25% of country programme
totals. While the use of the backlog of EDF III, IV, V funds for
such purposes would help meet the immediate crisis, there will
be a continued need for such programme aid. Without it main-
tenance of capital stock and of plausible capacity utilisation
when European demand recovers. As such it should not be
charged to EEC’s aid budget but to industry or trade. The aid
funds thus freed should be reallocated to Regional, Food
Security, Maintenance or Stabex.

Similarly European Investment Bank funds are not aid —
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Choice of national programmes would decline relative to total EEC transfers to ACP if the proposed additional
support is given to national, food security and mainte-
nance programmes. If total EEC transfers under EDF VI are
raised in real per capita terms, then actual disbursements on
projects could still rise in real terms.

Consumer industry and agriculture centres are for
slightly different reasons and to somewhat different degrees —
non-functional from an ACP point of view. Ideally they should be
reoriented to support specific agreed action programmes
leading to country programme aid or EIB export credits, other-
wise they should be closed down and the funds reallocated.

Flexibility and Speed: Cutting the Cake Neatly and Promptly

ECF aid to ACP — with the exceptions of food aid, Stabex and

(on initial experience) maintenance — is slower and less flexible than that of individual EEC to individual ACP states. This
suggests that there are problems independent of deficiencies in
ACP state management and administration of aid flows.
Because detailed programme negotiation, project agreement
and disbursement is bilateral on the ACP side any such
deficiencies would affect bilateral more or less pari passu with
EDF aid. Equally, such internal ACP state deficiencies would
not seem to explain why food aid, Stabex and (especially)
maintenance appear to be relatively quick disbursing and
flexible in use when contrasted to project, regional, Syssmin,
EIB and special loan operations. The reasons are structural in
terms of the nature of the EEC-ACP aid and also the
structure of DG VIII and associated EEC state institutions and
interest groups.

In respect to the structure of aid:

- project loans tend to take longer to identify, negotiate
  and disburse than food aid, export loss offset (eg Stabex),
  maintenance or capacity utilisation support;
- when an entire basic five year aid programme is built up in
  year 1 largely on the basis of tentative projects it will have a
  severe initial lag in disbursements and little flexibility.

The changes suggested above could help. First they would
increase the share of quick disbursing, flexible programme
areas — especially maintenance and capacity utilisation.
Second, by providing for a rolling pattern of project selection,
preparation and inauguration not tied to artificial five year
periods (ie assuming there would be future EDFs to finance
uncompleted projects) they would allow much closer relation
of disbursements to allocations and reduce hiatuses at the
beginning of new EDFs. Such a change might be facilitated by
adopting the EEC proposal for a permanent frame agreement
with only the exact programme makeup and transfer levels
(plus amendments to the frame) to be negotiated each five or
seven years. Viewing each EDF and Convention as a once off
event which may or may not be repeated is unrealistic and
produces unnecessary lags, rigidities and negotiating
sessions.

With respect to DG VIII and related EEC national institu-
tions a complex bureaucratic steeple chase has grown up. The
number of steps from an identified project idea to a project
appears to be maximised — eg a separate pre-feasibility study
to determine the feasibility of a feasibility study is usually a
waste of time and money. A restudy which nominally cuts
costs by 10% but delays action 18 months loses its own cost
gains through inflation, hampers coherent recipient planning
and delays getting the benefits of the project. These are all
bureaucratic failings which could be reduced if EEC/ACP
states made clear that time was a matter of priority and that the
right number of steps and months from project identification
to implementation was the lowest number consistent with
acquiring and using adequate data. A ‘cap’ could be put on
limiting the average time to that of EEC/ACP bilateral
programme projects.

In respect to regional allocations, because there have been
no operational ACP regional groups involved in deciding the
allocation of regional funds, delays, inflexibilities and less
than optimal choices have proliferated. The changes in
regional programming suggested above should help overcome
this problem.

The problems related to DG VIII acting for a Community
of ten states and needing to take their views into account in
programming are more intractable. However, it should be
possible:

- to limit the range of issues member states can raise in
  respect to individual projects or country programmes;
- to find ways of balancing EDF procurement which interfere
  less with individual project (or consultancy) allocation on
  the basis of merit and ACP state preference;
- and especially to cease holding EDF/EEC programmes
  hostage to secondary bilateral disagreements between particu-
  lar EEC and ACP states (a marked problem in respect to
  the Southern African regional programme).

These are not changes which can be laid down contractually
but they are attainable alterations in style of operation which
What Might be Done: A Resume

The total volume of EEC concessional transfers to ACP states should be raised - say 25% - on a constant price per capita basis with EDF VI at 10,000 million Ecu. At the minimum it should be held at present constant price per capita levels for an 8,000 million Ecu EDF VI. ACP needs have grown, not declined. If the purpose of development assistance is to assist national and human economic progress then constant price per capita transfers are the correct methodology.

Within that, total funding for regional projects and programmes should be increased absolutely and relatively. Co-operation among groups of ACP states is both economically desirable and increasingly desired by ACP states and EEC. Changes in structuring regional allocations are needed to involve operational groupings of ACP (or ACP and other) states as partners in the regional programming process.

EEC's new maintenance sub-programme should be expanded rapidly. Together with capacity utilisation support (eg raw materials for industry, inputs for agriculture, drugs for medical services) it should receive about 25% of 1986-90 country programmes (with a likely range by country from 10% to 50%). Many ACP states' most urgent need is to create new fixed capital but to maintain and utilize what exists. Until global economic recovery (or structural alteration of exports) is achieved, they cannot do this out of export earnings. Therefore, capacity maintenance and utilisation should be a substantial component of any major aid programme and especially of an attempt to build South-North cooperation in development like the EEC-ACP Convention.

Stabex may not need greatly augmented real resources given the very low 1981-85 base period, especially if even mild global economic recovery characterizes 1986-90. However, it needs more flexibility and access to contingency funds in any one year to avoid repetition of the recent 50% cuts on payout against agreed shortfalls. An insurance scheme which cannot pay out in full if major losses occur is excessively unsatisfactory.

Food aid should be redesigned and augmented: first, on a medium term basis recognizing that both ACP balance of payments and food deficits are not occasional but endemic; second, to cover buildup of national and regional reserves as well as current needs; third, integrated into broader food security support programmes oriented to recipient production, procurement, storage and transport development.

European Investment Bank and Sysmin are not aid. They basically represent export credits in the one case and insurance against metal price explosions in the other. They may well be worth continuing - especially from the EEC point of view - but should not be seen as budgets nor (as is the case with Sysmin) charged to aid.

Project aid within country programmes should, if possible, be held constant in real per capita terms. This will be possible, consistent with the increases in other programmes suggested here if constant price per capita EEC concessional transfers to ACP states and regional groups are increased.

ACP countries face a liquidity and operational crisis. EDF's III-IV-V will have on the order of 3,000 million Ecu unspent balances as of the end of 1985. The balances should be used to finance an 18 month selective import support programme with semi-automatic, quick disbursal procedures for all ACP states with preference given to least developed, landlocked and island states. This could cover some of their most urgent maintenance and capacity utilisation needs and reduce the risk of rising commercial payment arrears, debt defaults or drastic cuts of imports from EEC. Projects in progress could be transferred to EDF VI. A rolling basis of project identification and initial implementation funded in one EDF period and completion funded in the next would avert subsequent unutilised balances build up and increase overall flexibility. Such a shift would be facilitated by a permanent frame agreement with programme level agreements within it negotiated at five or seven year intervals.

Increased flexibility and speed of resource transfer from EEC to ACP states would be facilitated by the changes proposed above. In addition the EEC needs to look harder at its own procedures. The proliferation of studies of, and for, studies, delays implementation and ties up scarce EEC and national staff. It is not in the least clear that it reduces costs or increases pay off. DG VII must take EEC member state interests and views into account, but the present de facto consultation and harmonisation process is more time consuming and more frequent than it need be.

Finally the EEC/ACP Convention needs a workable independent dispute resolution procedure. While the case cited above is Stabex claims, there are many other areas in which genuine disagreements as to Convention rights and obligations can and do arise. It is wholly normal for contracts to contain independent arbitral or adjudication mechanisms. There is no reason for ACP/EEC contractual relations to be an exception.

Dr. Green is a Fellow of the Institute of Development Studies and an Honorary Professorial Fellow of the University of Sussex. He is a member of the Education Committee of the Catholic Institute for International Relations, the Development Advisory Group of the British Council of Churches/Christian Aid and the Advisory Group on Economic Matters of the World Council of Churches and is a trustee of the International Center on Law in Development. He has been a student of the political economy of development with special reference to Africa since 1955 and has studied, taught, researched, advised or served as a civil servant in about 40 developing countries (30 in Africa). He has followed ACP/EEC relations from the Yaounde Conventions and written on both Lomé I and Lomé II negotiations, prospects and results.

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Sysmin as a scheme to preserve standby mining capacity in ACP countries may be worth continuing. But it is not aid. Rather it is an insurance policy against rapid metal price rises when European demand recovers. As such it should not be charged to EEC's aid budget but to industry or trade. The aid funds thus freed should be reallocated to Regional, Food Security, Maintenance or Stabex.

Similarly European Investment Bank funds are not aid - they are basically export credits. Therefore they should not be treated as an alternative to EDF, useful as they may be as a complement. Special loans (from EDF, administered by EIB) are aid, serve purposes not readily handled under normal project aid and should be maintained in real per capita terms. However, their post-disbursement administration under EIB criteria (as opposed to EDF or IDA) raises problems for ACP states and should be reviewed.

The project element of national programmes would decline relative to total EEC transfers to ACP if the proposed additional support is given to regional, food security and maintenance programmes. If total EEC transfers under EDF VI are raised in real per capita terms, then actual disbursements on projects could still rise in real terms.

The present industry and agriculture centres are - for slightly different reasons and to somewhat different degrees - non-functional from an ACP point of view. Ideally they should be reoriented to support specific agreed action programmes leading to country programme aid or EIB export credits. Otherwise they should be wound down and the funds reallocated.

Flexibility and Speed: Cutting the Cake Neatly and Promptly

EEC aid to ACP - with the exceptions of food aid, Stabex and (on initial experience) maintenance - is slower and less flexible than that of individual EEC to individual ACP states. This suggests that there are problems independent of deficiencies in ACP state management and administration of aid flows. Because detailed programme negotiation, project agreement and disbursement is bilateral on the ACP side any such deficiencies would affect bilateral more or less pari passu with EDF aid. Equally, such internal ACP state deficiencies would not seem to explain why food aid, Stabex and (especially) maintenance appear to be relatively quick disbursing and flexible in use when contrasted to project, regional, Sysmin, EIB and special loan operations. The reasons are structural in two senses: the structure of the EEC-ACP aid and also the structure of DG VIII and associated EEC state institutions and interest groups.

In respect to the structure of aid:

- project loans tend to take longer to identify, negotiate and disburse than food aid, export loss offset (eg Stabex), maintenance or capacity utilisation support;
- when an entire basic five year aid programme is built up in year 1 largely on the basis of tentative projects it will have a severe initial lag in disbursements and little flexibility.

The changes suggested above could help. First they would increase the share of quick disbursing, flexible programme areas - especially maintenance and capacity utilisation. Second, by providing for a rolling pattern of project selection, preparation and implementation no funds would be tied to artificial five year periods (ie assuming there would be future EDFs to finance uncompleted projects) they would allow much closer relation of disbursements to allocations and reduce hiatuses at the beginning of new EDFs. Such a change might be facilitated by adopting the EEC proposal for a permanent frame agreement with only the exact programme makeup and transfer levels (plus amendments to the frame) to be negotiated each five or seven years. Viewing each EDF and Convention as a once off event which may or may not be repeated is unrealistic and produces unnecessary lags, rigidities and negotiating sessions.

With respect to DG VIII and related EEC national institutional a complex bureaucratic steeple chase has grown up. The number of steps from an identified project idea to a project appears to be maximised - eg a separate pre-feasibility study to determine the feasibility of a feasibility study is usually a waste of time and money. A restudy which nominally cuts costs by 10% but delays action 18 months loses its own cost gains through inflation, hampers coherent recipient planning and delays getting the benefits of the project. These are all bureaucratic failings which could be reduced if EEC/ACP states made clear that time was a matter of priority and that the right number of steps and months from project identification to implementation was the lowest number consistent with acquiring and using adequate data. A ‘cap’ could be put on limiting the average time to that of EEC/ACP bilateral programme projects.

In respect to regional allocations, because there have been no operational ACP regional groups involved in deciding the allocation of regional funds, delays, inflexibilities and less than optimal choices have proliferated. The changes in regional programming suggested above should help overcome this problem.

The problems related to DG VIII acting for a Community of ten states and needing to take their views into account in programming are more intractable. However, it should be possible:

- to limit the range of issues member states can raise in respect to individual projects or country programmes;
- to find ways of balancing EDF procurement which interfere less with individual project (or consultancy) allocation on the basis of merit and ACP state preference;
- and especially to cease holding EDF/EEC programmes hostage to secondary bilateral disagreements between particular EEC and ACP states (a marked problem in respect to the Southern African regional programme).

These are not changes which can be laid down contractually but they are attainable alterations in style of operation which
What Might Be Done: A Resume

The total volume of EEC concessional transfers to ACP states should be raised — say 25% — on a constant price per capita basis with EDF VI at 10,000 million Ecu. At the minimum it should be held at present constant price per capita levels for an 8,000 million Ecu EDF VI. ACP needs have grown, not declined. If the purpose of development assistance is to assist national and human economic progress then constant price per capita transfers are the correct yardstick.

Within that, total funding for regional projects and programmes should be increased absolutely and relatively. Cooperation among groups of ACP states is both economically desirable and increasingly desired by ACP states and EEC. Changes in structuring regional allocations are needed to involve operational groupings of ACP (or ACP and other) states as partners in the regional programming process.

EEC’s new maintenance sub-programme should be expanded rapidly. Together with capacity utilisation support (eg raw materials for industry, inputs for agriculture, drugs for medical services) it should cover about 25% of 1986-90 country programmes (with a likely range by country from 15% to 50%). Many ACP states’ most urgent need is not to create new fixed capital but to maintain and utilize what exists. Until global economic recovery (or structural alteration of exports) is achieved, they cannot do this out of export earnings. Therefore, capacity maintenance and utilisation should be a substantial component of any major aid programme and especially of an attempt to build South-North cooperation in development like the EEC-ACP Convention.

Stabex may not need greatly augmented real resources given the very low 1981-85 base period, especially if even mild global economic recovery characterizes 1986-90. However, it needs more flexibility and access to contingency funds in any one year to avoid repetition of the recent 50% cuts on payout against agreed shortfalls. An insurance scheme which cannot pay out in full if major losses occur is excessively unsatisfactory.

Food aid should be redesigned and augmented: first, on a medium term basis recognizing that both ACP balance of payments and food deficits are not occasional but endemic; second, to cover buildup of national and regional reserves as well as current needs; third, integrated into broader food security support programmes oriented to recipient production, procurement, storage and transport development.

European Investment Bank and Sysmin are not aid. They basically represent export credits in the one case and insurance against metal price explosions in the other. They should be converted into aid.

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European Investment Bank and Sysmin are not aid. They basically represent export credits in the one case and insurance against metal price explosions in the other. They may well be worth continuing — especially from the EEC point of view — but should not be seen as budgets nor (as is the case with Sysmin) charged to aid.

Project aid within country programmes should, if possible, be held constant in real per capita terms. This will be possible, consistent with the increases in other programmes suggested here if constant price per capita EEC concessional transfers to ACP states and regional groups are increased.

ACP countries face a liquidity and operational crisis. EDF's III-IV-V will have on the order of 3,000 million Ecu unspent balances as of the end of 1985. The balances should be used to finance an 18 month selective import support programme with semi-automatic, quick disbursal procedures for all ACP states with preference given to least developed, landlocked and island states. This could cover some of their most urgent maintenance and capacity utilisation needs and reduce the risk of rising commercial payment arrears, debt defaults or drastic cuts of imports from EEC. Projects in progress could be transferred to EDF VI. A rolling basis of project identification and initial implementation funded in one EDF period and completion funded in the next would avert subsequent unutilized balances build up and increase overall flexibility. Such a shift would be facilitated by a permanent frame agreement with programme level agreements within it negotiated at five or seven year intervals.

Increased flexibility and speed of resource transfer from EEC to ACP states would be facilitated by the changes proposed above. In addition the EEC needs to look harder at its own procedures. The proliferation of studies of, and for, studies, delays implementation and ties up scarce EEC and national staff. It is not the least clear that it reduces costs or increases pay off. DG VIII must take EEC member state interests and views into account, but the present de facto consultation and harmonisation process is more time consuming and more frequent than it need be.

Finally the EEC/ACP Convention needs a workable independent dispute resolution procedure. While the case cited above is Stabex claims, there are many other areas in which genuine disagreements as to Convention rights and obligations can and do arise. It is wholly normal for contracts to contain independent arbitral or adjudication mechanisms. There is no reason for ACP/EEC contractual relations to be an exception.

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