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ECONOMIC COMMISSION FOR AFRICA
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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

African Regional Meeting on a Common Fund
under the Integrated Programme for Commodities

Arusha, United Republic of Tanzania
6 - 8 October 1977

REPORT

Part One

PROCEDURAL MATTERS

Opening of the meeting

1. The African Regional Meeting on a Common Fund under the Integrated Programme for Commodities was organized jointly by ECA, OAU and UNCTAD with the assistance of UNDP. The Government of the United Republic of Tanzania hosted the meeting.

2. The meeting was opened on 6 October 1977 by the Honourable Mr. Jackson Makweta, Minister of State in the Prime Minister's Office of the United Republic of Tanzania. Opening statements were also made by the ECA Executive Secretary and representatives of OAU and UNCTAD.

Attendance

3. The meeting was attended by representatives of the following ECA member States: Algeria, Angola, Benin, Burundi, Chad, Egypt, Ethiopia, Gabon, the Gambia, Ghana, Guinea-Bissau, the Ivory Coast, Kenya, Lesotho, Liberia, the Libyan Arab Jamahiriya, Madagascar, Mali, Mauritania, Mauritius, Morocco, Mozambique, the Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Somalia, the Sudan, Swaziland, Togo, Tunisia, the United Republic of Cameroon, the United Republic of Tanzania, the Upper Volta, Zaire and Zambia.

4. The meeting was also attended by representatives from the United Nations Conference on Trade and Development (UNCTAD), and a representative of the Administrative Secretary-General of the Organization of African Unity (OAU).

Election of officers

5. The meeting unanimously elected the Honourable Mr. Alphonse M. Rulegura (United Republic of Tanzania) as Chairman, Mr. Bussy Kalyungulyun (Zaire) as First Vice-Chairman, Mr. Bourgini Saleh (Tunisia) as Second Vice-Chairman and Mr. Tunde Abolaji (Nigeria) as Rapporteur.

Agenda

6. The meeting adopted the following agenda:
 1. Opening of the meeting
 2. Election of officers
 3. Adoption of the agenda
 4. Organization of work
 5. Introductory remarks by representatives of the sponsoring organizations
 6. Main issues relating to the Common Fund:
 - (a) Objectives, purposes and modes of operation
 - (i) Concepts of the nature of the Fund
 - (ii) Scope of Fund activities
 - a. Activities within international commodity agreements
 - b. Activities outside international commodity agreements
 - c. Relations with international commodity organizations and other agencies
 - (iii) Product coverage
 - (iv) Special measures for the least developed countries
 - (b) Capital structure, volume and sources of finance
 - (i) Capital structure
 - (ii) Volume
 - (iii) Capital subscriptions
 - a. Assessment of country contributions
 - b. Timing of payments of country contributions
 - (iv) Voluntary contributions
 - (v) Borrowing and lending
 - (c) Decision-making and Fund management: contributions and voting
 - (i) The "equality principle"
 - (ii) Proportionality
 - (iii) Basis of voting
 - (d) Institutional matters
7. Africa and the resumed session of the United Nations Negotiating Conference on a Common Fund under the Integrated Programme for Commodities
8. Other matters
9. Adoption of the report
10. Closure of the meeting.

Part two

INTRODUCTORY REMARKS AND GENERAL DEBATE

7. In his opening statement, the Minister of State in the Prime Minister's Office, Mr. J. Makweta, welcomed the participants to Arusha. He said that the present structure of world trade was in favour of the developed countries, and that every effort should be made to reorganize it by evolving a just and equitable international economic order which would reduce the developing countries' dependence on lopsided world trade in commodities. The Integrated Programme for Commodities, and with it the Common Fund were steps along the road to a new economic order.
8. The Minister called on the developing countries to embark on the creation of producers' associations to complement the Integrated Programme. If African countries were to benefit from the Integrated Programme, special attention should be given to the needs of the least developed countries among them.
9. In his statement, the ECA Executive Secretary emphasized that the Common Fund, and more generally the Integrated Programme, constituted a key instrument in the establishment of a new international economic order. He stressed that commodity markets were subject to violent fluctuations, which resulted in steady deterioration in the market conditions for export products and loss of the purchasing power of developing countries. As a result, many African countries were compelled to accumulate heavy external debts in order to survive.
10. He stressed that the Fund should be able to operate both within and outside the framework of international commodity arrangements. If the Fund were to operate exclusively within the framework of international commodity agreements, many developing countries, particularly those in Africa, would in all likelihood be unable to derive any immediate benefit from it. In fact, any such restrictions of the Fund's competence would result in helping the strong commodities and not the weak ones which need most help.
11. Turning to the problem of special measures for the least developed countries, the Executive Secretary urged member States to see to it that measures were taken not only to safeguard the interests of such countries, of which Africa has by far the greatest number compared with the other regions, but also to help them move ahead.
12. After paying tribute to the African representation in the working group of the Group of 77 in Geneva, he stressed the importance of full African participation in the resumed Negotiating Conference. He also pledged the readiness of the ECA secretariat to assist the region in the technical preparations for the negotiations, in accordance with resolution 292 (XIII) adopted at Kinshasa in February 1977 by the ECA Conference of Ministers.
13. The representative of OAU felt that international commodity arrangements were required to combat the wide fluctuations in commodity prices. He said that the African Group saw international agreements as contributing to the maintenance and improvement of the real incomes of individual producing developing countries.

14. He urged the meeting to take cognizance of four points. First, the Fund should not be limited to operating through commodity agreements alone, as that would severely cut down the potential benefits to Africa. Secondly, as some agricultural commodities did not lend themselves to stocking, other measures such as diversification and market development should also be covered. Thirdly, the Fund should function as a central source of finance for specific objectives and purposes. Lastly, much negotiation remained before the Fund could be established in a form acceptable to all.

15. In his address to the meeting, the Deputy Secretary-General of UNCTAD noted that the availability of financing in the form of a common fund would not only be economical but would also facilitate the conclusion of commodity arrangements and would be catalytic in promoting international action to improve commodity markets.

16. He said that the fund must be a truly new institution, unlike the existing financial international institutions which were controlled by the few, by the rich. That meant that the Fund must respond first and foremost to the interests of those who were most vitally concerned, that is the developing countries. Nevertheless, due account had to be taken of those who would bear the burden of assessed contributions to the Fund.

17. Pressing for better prices and improved terms of trade, the Deputy Secretary-General remarked that there should be the fullest recognition that the economies of developing countries must not be made to depend more and more on exports of primary products. On the contrary, every effort should be made to diversify them vertically and to transform them. For that reason and in addition to price considerations, the Integrated Programme provided for measures to promote processing of raw materials in developing countries in order to rationalize marketing and distribution systems.

18. During the discussions which ensued, the meeting stressed the importance of the Common Fund as the key and central instrument for the realization of the objectives of Conference resolution 93 (IV). The representative of Nigeria in his capacity of spokesman for the African Group, reminded the meeting that one of its main purposes was to identify and exchange views on the basic issues relating to the Common Fund, and also to propose possible alternative solutions in preparation for the resumption of the United Nations Negotiating Conference in November 1977.

19. Since the adjournment of the Negotiating Conference much intensive work on the Common Fund had been carried out in many forums. Reference was made to the decision of the Ministerial Meeting of the Conference on International Economic Co-operation (the "North-South dialogue") and the agreement reached by the Ministerial Meeting of OECD.

20. Particular reference was made to the work of the Working Group of the Group of 77 in Geneva, which had prepared a draft position paper entitled "Elements of an international agreement on the common fund - Draft position paper of the Group of 77", which had been transmitted to all member Governments of the Group of 77 for their comments. Before the Negotiating Conference resumed its work in November, the members of the Group of 77 as a whole were to meet in Geneva from 19 to 21 October to consider the paper in the light of comments and to adopt a common negotiating position.

21. The regional meeting took note of that information and in that connexion recalled resolution CM/Res. 559 (XXIX) adopted at the twenty-ninth ordinary session of the OAU Council of Ministers, held in June 1977, requesting the Administrative Secretary-General of OAU and the Executive Secretary of ECA to help prepare policy positions on the Common Fund for the African Group. The meeting also recalled ECA Conference resolution 292 (XIII) requesting the Executive Secretary of ECA to extend all possible assistance to African countries in order to enable them to derive maximum benefit from the establishment of the Common Fund.

22. It was therefore agreed that it would be highly desirable for participants to take advantage of the present meeting to express views and comments on the draft position paper of the Group of 77. It was unanimously stressed that such comments would advance progress in the work of the Group of 77 in the light of the resolutions cited.

23. With this the meeting as jointly organized by ECA, OAU and UNCTAD came to an end.

Part three

COMMENTS ON THE DRAFT POSITION PAPER OF THE GROUP OF 77

24. The working paper covered some of the basic elements of the Common Fund, namely, objectives and purposes; modes of operation; sources of finance; capital subscriptions and developing countries' shares; and organization and management.

Objectives and purposes

25. The participants recalled that the African delegations to the United Nations Negotiating Conference on the Common Fund, held in March in Geneva, had submitted amendments covering objectives and purposes. The amendments had been fully discussed within the Working Group of the Group of 77, and the results of that discussion were reflected in the new text. After detailed discussion of this section the participants arrived at the consensus that the proposals of the Working Group could constitute a basis for negotiation. It was emphasized, however, that the Common Fund should be able to achieve the objectives for which it would be established whether or not there were commodity agreements concluded.

26. Emphasis was also put on the need to maintain the autonomy of international commodity organizations.

27. The meeting expressed concern over the fact that not all the measures provided by the Integrated Programme for Commodities were covered by existing international commodity arrangements and decided that ways and means should be sought to deal with that situation. Accordingly, the meeting decided to recommend the following new paragraph 2(d) for the consideration of the Group of 77 and to renumber existing subparagraphs (d), (e) and (f) accordingly:

"to finance, at the request of developing producing countries, measures not covered by international commodity arrangements but within the scope of the Fund, for commodities facing difficulties subject, where appropriate, to satisfactory arrangements with the international commodity organization concerned and in accordance with the criteria and rules established by the Fund for such specific financing."

Modes of operation

28. After an exchange of views, the participants agreed that the proposals of the Working Group could be used as a basis for negotiations.

Sources of finance

29. Two major questions were raised in relation to this item: the ratio of long-term to short-term borrowing by the Fund, and the need to replenish the "second window" account on a regular basis.

30. After thorough examination of the issue involved the participants reached consensus concerning the importance of the second account. They emphasized that in the allocation of funds to the first and second windows efforts should be made to achieve a balance which would reflect that importance. At the same time the participants agreed to adopt a flexible attitude towards the proportions of the resources of the Fund to be allocated between the two windows; they therefore emphasized the need to ensure that the second account would be regularly replenished.

31. It was felt that consideration should be given to the need to invest the idle resources of the Fund. Provision should also be made for regular auditing and the choice of auditors. It was suggested that bonds issued by the Fund for the purpose of raising money should be issued on the basis that such securities would be accorded tax-free treatment in respect of interest accruing thereon, so as to attract investment from the private sector.

Capital subscriptions and individual countries' shares

32. The participants were in agreement on the three elements on which to base individual countries' shares in the capital of the Fund, as indicated in the working paper of the Group of 77. On the first element of equal minimum contributions from each member of the Fund, the participants agreed that the exact amount should be so determined as to enable the least developed countries to pay their own share; they were willing to negotiate an amount higher than the figure of \$US 200,000 indicated in the working paper, taking into account the need to work towards a formula which ensured a controlling share for the Group of 77. It was hoped that the contributions of the least developed countries could be made through voluntary contributions.

33. On the second element, the participants discussed the weight to be attached to it and agreed to empower their negotiators to adopt a flexible stand. It was however suggested that the figure might possibly be higher than that stated in the working paper.

34. On the third element, the participants discussed the alternatives of basing the calculations either on the 18 Nairobi commodities or on all commodities excluding petroleum and agreed that at the present stage of negotiation the Group of 77 could base its calculations on all commodities excluding petroleum, since that would entail only a small amount of capital subscriptions from developing countries.

At the same time the participants empowered their negotiators to work upwards from the relatively low amount to a list of commodities which would imply a higher subscription. In any case it was emphasized that the number of commodities arrived at should be such as to enable the Group of 77 to achieve a controlling share of 51 per cent.

Voting formula

35. After a lengthy debate on this issue, the participants agreed on the need for flexibility during the Negotiating Conference. They maintained that the commodity coverage to be chosen as a basis for assessing contributions should be such as to ensure a majority vote for the Group of 77.

Borrowing and guarantees

36. The participants agreed to a proposal contained in paragraphs 32 and 33 of the working paper of the Group of 77, which at the same time recognized that further work was required with regard to guarantees.

Organization, management and membership

37. Concern was expressed with respect to the term of office for the Managing Director, which was considered to be too short for the period when the Fund was commencing its operations. Concerning the quorum for meetings of the Board of Governors, and its implications for voting, there was a need to ensure that the 51 per cent controlling vote of the developing countries was also translated effectively into action at the level of meetings of both the Board of Governors and the Executive Council, and that in determining the composition there should be majority of the Group of 77 in the Executive Council. There was also a need to specify the proportion of total votes required for a qualified majority and to define the areas where that type of majority would apply.

38. The main question which was raised on the remaining section, under management and organization, was in relation to the liability of members (para. 42). It was considered that the paragraph was inconsistent with the fact that members would have obligations in respect of callable capital.

39. The meeting could not come to a definitive conclusion on these matters since the organizational structure of the Fund would depend on the final nature of the Fund. The meeting accordingly empowered African negotiators to elaborate these matters further with other members of the Group of 77.

Part four

Other matters

40. Participants expressed the hope that the relevant authorities in African countries not represented at the meeting would study the documents prepared for it and the report emanating from it with a view to joining in a common stand at the Preparatory Meeting of the Group of 77 to be held in Geneva from 19 to 21 October 1977.

Adoption of the report

41. The meeting adopted the present report.