

## SPECIAL REPORT No 4/88

on

regional cooperation financed under the Lomé Conventions together with the Commission's replies

(88/C 188/03)

*(Observations, pursuant to Article 206a (4), of the EEC Treaty)*

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## 1. INTRODUCTION

*Regional cooperation policies**Scope of the report*

1.1. A proportion of each European Development Fund set up under the Lomé Conventions is reserved for the financing of projects and programmes which promote cooperation between ACP states, termed regional cooperation. The proportion set aside was 10 % of the total allocation under the First Lomé Convention (1976 to 1980), 14 % under the Second (1981 to 1986) and 13,3 % under the Third (1986 to 1990).

1.2. The amounts of the allocations for regional cooperation under the three Conventions, together with their distribution between the seven regions, are shown in *Table 1*. The division of the allocation between economic sectors is shown in *Table 2*, except regarding the Third Lomé Convention which is not divided in advance. The states which make up each region, together with their main economic indicators, are shown in annex I to this report.

1.3. This report on the implementation of regional cooperation under the First and Second Lomé Conventions is based on the Court's examination in 1987 of a wide range of projects and programmes, most of which were in addition visited during the Court's audit visits to the countries in which they were implemented. Approximately 50 % of all financing decisions and 60 % of all payments under the allocations for regional cooperation have been examined in this way.

1.4. Since the slowing down of the world's economic growth in the early 1970's, international trading competition has increased, as has trade protectionism. At the same time, technological developments have depressed the demand for raw materials and for unskilled labour, thus weakening the terms of trade of the developing countries. Drought, resulting in a reduction of agricultural exports and food self-sufficiency, has further depressed the financial position of many ACP countries. The consequent stagnation of economic development has reinforced these countries' dependence on the developed countries.

1.5. In view of the economic difficulties experienced by the ACP countries, regional cooperation policies are principally concerned with economic development, in particular with the creation of larger markets, with the aim of stimulating trade and industrial production and thus reducing the present dependence on imported goods.

1.6. The principles of regional cooperation between ACP states were developed in the 'ACP group' formed in 1975, its work culminating in the establishment with the Suva Declaration in 1977 of the 'Action Programme for intra ACP cooperation', from which regional cooperation under the Lomé Conventions is inspired. The European Parliament has stressed in a number of resolutions the importance of regional cooperation between the ACP States. In Arusha in February 1987, when examining development policies, the ACP-EEC Joint Assembly particularly concentrated its attention on regional cooperation.

Table 1 — Indicative regional cooperation allocations by region

Region	Lomé I (1976 to 1980)		Lomé II (1981 to 1986)		Lomé III (1986 to 1990)	
	Amount (Mio ECU)	%	Amount (Mio ECU)	%	Amount (Mio ECU)	%
West Africa	130	38	160	25	210	21
Central Africa	24	7	60	10	80	8
East Africa	79	23	140	22	185	19
Southern Africa	27	8	70	11	110	11
Indian Ocean	8	2	20	3	26	3
Caribbean	28	8	56	9	72	7
Pacific	10	3	26	4	34	3
General operations (all ACP States)	33	11	100	16	283	28
Total allocation	339	100	632	100	1 000	100

Table 2 — Indicative division of allocations by economic sector

Economic Sector	Lomé I (1976 to 1980)		Lomé II (1981 to 1986)	
	Amount (Mio ECU)	%	Amount (Mio ECU)	%
Transport and communications	176	52	211	33
Industry, energy, mining	68	20	74	12
Rural production	21	6	147	23
Education, health water engineering	36	11	65	10
General technical assistance	5	1	35	6
Total allocated	306		532	
General operations <sup>(1)</sup>	33	10	100	16
Total allocation	339	100	632	100

(1) General operations include, in particular, regional trade and tourism promotion and contributions to the budget of the Centre for the Development of Industry, the Centre for Agricultural and Rural Cooperation, the ACP-EEC Courier and the cost of experts attached to the ACP Secretariat.

1.7. The objectives of regional cooperation and the scope of the means to achieve these objectives are laid down in articles 133 and 135 of the Second Lomé Convention, and noted in annex II to this report. The First Lomé Convention contains similar provisions, as does the Third, with an added stress on the promotion of food self-sufficiency and food security.

1.8. The success or failure of regional cooperation is largely determined by the political will to support this cooperation within a mutual respect for the sovereign identities of the states concerned, each with very different political and economic systems, and with different levels of income. The interests of a state such as Nigeria, with its oil revenues, its population of almost 100 million and a GNP of 74 % of that of the whole West Africa region, will naturally differ from the interests of the 15 other states of that region.

### *Management of regional cooperation*

1.9. A financing proposal for a regional cooperation project is submitted to the Commission, or to the European Investment Bank if appropriate, jointly by at least two ACP states or by the ACP secretariat in Brussels. Once the

finance is decided by the Commission it is implemented in the same way as any other project financed by the EDF. Contract awards and payments are authorized by an officer, termed the regional authorising officer and chosen by common accord usually in the state in which the project is physically implemented. The Commission delegate in that state is given the responsibility for technical and financial supervision. Activities of general interest, and grants to bodies such as the Centre for Industrial Development, are managed directly by the Commission in Brussels.

## 2. FINANCIAL IMPLEMENTATION

### *Benefits received by individual States*

2.1. The distribution of the allocation for regional cooperation between the seven regions (*see table 1*) is closely related to the number and size of the component states. Each ACP state does not however necessarily benefit from a proportional share of the finance allocated to its region. The particular circumstances of some states are put forward as justification for a higher priority in the allocation of the limited means available, for example their geographical position or the effect of drought. Furthermore, the Lomé Conventions provide that the least developed countries shall have a priority claim on funds, in particular where infrastructure projects are concerned.

2.2. Further departures from a proportional sharing of finance have occurred in favour of those countries with more developed national administrations, which are better equipped to formulate and promote financing proposals, and in favour of those countries which have used to advantage their position as host to the headquarters of regional organizations.

2.3. Most regional projects offer material benefits to the country in which they are implemented, employing local construction firms, assuring increased employment opportunities and national prestige. These advantages are the more marked when a project, although charged to regional funds, is of little benefit to countries other than the host. Examples of such projects, two educational establishments in Gabon, are mentioned in paragraph 3.26 of this report. It should however be borne in mind that any such advantage may turn into a burden if the other states subscribing to the project become unwilling to bear their share of operating costs.

2.4. If excessive costs are incurred on a national project, the country concerned bears these costs through a

corresponding reduction of finance available for other purposes under its national allocation of aid. For regional projects however, all states in the same region are affected by any waste of funds in one state, for example that incurred when the authorities in Burkina Faso awarded to a local firm a contract for the construction of a regional school for 0,3 Mio ECU above the lowest tender, an increase of 50 % in the cost of the contract.

### *Rate of utilisation of regional allocations*

2.5. At 31 December 1987, 92 % of the finance allocated to regional cooperation under the First Lomé Convention had been disbursed. At the same date, 22 months after the expiry of the Second Lomé Convention, 97 % of its regional allocation had been committed and 57 % paid.

2.6. Part of the delay in the utilisation of this allocation is attributable to the length of time necessary to obtain common agreement between two or more states on financing proposals, and then to overcome difficulties in implementing projects with components in different countries. Projects in the energy sector in particular have been implemented slowly as commented upon later in this report. Further delays in the utilisation of allocations result from deficiencies in financial management: a number of excessive commitments for completed projects remain to be reallocated in the 5th EDF accounts, for example 5,0 Mio ECU for trade promotion programmes implemented between 1982 and 1985, 2,5 Mio ECU for a special loan to the phosphate industry in Senegal, and numerous smaller sums for technical assistance projects.

## 3. IMPLEMENTATION BY ECONOMIC SECTOR

3.1. The following paragraphs examine the financial support granted to each economic sector under the First and Second Lomé Conventions (as shown in Table 2).

### *Transport and communications*

3.2. Transport and communications occupy a predominant position in regional cooperation having been allocated

52 % (176 Mio ECU) of regional funds under the First Lomé Convention and 33 % (211 Mio ECU) under the Second. The examination of twelve regional projects in this sector, a total of 100 Mio ECU, shows that the success rate of such projects is high, as the participating states cooperate more willingly in view of their mutual interest in improved transport and communications links.

3.3. Those projects which failed to achieve their objectives were victims of political instability, in particular the rehabilitation of the railway between Zambia, Zaire and the port of Lobito in Angola. Due to the continuing civil war in Angola, the railway line remained closed and the rolling stock for the national rail companies in Zambia and Zaire, financed in 1980 by an 8 Mio ECU grant from regional funds, was not used on this route. There was little justification for funding this project, as civil war still continued at the time of the financing decision.

3.4. The Communities contributed 10 Mio ECU for the improvement of an existing gravel road between Kakuma, in Northern Kenya, and Juba, in Southern Sudan to provide a link between Sudan and the port of Mombasa in Kenya which avoided Uganda. The section in Sudan was not completed, mainly due to persistent civil disorder in the project area. The regional aim of the all-weather road section constructed in Kenya was thus not achieved.

3.5. Under the Second Lomé Convention, 5,9 Mio ECU was loaned on special conditions to the West Indies Shipping Corporation (WISCO) for the finance of a reliable and regular liner service between the least developed Caribbean states. For various reasons, this objective was not fully attained. In 1984, on a shipbroker's advice and with the Commission's approval, WISCO purchased larger ships than the two modestly sized container carriers with short turn-around times which were specified in the financing agreement. The finance no longer sufficed for the planned purchase of containers which are now rented at high cost, nor for port handling equipment. Only one of the ships serves the least-developed countries, and has a longer turn-around time than forecast. The other is used on the highly competitive shipping route to Miami. These two ships run at a loss of 1,8 Mio ECU per year which the Caribbean member states are increasingly unwilling to subsidize. The future of WISCO is uncertain, all the more so as some governments have withdrawn their membership.

*Industry, energy, mining*

3.6. The associated fields of industry (in particular the development of intra-ACP enterprises), energy and mining form one sector of regional financial cooperation, for which 20 % of regional funds (68 Mio ECU) was allocated under the First Lomé Convention and 12 % (74 Mio ECU) under the Second. The financing decisions within this sector are summarized in *Table 3* and commented on separately in the following paragraphs.

*Industry*

3.7. The Lomé Conventions provide for the setting up of regional and interregional enterprises as a means of creating markets sufficiently large to assure viable levels of industrial operations. The first, and most ambitious, of such enterprises financed by the EDF was a clinker factory set up in Togo. The governments of Ghana, Côte d'Ivoire and Togo had equal shares in the operating company, Société des Ciments de l'Afrique de l'Ouest (CIMA O).

3.8. Out of the factory's total cost of 250 Mio ECU, the EDF contributed 33,5 Mio ECU in 1976 and the EIB 20 Mio ECU from its own resources. Six other donors contributed loan funds, the largest contribution being 53 Mio ECU from the World Bank. The EDF finance was applied to a rail link (12,9 Mio ECU), housing (5,1 Mio ECU), interest rate subsidies (2,2 Mio ECU) and to risk capital loans to the participating states for the finance of part of their shareholdings (13,3 Mio ECU).

3.9. This project proved a total failure, the factory having been operated for only four years when it was closed down in April 1984.

**Table 3 — Financing decisions in the sector of industry, energy and mining at 31.12.1987**

	Lomé I (Mio ECU)	Lomé II (Mio ECU)
Industry	30	10
Mining	1	17
Energy	5	43
Technical assistance and other industry related projects	1	9
<b>Total</b>	<b>37</b>	<b>79</b>

3.10. The failure has been ascribed to the following principal causes:

- (a) the project proposal proved unrealistic, in particular concerning the relationship between production costs and the world market price of clinker, although the proposal had been jointly appraised by all 8 cofinancing donors, including the Commission, European Investment Bank, World Bank, France and Canada;
- (b) the subscribing states did not respect the regional treaty which stipulated that they take the factory's production at a price aimed at covering all costs and at giving a reasonable return on capital;
- (c) CIMA O experienced financial difficulties from the moment production started in February 1980, due to construction cost overruns (of 13 %), inadequate working capital, technical failures which reduced production capacity, excessive fuel and transport costs charged by Togo, inadequate selling prices, and a lack of competent management staff;
- (d) in 1983 and 1984, the hydroelectric plant in Ghana on which the factory was dependent for its power supply was unable to assure a regular supply of electricity as drought had reduced its generating capacity.

3.11. CIMA O adopted a restructuring plan in 1982, supported by the EIB which committed 7,3 Mio ECU in EDF risk capital funds for this purpose. CIMA O was nonetheless obliged to close down the factory in April 1984, as it remained unable to compete with the price of clinker on the world market, a price depressed by the excess capacity of the European clinker industry. The future of the factory, which has remained closed for four years, remains uncertain. The Commission should evaluate the financial consequences of the failure of the project, and undertake the necessary contacts with the EIB to maximize the chances of reimbursement of the conditional loan granted by the EIB.

*Energy*

3.12. Particularly as the development of alternative energy resources is an effective weapon against deforestation, it is regrettable that three projects, out of five regional energy projects examined have experienced serious difficulties.

3.13. The civil works of one project, the Ruzizi hydro-electrical project in Burundi cofinanced with the World Bank, have been implemented very slowly. 21 Mio ECU were committed for this project in June 1983 (44 % of all regional funds for energy projects). By 31 December 1987, only 9,9 Mio ECU had been paid.

3.14. A regional centre for solar energy research (CRES) was established in 1983 in Mali, with the objective of promoting research, training and information exchange and of supporting national energy projects within the region. The Community contributed 3,1 Mio ECU of the 30 Mio ECU total cost of the centre. In 1986, soon after the buildings were erected, France and Germany withdrew their 5,1 Mio ECU in operational support, considering the centre's plans to be too sophisticated, and the project came to a halt.

3.15. The experience of CRES illustrates that it is inadvisable to undertake costly research in developing countries when similar programmes exist elsewhere, and to indulge in advanced technology. If the project had been fully implemented, it is unlikely that the subscribing states could have shouldered its operational costs: in 1986, the CRES governing board reported that several states lacked funds to meet their contributions and preferred to give priority to national projects.

3.16. A similar low level of priority for regional projects was shown in the Pacific Regional Energy Programme, to which the Community contributed 6,2 Mio ECU in January 1984. Many components of this project have not been implemented, in particular the largest component, the 2,1 Mio ECU gasifier system in Western Samoa. The many solar, biomass and micro-electric schemes were found to be technically too difficult and unsupported by training and information. By 31 December 1987, four years after the financing decision, only 19 % of the commitment had been paid. This contrasts with a hydro-electric project which was successfully implemented under Western Samoa's national 5th EDF indicative programme.

#### *Mining*

3.17. One of the two large mining projects financed from regional funds concerned the supply in 1984 of water to a

phosphate extraction plant owned by Industries chimiques du Sénégal. This project had no link with regional cooperation other than the expectation that Senegal might sell phosphate to the three other ACP States mentioned in the financing agreement. Since phosphate is already exported by two other nearby states (Morocco and Togo), it appears that this commitment of 10 Mio ECU does not comply with article 134,2 of the Second Lomé Convention which requires that regional projects help directly to solve a development problem common to two or more countries through joint schemes or coordinated national schemes.

#### *Technical assistance to industrial projects*

3.18. A total of 10 Mio ECU was committed under the first two Conventions to finance technical assistance to industrial projects. Of this sum, 2,5 Mio ECU were committed for the establishment of an industrial development unit in the Mano River Union Secretariat (Member states: Guinea, Liberia, Sierra Leone). The initial three year project period ending in 1982 was extended to 1987. The results to date are insufficient to justify the investment.

#### *Rural production*

3.19. The proportion of regional funds allocated to agricultural projects increased from 6 % (21 Mio ECU) under the First Lomé Convention to 23 % (147 Mio ECU) under the Second. In view of the increased stress given to rural development and food self-sufficiency, 50 % to 60 % of regional funds under the Third Lomé Convention have been provisionally earmarked for the agricultural sector.

3.20. Campaigns against animal diseases, mainly against foot and mouth disease, rinderpest and the tsetse fly, have taken up a large proportion of regional agricultural projects (half under the First Convention and a third under the Second). The regional nature of these campaigns justifies their finance from regional funds, but they require to be complemented by sound land-use plans to ensure that the high investment is not wasted through misuse of the newly cleared lands, and consequent erosion through overgrazing. Such plans were not sufficiently followed in some regions of Zimbabwe, in which uncontrolled settlement followed the eradication of the tsetse fly.

3.21. Almost one fifth of regional agricultural funds under the Second Lomé Convention have been allocated to one project concerning two dams in Senegal (Diama) and in Mali (Manantali). Between 1979 and 1982, the EDF committed 70 Mio ECU from national and regional allocations under the First and Second Conventions towards the total project cost of 850 Mio ECU. Five Arab funds and German bilateral funds provided the remainder of the finance. The project aims at increasing agricultural production by irrigating 375 000 ha, at producing 800 Gwh per year of electricity, and at allowing all year access by shipping to the Senegal river. The scale of this project is such that the beneficiary states (Mali, Mauritania and Senegal) are very hard pressed to service the more than 800 Mio ECU in loans received, including 39 Mio ECU under the First and Second Conventions, and to profitably implement the particularly ambitious irrigation schemes which form the major justification for the investment. The experience of the EDF concerning other vast agricultural irrigation schemes, such as the Ségou rice scheme in neighbouring Mali, has shown that the results are poor in relation to the capital invested, and give little profit to the farmers. The future of such schemes is uncertain in that their operation depends on a managerial capacity which is not available on the spot without recourse to costly technical assistance. All of Senegal's 97 Mio ECU allocation under the Third Lomé Convention has been committed to develop only one sixth of the irrigation schemes envisaged. Furthermore, a large economic cost could be incurred through the infiltration of salinity which follows control over floodwaters and excessive irrigation.

3.22. Other agricultural projects have encountered two main obstacles to success: the tendency of projects to benefit only the host country and the lack of coordinated agricultural policies, the evolution of which is hampered by economic difficulties. Common policies are however necessary before regional agricultural institutions can have any impact on the promotion of inter-ACP agricultural trade.

3.23. A 2 Mio ECU credit line for small and medium sized agricultural projects was financed under the Second Lomé Convention, to be managed by a multi-state public corporation, the Caribbean Food Corporation (CFC). The aim of the credit line was to accelerate agricultural development and trade between the member States of the Caribbean Community (CARICOM). CFC has failed to find viable investment projects, partly because it charged high interest rates when onlending the concessionary loan received from the EDF. Furthermore it charged the investees for technical assistance although this had been separately financed by the EDF. The project also suffered from trade restrictions (Jamaica), from competition from extra-regional imports and from CFC's operational difficulties. Combined with a lack of support from

CARICOM member States, these factors resulted in the selection by CFC of projects in beneficiary states which were of more national than regional interest.

3.24. The Caribbean Agricultural Research and Development Institute (CARDI) received 4,5 Mio ECU under the First and Second Conventions in support of applied research. CARDI did not however receive support from all the CARICOM member States, and consequently experienced financial difficulties. The delegate in Guyana, where part of the programme was implemented, concluded that no significant progress had been made in research undertaken by CARDI in that country due to the lack of cooperation between CARDI, CARICOM and the Guyana government.

### *Education*

3.25. The major part of the allocation for education, health and water engineering has been allocated to education and training, a total of 96,4 Mio ECU under the First and Second Lomé Conventions. There is evident advantage in setting up regional establishments for the provision of specialized or highly technical courses which would not be viable on a national scale.

3.26. Amongst the fifteen projects, totalling 45 Mio ECU, examined by the Court, two projects in Gabon provide little benefit to the region, the only beneficiaries being nationals of the host country:

- (a) the 'Internat à l'école des postes et télécommunications', (2,02 Mio ECU under the First Lomé Convention), benefits only the national postal service, and is administered and maintained by Gabon;
- (b) the 'Centre interafricain pour le développement de la formation', (1,5 Mio ECU under the Second Lomé Convention) a project aimed at promoting the printing of didactical material, did not prove to be of interest to the other states which co-signed the financing agreement. Only Gabonese printers have been trained, the printing equipment is used for local purposes and the main regional project activity, the training of instructors, has not been implemented. The formal transfer of the assets to the Gabon national administration is now being negotiated.

3.27. Although doubts were expressed by the Commission delegates on the spot, two other educational institutions received financial support, in spite of their excessive dimensions which require operating costs which may exceed the subscribing States' financing capacities and burden the host countries with an unreasonable drain on their education budgets. The institutions concerned are the 'Académie Régionale de la Mer' in the Côte d'Ivoire (2 Mio ECU financed in 1985 out of the 42 Mio ECU total cost) and the 'Ecole des Mines et de Géologie' in Niger (7 Mio ECU out of 32 Mio ECU in 1984).

#### General operations (see table 4)

##### Trade promotion

3.28. The ACP states hold a very small share of world trade, less than 3 % according to available information. Half of this share is represented by petroleum products from Nigeria. The remaining exports consist mainly of a small number of other primary goods such as, copper, wood, cocoa, sugar and other agricultural produce. The value of the ACP States' exports has little increased in recent years. Total exports to all destinations by ACP countries were 35,4 milliard USD in 1977 and 37,9 milliard USD in 1984 (source: Eurostat). Intra-African trade represents a mere 4 % of the total trade of African countries.

3.29. The trade access arrangements laid down in the Lomé Conventions favour imports from the ACP States, which in current values went from 13,5 milliard ECU in 1977 to 30,1 milliard ECU in 1985. Expressed as a

proportion of the European Communities' imports, the ACP countries' share has not increased from the 1977 average of around 7 %, or 4 % if petroleum products are excluded.

3.30. In addition to free trade access for most ACP exports, the Lomé Conventions, in particular article 21 of the Second Convention, provide for the support of trade promotion measures, such as finance for relevant organisations, for training, for product policy and marketing studies and for transport and storage infrastructure.

3.31. Of the 38 Mio ECU total finance granted for regional trade development under these Conventions, almost 20 Mio ECU was allocated to fairs and exhibitions, which are commented on in the Court's report on the 1986 year <sup>(1)</sup>.

##### Tourism

3.32. Under the First and Second Lomé Conventions, financing decisions totalling 13 Mio ECU were taken from regional funds for the promotion of tourism. 4 Mio ECU of this was committed in January 1985 for the Pacific region, and 1 Mio ECU had been paid by 31 December 1987.

3.33. The remaining 9 Mio ECU was granted in 1983 to the Caribbean region for market research and publicity. The recent modest increase in tourist arrivals from Europe seems to be attributable more to the fall in the value of the US dollar than to the impact of the 'Caribbean Tourism Research and Development Centre' (CTRC) which managed this considerable financial support received from the EDF.

3.34. Competition between the ACP States in the Caribbean region has led to more national than regional policies for tourism development although this region, with its many small island states, is a natural vehicle for the promotion of a regional image. National programmes, having been more carefully directed, proved more effective and cost efficient, for example the programme financed under Granada's national indicative allocation.

Table 4 — Financing decisions for general operations at 31.12.1987

	Lomé I (Mio ECU)	Lomé II (Mio ECU)
Trade promotion	13,1	25,9
Tourism	0,6	13,4
ACP Secretariat	2,3	6,3
Centre for Agricultural and Rural Cooperation	—	5,9
Centre for Industrial Development	8,1	25,1
Other	32,1	25,8
<b>Total financing decisions</b>	<b>56,2</b>	<b>102,4</b>

<sup>(1)</sup> The footnotes appear together at the end of the report.



*Support of regional organizations*

3.35. Finance totalling 30 Mio ECU has been allocated under the First and Second Lomé Conventions to support the establishment of regional cooperation bodies or the development of new activities undertaken by existing regional bodies. A further 8,6 Mio ECU has been granted to the ACP Group's Secretariat to cover the cost of experts. Finance granted for a number of development projects includes a component for the support of regional institutions. Annex III gives details of the major regional organizations benefiting from EDF grants.

3.36. The Court examined 23 projects in this sector, financed for a total of 18 Mio ECU. In several of these, the financial support (mainly technical assistance) continued well beyond the period of establishment of the body. For example technical assistance for administrative tasks in both CEAO and the Mano River Union was prolonged from the one or two years laid down in the financing agreements to five or more years. The participating states continue to request EDF finance to cover operational costs beyond the start up period of regional bodies and, if this is refused, may withdraw their support for the body. Such was the case for the Caribbean disaster prevention programme, the utility of which was questioned by the participating states once the 0,7 Mio ECU under the First and Second Conventions was exhausted. Furthermore, 150 000 ECU earmarked for prevention measures had to be reallocated to the budget for administrative support, which increased from the 50 000 ECU initially estimated to 200 000 ECU.

3.37. The finance of certain technical assistance to regional organisations was decided by the Commission on the basis of a simple exchange of letters, without a detailed definition of the service to be performed, or on the basis of verbal agreements between the Commission and the beneficiary body's Secretary General. An example concerns four technical assistance contracts with CEAO financed for a total of 1,1 Mio ECU and concerning the 'fonds de solidarité et d'intervention pour le développement communautaire'. The accelerated decision making procedures permitted under article 114 of the Second Lomé Convention do not exclude the Commission's obligation to properly appraise the requests for finance, in particular their economic, social, technical and administrative aspects, as required by article 112 of the Convention. The non-respect of the latter article led the Commission to commit 1,8 Mio ECU for the establishment by the the Caricom Secretariat of two trade promotion units, a project which had to be completely reorientated soon after

the consultants commenced their services, and to commit a further 0,6 Mio ECU for the same beneficiary for a project which, in spite of reminders from the Commission, has not been implemented.

3.38. The activity of the regional bodies supported by EDF-financed technical assistance is principally directed towards the preparation of studies and reports which, once presented at conferences, rarely have any further concrete outcome. The results of a 2,5 Mio ECU regional trade programme implemented by CEAO are meagre. Five of the 11 studies committed under the programme commenced in 1981 have not been implemented, and the six studies which were completed are already out of date.

3.39. Before its dissolution in 1985, the 'organisation commune africaine et mauricienne (OCAM)' received 1 Mio ECU from the fourth EDF. Without obtaining the prior and written agreement of the Commission, as laid down in the financing agreement, the OCAM cancelled the scholarships in regional institutions planned under one programme and increased the number of seminars from the seven planned to sixteen. The Commission nevertheless paid the costs of the revised programme. An examination of the supporting documents submitted by OCAM concerning seminar expenses showed that:

- (a) no report was submitted by OCAM for six seminars;
- (b) air tickets were paid for OCAM delegates who did not attend the seminars;
- (c) hotel expenses were paid for periods longer than the participants' authorised stay;
- (d) the EDF supported the 1000 ECU additional cost of an OCAM's delegate's flight from the Central African Republic to Rwanda via Paris and Brussels, a circuit justified only by the comment 'for health reasons';
- (e) the agreed rates of daily allowances were not respected;
- (f) there was a high rate of absence from the seminars, showing a lack of interest in the subject matter.

3.40. Given the number of irregularities which the Commission delegates failed to detect when authorising these payments, what level of control does the Commission exercise over regional bodies ?

3.41. The Commission generally receives insufficient information on the outcome of the EDF-financed activities which are managed by regional bodies. As cases of ineffectiveness, deviations from the agreed programmes and administrative deficiencies have proven numerous, the Commission should assure a more regular and rigorous supervision over these activities.

#### 4. CONCLUSIONS AND RECOMMENDATIONS

4.1. An overall evaluation of the impact of community aid on the development of regional cooperation leads to conclusions which differentiate between the immediate objectives and the long-term objectives. So far as concerns the latter, the finance allocated by the Community has had little success in furthering the basic aims of regional cooperation laid down in the Lomé Conventions, particularly those concerning the creation of wider markets, the increase of regional trade, the promotion of local industry and the reduction of dependence on imports. Tariff, monetary and administrative barriers remain in place. However, so far as the immediate objectives are concerned, the Court's audit, based on a representative sample of the subsidized projects, shows that these aims have in general been reached in certain sectors, in particular transport, communications, disease control and education infrastructure.

##### *Main weaknesses in the financing of regional cooperation*

4.2. The cause of many failures or partial successes in the implementation of regional cooperation projects lies with one or other of the following deficiencies noted by the Court:

(a) the project benefited one state, or furthered a purely national interest, and thus had no regional character;

(b) the project was overambitious, leading to a reluctance by subscribing states to shoulder the operational costs;

(c) the project proposal did not contain a realistic appraisal of commercial viability;

(d) the beneficiary states either lacked the common policies necessary to encourage trading relations, or allowed their political and administrative differences to erode the declared will for fruitful cooperation and for the support of regional organisations;

(e) the project proposal underestimated the risk of political or military conflicts which prevented the objective of the investment being attained;

(f) the implementing bodies failed to properly coordinate when fulfilling their responsibilities;

(g) regional institutions remained expensive administrative units, their theoretical work not being transformed into practice.

##### *Possible improvements*

4.3. Whilst a reason for the lack of success in furthering the basic aims of regional cooperation is the unfavourable economic climate, over which the Community can have little influence, the further difficulties arising from the social and political climate could be overcome by a more vigorous involvement on the part of the Commission, with the aim of laying the foundations for an active regional cooperation. The Commission should in particular:

(a) undertake a full evaluation of past regional cooperation programmes in order to identify those measures which have proven the most successful in achieving regional development objectives;

(b) consequently be more rigorously selective when appraising the financial or economic viability of a project, and give preference in its financial support to regional projects offering the greatest chance of success in achieving regional development objectives;

(c) review their delegates' responsibilities in order to ensure that they pay sufficient attention to the prospect of regional cooperation, beyond the simple monitoring

of projects and programmes implemented in the ACP state to which they are assigned.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 19 May 1988.

*For the Court of Auditors*

Marcel MART

*President*

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(1) OJ C 336 of 15.12.87, paragraphs 64 — 100.

ANNEX I  
REGIONS — BASIC ECONOMIC INDICATORS CONCERNING COUNTRIES  
UNDER LOMÉ I AND II

	Total population 1984 (Mio)	Total land area (Mio ha)	GNP 1984 (Mio USD)	GNP per capita 1984 (USD)	Debt service/ exports % 1983
<b>Western Africa</b>					
Benin	3,9	11,3	1 063	271	30,6
Burkina Faso	6,5	27,4	1 042	159	28,6
Cape Verde	0,3	0,4	101	315	200,0 <sup>(1)</sup>
Gambia	0,7	1,1	184	259	15,5 <sup>(1)</sup>
Ghana	13,4	23,9	4 734	354	19,5
Guinea	5,9	24,6	1 807	304	16,0 <sup>(1)</sup>
Guinea Bissau	0,9	3,6	162	185	15,3
Ivory Coast	9,9	32,2	6 035	611	38,3
Liberia	2,1	11,1	994	468	9,4 <sup>(1)</sup>
Mali	7,3	124,0	1 060	144	12,9
Mauritania	1,7	103,0	752	452	14,4 <sup>(1)</sup>
Niger	6,3	126,7	1 193	191	27,9
Nigeria	96,8	92,4	74 123	766	22,4
Senegal	6,4	19,6	2 441	382	12,8
Sierra Leone	3,7	7,2	1 118	305	10,9 <sup>(1)</sup>
Togo	2,9	5,7	734	251	19,8
<b>Total Western Africa</b>	<b>168,7</b>	<b>614,2</b>	<b>97 543</b>	<b>578</b>	
<b>Central Africa</b>					
Cameroon	9,9	47,5	7 997	810	25,0 <sup>(1)</sup>
Central African Republic	2,5	62,3	685	270	15,9
Chad	4,9	128,4	360	80 <sup>(3)</sup>	0,5
Congo	1,8	34,2	2 061	1 122	19,8
Equatorial Guinea	0,4	2,8	118	338	12,3
Gabon	0,8	26,8	2 825	3 479	14,2
Sao Tome & Principe	0,1	0,1	34	333	(n.c.)
Zaire	30,6	234,5	4 216	138	9,1
<b>Total Central Africa</b>	<b>51,0</b>	<b>536,6</b>	<b>18 296</b>	<b>359</b>	
<b>Eastern Africa</b>					
Burundi	4,6	2,8	1 010	220	17,5
Djibouti	0,4	2,2	350 <sup>(3)</sup>	1 050 <sup>(3)</sup>	12,6
Ethiopia	42,0	122,2	4 783	114	20,2
Kenya	19,7	58,3	5 946	301	31,3
Rwanda	5,9	2,6	1 607	274	4,3
Somalia	5,2	63,8	1 360	260	16,6
Sudan	21,5	250,6	7 363	343	14,4 <sup>(1)</sup>
Tanzania	21,5	94,5	4 462	208	15,4
Uganda	14,3	23,6	3 295	230	21,6
<b>Total Eastern Africa</b>	<b>135,1</b>	<b>620,6</b>	<b>30 176</b>	<b>223</b>	
<b>Indian Ocean</b>					
Comores	0,4	0,2	120 <sup>(3)</sup>	340 <sup>(3)</sup>	4,4 <sup>(3)</sup>
Madagascar	9,7	58,7	2 600	268	25,9
Mauritius	1,0	0,2	1 100	1 096	20,1
Seychelles	0,1	0,03	155 <sup>(2)</sup>	2 429 <sup>(2)</sup>	13,4
<b>Total Indian Ocean</b>	<b>11,2</b>	<b>59,1</b>	<b>3 975</b>	<b>355</b>	
<b>Southern Africa</b>					
Botswana	1,0	60,0	943	914	2,9 <sup>(3)</sup>
Lesotho	1,5	3,0	794	526	44,0
Malawi	6,8	11,8	1 426	209	28,1
Swaziland	0,7	1,7	588	805	4,9 <sup>(3)</sup>
Zambia	6,5	75,3	3 022	467	17,5
Zimbabwe	8,2	39,1	6 042	739	25,4
<b>Total Southern Africa</b>	<b>24,7</b>	<b>190,9</b>	<b>12 815</b>	<b>519</b>	

Source: Cronos Databank.

<sup>(1)</sup> 1984.

<sup>(2)</sup> 1983.

<sup>(3)</sup> 1982.

	Total population 1984 (Mio)	Total land area (Mio ha)	GNP 1984 (Mio USD)	GNP per capita 1984 (USD)	Debt service/ exports % 1983
<b>Caribbean</b>					
Antigua & Barbuda	0,1	0,04	145	834	(n.c.) <sup>(4)</sup>
Bahamas	0,2	1,4	962	4 256	2,3
Barbados	0,3	0,04	1 105	4 342	6,7
Belize	0,2	2,2	179	1 147	2,5
Dominica	0,1	0,1	78	1 078	(n.c.)
Grenada	0,1	0,03	81	882	19,0
Guyana	0,8	21,5	466	578	34,0
Jamaica	2,3	1,0	2 482	1 084	36,7
St Christopher & Nevis	0,1	0,04	64	1 390	(n.c.)
St Lucia	0,1	0,1	152	1 130	(n.c.)
St Vincent & the Grenadines	0,1	0,03	98	900	3,5
Surinam	0,4	16,3	1 351	3 523	(n.c.)
Trinidad & Tobago	1,2	0,5	8 350	7 138	9,5
Total Caribbean	6,0	43,3	15 513	2 585	
<b>Pacific</b>					
Fiji	0,7	1,8	1 248	1 844	20,1 <sup>(1)</sup>
Kiribati & Tuvalu	0,1	0,9	28	458	(n.c.)
Papua New Guinea	3,3	46,2	2 482	763	14,9
Salomon Islands	0,3	2,8	160 <sup>(2)</sup>	640 <sup>(2)</sup>	0,1
Western Samoa	0,2	0,3	55	359	19,0
Tonga	0,1	0,1	80 <sup>(2)</sup>	780 <sup>(2)</sup>	(n.c.)
Vanuatu	0,1	1,4	42	350	1,3
Total Pacific	4,8	53,5	4 095	853	
Total ACP	401,5	2 118,2	182 413	454	

Source: Cronos Databank.

<sup>(1)</sup> 1984.

<sup>(2)</sup> 1983.

<sup>(3)</sup> 1982.

<sup>(4)</sup> n.a. = not available.

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*ANNEX II***OBJECTIVES AND SCOPE OF REGIONAL COOPERATION  
LAID DOWN IN THE SECOND LOME CONVENTION****Objectives (Article 133):**

- (a) Accelerate economic cooperation and development both within and between the regions of the ACP States.
- (b) Accelerate diversification of the economies of the ACP States.
- (c) Reduce the economic dependence of the ACP States on imports by maximising output of those products for which the ACP States in question have real potential.
- (d) Create sufficiently wide markets within the ACP States and neighbouring States by removing the obstacles which hinder the development and integration of those markets.
- (e) Promote and expand trade between the ACP States and with neighbouring third countries.
- (f) Maximize the use of resources and services in the ACP States.
- (g) Strengthen organizations set up by the ACP States to promote regional co-operation and integration.
- (h) Implement specific measures in favour of the landlocked and island countries, notably in respect of transport and communications.

**Scope (Article 135):**

- (a) Acceleration of industrialization in the ACP States through the setting-up of regional and interregional undertakings.
  - (b) Transport and communications.
  - (c) The production of energy and joint exploitation of natural resources.
  - (d) Research and technology.
  - (e) Agriculture.
  - (f) Education and training.
  - (g) Control of major endemic diseases and, more generally, measures to improve the health of the population.
  - (h) Cooperation in tourism.
  - (i) Technical assistance for the establishment of regional cooperation bodies and for the development of new activities in existing regional bodies.
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## ANNEX III

**MAJOR REGIONAL ORGANIZATIONS WHICH RECEIVED  
EDF ASSISTANCE***Economic Community of West African States — ECOWAS*

Established in 1975 by the treaty of Lagos with the objective of promoting trade, co-operation and self-reliance in West-Africa. 16 West African states are members.

*West African Economic Community — CEAO*

Has six French speaking members. Because of the longer tradition of co-operation between the French-speaking states and of a common currency (FCFA), the CEAO has achieved more than ECOWAS.

*Customs and Economic Union of Central Africa — UDEAC*

UDEAC is a customs union of four countries (Cameroon, Central African Republic, Congo, Gabon). Since 1983, UDEAC forms part of the Communauté économique des états de l'Afrique Centrale (CEEAC) with 10 Member States.

*Organisation commune africaine et mauricienne — OCAM*

This organization aimed to accelerate the economic, social, technical and cultural development of its eight Member States. The organization was dissolved in 1985.

*Comité permanent inter-États de lutte contre la sécheresses dans le Sahel — CILSS*

Founded in 1973 with eight Member States (Cape Verde, Chad, Gambia, Burkina Faso, Mali, Mauritania, Niger, Senegal).

*Mano River Union — MRU*

Founded in 1973. Member States: Guinea, Liberia, Sierra Leone. Aimed at creating a customs union.

*Indian Ocean Commission — IOC*

Founded in 1982. Member States: Madagascar, Mauritius, Seychelles.

*Southern African Development Co-ordination Conference — SADCC*

First conference was held in 1979 to harmonize development plans and to reduce the regions' economic dependance on South Africa. A programme of action allotted specific studies and tasks to each of the nine Member States.

*Caribbean Community — CARICOM*

Founded in 1973 (13 Member States) as a movement towards unity in the Caribbean. The following associated institutions received EDF financial and technical assistance:

- Caribbean Development Bank;
- Caribbean Agricultural Research and Development Institute (CARDI);
- Caribbean Food Corporation;
- West Indies Shipping Corporation (WISCO);
- University of the West Indies.

## THE COMMISSION'S REPLIES

### *General comments*

The Court of Auditors' report on the operations financed under regional cooperation summarizes the origins and procedures of regional cooperation and the operations carried out. Some of the points made in the summary call for answers from the Commission and these are set out below. However, over and above the Court's comments and the Commission's replies it is worth stressing a number of general points in order to give a complete and objective picture of regional cooperation.

- A. Regional cooperation is one of the most important features of ACP-EEC cooperation. The Lomé Convention can take the credit for its pioneering approach in attaching importance to support for efforts towards regional economic integration among developing countries and for allocating large amounts of funding to this end.

It is worth stressing the political significance of the ACP States' recognition of the need to promote economic cooperation amongst themselves and to establish mechanisms to encourage their growing economic integration.

Politically and technically this is a difficult process and in the sphere of regional cooperation — as in other spheres — the Convention's ideas run ahead of achievements.

What is important is the awareness that nearly all problems are of common interest and therefore require a common approach.

- B. Although regional cooperation procedures are exactly the same as those for cooperation with individual countries, there is no doubt that organizing cooperation between the authorities of several States or between these authorities and regional bodies is often harder than it is for national projects.

It is for this reason that the Commission has done its utmost to make the regional cooperation process more structured, transparent and effective than in the past.

For the programming of Lomé III regional funds the Commission therefore decided to hold a collective dialogue with the States of each subregion or to negotiate with the relevant regional organizations — duly authorized by the States concerned — and to concentrate its support on a limited number of major themes of interest to the whole of the region concerned and thereby avoid scattering efforts over a plethora of projects of limited regional interest.

As regards the regional nature of operations, the Lomé Convention now contains some very useful provisions which are designed to make the Convention more even-handed and effective and to avoid projects with a doubtful regional content being financed.

- C. It should also be borne in mind that although support for regional organizations is enshrined in the Convention, the ACP States themselves wanted to have the last word in deciding how regional funds should be used. They can involve regional organizations in their regional cooperation activities if and when they give them a specific mandate to that effect.

Regional cooperation of the Lomé type is therefore not tied to regional organizations. Cooperation can take place between States without going through an organization. In practice, however, regional organizations are often involved at the request of the ACP States. Their role varies from that of simple coordinator to contracting authority or manager of the operation. In this way the Community has helped a large number of regional organizations, either by providing direct interinstitutional support or by financing their projects.

These organizations are usually broad-based, such as CARICOM, CEAO, ECOWAS, SADCC, UDEAC, PTA or SPEC, but they also include very specific organizations such as CILSS, IGADD or regional research or training institutes. <sup>(1)</sup>

Regional organizations can play an extremely useful part in promoting regional cooperation. At the same time a degree of caution and selectivity is vital since there is a multitude of these organizations, with all the attendant risks of duplication, over-ambitious goals, and frequently a lack of support from their own member states. In general the most successful

<sup>(1)</sup> See the end of the text for the meaning of the abbreviations



organizations are those which remain in close contact with their members, who support them because their aims and activities are realistic.

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To conclude these general comments, it is worth remembering that regional cooperation can never be completely successful without the ACP States' support and willingness to cooperate. If these two conditions are fulfilled the results of regional cooperation usually come up to expectations; if not, the opportunities provided by the Convention are not used to their full advantage. Looked at in this way the 'Regional cooperation' section in Lomé constitutes above all an incentive for the ACP States to intensify further their mutual cooperation and integration.

## 1. INTRODUCTION

### *Management of regional cooperation*

1.9. The national authorizing officers are the key to any request for financing. The ACP Secretariat cannot submit requests unless it is given the appropriate mandate (for example by a resolution of the ACP Council of Ministers).

## 2. FINANCIAL IMPLEMENTATION

### *Benefits received by individual States*

2.1 and 2.2. The reasons for a departure from a proportional sharing are:

— Sharing between regions.

For this purpose, the Commission applies objective criteria based on population but taking into account such aspects as least-developed status, insularity, etc.

— Sharing between countries

By the very definition of regional cooperation proportionality is not desirable. Those who practice more regional cooperation should have an advantage. Furthermore by their very nature a large part of regional operations cannot be apportioned to any country or between countries.

## 3. IMPLEMENTATION BY ECONOMIC SECTOR

### *Transport and communications*

3.3. When the Community financing decision was taken in February 1980 the situation with regard to the Benguela railway was considered stable enough for work to begin on re-opening the line to international traffic in reasonably safe conditions. The rolling stock purchased has, however, been used to improve transport in the region.

3.4. It is indeed regrettable that the ongoing civil war in the Southern Sudan hampers the implementation of the project in this region. It nevertheless proved possible to finalise the most essential part of the works on the KAKUMA-JUBA road and the contractor was able to save his very expensive plant before the security situation became too serious.

3.5.(1) Technical reasons for the purchase of larger ships than foreseen in the financing agreement were:

— during the 5 year period between the appraisal report and the purchase of ships, the shipping situation in the Caribbean has changed. The assumption that 80 percent of OECS <sup>(1)</sup> inter-island cargo would consist of transshipments which would give the smaller vessels financial and economic viability, has not materialised. International shipping lines operating in the Caribbean have allocated more capacity to inter-island traffic due to the downturn of the shipping market. This has jeopardised transshipment agreements with WISCO <sup>(1)</sup>

which is forced into the Miami route with larger ships as a matter of survival.

*Industry, energy, mining*

*Industry*

- Private schooner traffic which has no container facilities dominates the shipping trade between the OECS islands. Loading/off-loading is done outside the port and the tariffs are low. In view of the low and irregular inter-island trade volume it is doubtful if a WISCO vessel would be able to compete and the deployment of a smaller WISCO vessel appears only justifiable in terms of reliability of service, safety and training of private schooner crews.

3.9 to 3.11. The Commission would point out that it made a relatively small financial contribution to the project, of which the World Bank was one of the main donors. Clearly the failure of the project is a lesson which the Commission will bear in mind in the future. It is up to the EIB to deal with the reimbursement of the conditional loan that it granted.

(2) Procedural difficulties with the purchase of ships (reasons for delay with effects of cost increase):

In this connection, the following details should be noted: Whereas the total amount of conditional loans to the Governments of Ghana, Ivory Coast and Togo (the shareholders of CIMAO) covered by risk capital from the EDF which was awarded by the European Investment Bank in 1982 came to 7.3 MioECU, only 2.3 MioECU of that amount has in fact been paid (to Ivory Coast). It is understood from the EIB that further payments are not envisaged.

- EDF procedures required tendering which is inadequate for purchase of second-hand ships,

In line with normal practice in such conditional loans, CIMAO provides that in the event of the Company going bankrupt or into liquidation, or if it is dissolved, repayments due from the borrower would be limited to the part of the net assets received by the borrower (represented by the ratio of shares purchased with the proceeds of the loans to his total shares).

- purchase of second-hand ships was necessary through a broker,

The terms of the approved loan provide for an eight year period of grace (i.e. to 1990) before commencement of reimbursement of capital. The reports on service of debt sent to the Commission by the EIB indicate that interest on the outstanding part of the loan is paid regularly.

- further delay in purchase caused by waiting for the availability of type and size of ships as specified in financing agreement would have brought severe financial difficulties to WISCO.

In the circumstances, and since CIMAO has not been declared to be bankrupt or in liquidation or dissolved, there are no grounds at present for calling for early reimbursement of the outstanding part of the conditional loan.

*Energy*

(3) Result: WISCO's smaller inter-island ships would probably have had higher losses. As a matter of survival, WISCO operated more and more as a commercial shipping line. The socio-economic objective of a government subsidised shipping line serving small islands is on its way out, and some Governments have withdrawn their memberships.

3.14 and 3.15. The Commission recognizes that the objectives of this project were too ambitious. The Commission would, nevertheless, draw the Court's attention on the fact that when CRES financing plan was established, it had been considered that the implementation

of a regional body dealing with new and renewable energy would have been not only useful but also necessary to carry out tasks such as the following:

- Consultancy and/or engineering
- Teacher training
- Technical assistance for maintenance organisation
- Aid and assistance to the national centres
- Standard certification for NRE systems to be installed in the region.

Therefore, EDF funds were allocated to support the development of these activities and the Commission considers that CRES could still play an effective role in this framework if its objectives were re-defined at the level pointed out above and supported by donors other than those that withdrew their financial support

3.16. The reasons why only 15 % of the funds have been disbursed are the following:

- the frequent replacement of the expatriated energy advisers,
- the frequent changes of interest by the energy advisors about several sub-projects included in the Regional Energy programme and consequently the frequent request to replace or modify these sub-projects,
- lack of coordination between Regional Authorising Officer and National Bodies,
- weakness of RAO energy structures.

To overcome these difficulties an appropriate technical assistance has been considered and the reshaping of the programme will be discussed during the next yearly energy review meeting. Concerning training and information we would mention that these components have to be supported by a parallel UNDP programme.

### *Mining*

3.17. An industry which is targeted at a regional market for the consumption of fertilizers can be regarded as having a regional dimension, when there would be no economic justification in establishing it to satisfy purely national needs.

The regional dimension of the project is confirmed by the fact that the shareholders include three ACP States (Côte d'Ivoire, Cameroon and Nigeria) which are consumers of fertilizers and also of intermediary products for their own production of fertilizers.

Because of economic difficulties (collapse of fertilizer markets in West Africa) it has not been possible to meet regional needs as planned. This situation is offset by the fact that approximately 50 % of the annual production of Industries Chimiques du Sénégal (ICS) is sold to an Indian consortium.

### *Technical assistance to industrial products*

3.18. The deteriorating economic situation during the last 5 — 10 years has rendered the promotion of regional cooperation more difficult than expected. Hence, the objectives set by the Mano River Union (MRU) at the outset prove — ex post — to have been over ambitious. If the results obtained fall short of the targets aimed at initially, the following positive aspects must nevertheless be underlined:

- some of the feasibility studies undertaken by the MRU's Industrial Development Unit have led to the establishment of small industrial enterprises in Sierra Leone and Liberia (e.g. mills for processing palm oil). Other studies will be available as a basis for investment once the economic situation of the region recovers;
- an important achievement of the project was the establishment of an extensive documentation system on all aspects of industrial development in the three Member States;
- a large number of nationals of the three Member States have been trained in the fields of accountancy, management, etc.

*Rural production*

3.20. It must be pointed out that steps have been taken to ensure a proper land-use planning and an orderly settlement in areas where the tse-tse fly has been or will be eradicated in Zimbabwe.

3.21. It is something of a generalization to state that the recipient states are hard pressed to service the loans received to finance the Diama and Manantali dams. In this particular case account should be taken of the fact that until 1992 the level of debt servicing is low because of the very advantageous financial terms attached to special loans.

By 1992 it will be easier to pay off the loan because the Manantali dam hydroelectric equipment will be completed and income will flow from its operational use

As regards large-scale irrigation programmes, the Court's assessment of the hydro-agricultural development of the river valley can only be provisional since:

- (i) the two dams will only come into use in 1988/89;
- (ii) it is a very long-term scheme, the results of which can only be properly assessed ten or fifteen years hence at the earliest.

The Ségou rice scheme (ORS) in Mali is very different — in the Manantali scheme irrigation can be better controlled than in the ORS project, which depends on flood waters, and the size of the plots can be adjusted according to the management abilities of the people involved.

3.22. See the general comments.

3.23. The Commission agrees with the conclusions about CFC. Its services are currently re-examining the whole spectrum of EDF regional cooperation in the Caribbean and in respect of agricultural projects the approach will be essentially pragmatic and exacting to compensate for defects identified in the past.

3.24. The Commission is currently launching an evaluation of CARDI <sup>(1)</sup> operations, the results of which will influence its reaction to proposals under Lomé III.

*Education*

3.26 (a) The 'Ecole des postes et Télécommunications' was originally established as a national school, but the whole idea of creating facilities for boarders was to enable the institute to take in students from other countries of the region, which has indeed occurred.

(b) CIADFOR (Centre interafricain pour le développement de la formation professionnelle) is a regional organisation based in Abidjan which set up its training sector in Libreville. The lack of interest of CIADFOR member states in this facility became evident once the project was underway and the Commission therefore took immediate steps to replace the project leader's travelling to the CIADFOR member states with technical assistance to allow as far as possible a working operation to be handed over to those who could make best use of it.

3.27. It should be pointed out that in the case of the 'Académie régionale de la Mer' in the Côte d'Ivoire, the Commission did not finance the building costs. Its input represented only 5 % of the total costs and was limited to the purchase of equipment procured in Europe.

*General operations**Trade promotion*

3.28 and 3.29. The annual average growth rate of total exports to EEC excluding fuels for the period 1981-86 is 4.7 % while other principal markets, US and Japan, remained static or in decline.

3.30. As regards the support available through the Convention of Lomé II, the majority of ACP States and their regional organisations chose to make very limited use of the available resources — less than 1 % for the 4th EDF and 1.4 % for the 5th EDF.

3.31. The Commission already replied in detail to all relevant paragraphs in the annual report of the Court of Auditors for 1986.

The apparently high percentage accounted for by fairs and exhibitions from the regional funds total is much lower when compared to total use of funds for trade and tourism as a whole.

### *Tourism*

3.32. The design and approval of the Pacific Tourism Programme of 3.2 MECU was carried out with speed between August 1984 and January 1985. Due to protracted contractual negotiations between the Consultants first chosen to implement the programme and the choice of a second team of experts, the programme actually commenced in August 1987, and despite some constraints in the region, has in addition to providing its own benefits, attracted support from other donors for the hitherto neglected tourism sector in the Pacific Island States.

3.33. The main factors affecting growth in the world tourism industry is the value of the dollar against the currencies of the main markets of origin. The beneficiaries have taken advantage of this factor to promote the development of tourism in the Caribbean where it is the leading industry, employer and earner of foreign exchange.

The Commission points out that statistics show an increase in arrivals from Europe to the Caribbean for recent years. These levels of increased arrivals are not small and in revenue terms represent substantial benefits for the destinations. A 1 % increase in arrivals is estimated in revenue terms at 13 MioECU excluding air fares.

An evaluation of regional schemes to promote tourism in the Caribbean is under way to assess the effects of the funds already allocated and to provide guidelines for the future.

3.34. It is normal to expect a better focus for national programmes. The policy of the Community is to support national endeavours through complementary regional programmes in order to achieve more cohesion in regional integration.

Some countries in the Caribbean have recently realized the advantages of promoting tourism on a regional rather than a single-country basis. The OECS <sup>(1)</sup> countries are a good example of this.

### *Support of regional organizations*

3.36. The Court of Auditors' comments regarding the Caribbean Disaster Prevention Programme, for which EDF provided some 0,7 MioECU under Lomé I and II are quite correct and reflect a real difficulty with regional cooperation — the inability of national governments to meet the operating costs of regional institutions and projects. In the case of this project it was this unwillingness which led the Commission to refuse a request from CARICOM in 1985 for further assistance to the project, and which precipitated a more critical examination by Caribbean Governments of the project's future which in turn led to the project's termination at the end of 1986.

3.37. The view of the Commission is that the programme benefitted positively from this change, which primarily concerned the location of the project in Barbados and not in Guyana owing to logistical benefits.

The 0,65 MioECU project concerning technical assistance to the CARICOM Secretariat has certainly been subject to substantial delays, but progress has been made in recent months with the completion of a technical study.

In previous evaluations conducted by the Commission itself, this project has been judged to have achieved satisfactory results, given the difficult trade climate which persisted in the Caribbean region during its life.

3.38. The six studies financed by the programme were designed to provide suggestions and opinions and were not intended to be implemented on a systematic and immediate basis.

3.39. The change to the original programme involving the replacement of scholarships by seminars was made with the Commission's agreement.

As regards the seminars:

- (b) The cost of the tickets of those people who did not go to the Kigali seminar was reimbursed (RF 1 961 000 received on 11 February 1983)
- (c) This was the case for Congo nationals at the Libreville seminar as there is only one connecting flight a week between Brazzaville and Libreville.
- (e) Kigali seminar: the daily allowance had to be raised from RF 2 000 to RF 6 000 to cover the cost of the Hotel Meridien where the Rwandese government had put up the participants
- (f) The fact that some of the people originally expected at the seminar did not come does not necessarily mean a lack of interest on their part. It could, for example, be due to the successive postponements of the seminar or communication difficulties among the countries concerned.

3.41. The Commission exercises the same supervision over its regional projects as it does over national projects, mainly via its delegations on the spot, in conjunction with the relevant regional organizations. The execution of certain projects may have been less than satisfactory but it must at the same time stress that others have given good results.

#### 4. CONCLUSIONS AND RECOMMENDATIONS

4.1 and 4.2. The Commission replies indirectly to this chapter in its general comments. It feels that the Court's report does not make enough of the progress that has been achieved in regional cooperation under the three Conventions, both as regards the texts of the Conventions and in the appraisal and execution of individual projects. A considerable part of the observations raised by the Court on some of the first regional projects supported by the EDF should be seen as 'teething problems' which stem from the fact that the Commission lacked, in the initial period, experience with regard to the special nature of the regional projects. Therefore, the Commission relied to a large extent on regional organisations, which proved afterwards to operate less efficiently than expected. It is clear that the Lomé III provisions with regard to regional programming

take due account of this experience: accordingly the criteria that a project must fulfil to be considered regional and the support for regional operations which are part of sectoral strategies were clearly defined in Lomé III; they were taken into account in the programming of regional funds for each region and are applied to the daily management of regional projects and programmes.

It is also easier to assess the results of schemes with short-term aims than those of long-term operations. This does not necessarily mean that long-term objectives are not attained.

#### *Possible improvements*

4.3.(a) and (b) It is not so obvious that one should direct regional cooperation at those types of projects that generally have proved to be the most successful. These types of projects are probably just easier to implement in general, whether they be regional or national projects, and they may not always be of a very regional nature. (Similarly, one would hesitate to recommend that national indicative programmes should favour road projects instead of rural development, simply because road projects prove to be easier to implement. Road projects, in particular, are a typical case where the regional character has often been weak.) For instance, the fight against desertification and environmental degradation probably deserves high priority under regional cooperation because this is a truly regional theme, although operations in this field may be relatively difficult to implement.

Priorities should therefore be determined not only on the basis of past experience regarding the chances of successful implementation, but also having regard to the need for genuine regional action in the sector, irrespective of the difficulties in mounting such actions.

(c) The delegates of the Commission already have that role. There is a standard paragraph in each Financing Agreement for a regional project, which specifies which delegation is in charge. Perhaps the delegations implication in regional cooperation has in the past not always been as intensive as it should be, but this has been improving over the last few years.

(1) *What the abbreviations stand for:*

CARICOM: Caribbean Community and Common Market

CEAO: West African Economic Community

CEDEAO: Economic Community of West African States

SADCC: Southern Africa Development Cooperation Conference

UDEAC: Central African Customs and Economic Union

ZEP: Preferential trade area

SPEC: South Pacific bureau for economic cooperation

CILSS: Permanent Inter-State Committee for Drought Control in the Sahel

IGADD: Inter-Governmental authority on draught and development

OECS: Organization of East Caribbean States

CFC: Caribbean Food Corporation

CARDI: Caribbean Agriculture Research Institute

CIADFOR: Inter-African Centre for the Development of Vocational Training.

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