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DEVELOPMENT FUND FOR OVERSEAS STATES AND TERRITORIES

Information paper  
prepared by the Secretariat 1/

The Treaty of Rome and the Convention for Implementation, which are analyzed in the note on "the impact of the European Economic Community on African trade"<sup>2/</sup>, specify only a few principles with regard to the Development Fund. Three regulations laid down by the Council of the EEC under Article 6 of the Convention for Implementation determine the current operation of the Fund. These are regulation No. 5, establishing the methods to be used in connexion with claims and transfers of financial contributions, the budgetary system and the management of the resources of the Development Fund for Overseas States and Territories; regulation No. 6, concerning the responsibilities of the administrators and accountants for the resources of the Fund; and regulation No. 7 determining the method of operation of the Fund. These regulations are dated 2 and 3 December 1958 and 23 February 1959, respectively.

1. Methods of mobilizing the resources of the Fund

Each Member State pays its contribution in its national currency into a special account opened in the national Treasury or in bodies appointed by the Member State. The account may be in the national currency or in dollars. Annual contributions fall due on the first day of the financial year; they are paid in one or more instalments, calculated in proportion to the quota fixed by the Convention for Implementation, the intervals and amounts of the payments being determined by the Commission. The Funds remain on deposit in the special accounts until they are used by the Commission for the financing of projects. From the date when they fall due and during this period of deposit, the funds retain a value corresponding to the parity in force

1/ In preparing this note, the Secretariat drew, in particular, on two information papers published by the Central Bank of the West African States in July 1959 and on No. 10 of l'Outre-mer Africain, October 1959.

2/ E/CN.14/29, pp.4-5.

on the dates when they fall due in relation to the unit of account. This provision protects the revenue of the Fund against changes in parity of national currencies. The pledges made by Member States under the Convention are in fact assigned in units of account, the value of which corresponds to 1 US dollar.

Although as a rule the Commission avoids effecting transfers from one currency to another, it has the right to do so to the extent necessary for the settlement of expenses arising out of the execution of approved projects. The purpose of this is to constitute a common fund of the revenues subscribed in different currencies. The intention is to avoid creating partitions between the national contributions which would practically correspond to opening credits for the associated countries in each currency which could be used exclusively in that currency.

## 2. Framework of the financial management of the Commission

The financial management of the Commission is effected within the framework of an annual budget and under the supervision of the Council. Instead of a commercial type of management and accounting, the Member States opted for the more rigid system of a public budget. The fact that the resources of the Fund are used for non reimbursable subsidies for the essential benefit of public communities or public or para-public institutions justifies the budgetary procedure decided upon.

The annual budget operates from 1 January to 31 December. For each financial year, its revenue comprises the total amount of annual contributions due from States. Its expenditures are based on a "prospective schedule of allocations" proposed by the Commission and adopted by the requisite majority of the Council; this distinguishes clearly between the amounts allocated for economic investments and social investments and shows the geographical distribution. The schedule must be submitted to the Council every year, before 31 October. In addition to estimated credits of annual payments, the budget of the Commission includes among the expenditures authorizations to earmark funds the use of which is spread over several financial years. Authorizations to earmark funds and credits for payments which are not used may be carried over to subsequent financial years.

Within this very broad budgetary framework, the Commission takes decisions for the individual financing of projects submitted to it by each Member State in the interest of associated overseas countries and territories which have special relations with it.

Applications for financing should record the assent of the overseas public authorities (as a matter of fact in the case of France and the Community, the initiative for the applications is taken overseas). The Commission's decision is final in the case of operations of a social character. As regards economic projects, the decision is subject to the right of veto enjoyed by the Council, which must be exercised within a time-limit of one month and by a specified

majority. Once a project is approved, the relevant credits are allocated to the authorities responsible for carrying out the work.

It lies with the Commission to supervise the economic and technical aspects of the execution of the projects adopted. All budgetary operations of the Commission are subject to the supervision of the Supervisory Committee, both as regards the management account and the annual balance sheet. These documents, together with the report of the Supervisory Committee, are laid before the Assembly and the Council. Subject to its report thereon to the Assembly, the Council approves the Commission's annual management.

3. Practical methods for financing and local execution.

The fundamental provisions are as follows:

(a) The European Fund is not intended to finance investment programmes systematically by country or territory, but only individualised projects". Every project must constitute a clearly differentiated whole composed of activities which are complementary, each in relation to the other so that the whole can be worked independently and put into service immediately on the completion of the operations for which the assistance of the Fund was requested. In order to assess accurately the value of the projects submitted to it, however, the Commission wishes to receive general information on current investment programmes in the countries and territories concerned and on the stage reached in their implementation. A special circular indicates the particulars required in the documents to be attached to applications for financing projects.

(b) Assistance from the European Fund is envisaged as a "supplementary effort" to that already made by certain Member States, thus permitting of co-operation in joint financing schemes.

(c) The Fund grants only non-refundable subsidies, and these solely to territorial public authorities and non-profit-making corporate bodies subject to the supervision of the public authorities. This definition excludes projects carried out directly for profit, but allows the financing of investments in research and charitable institutions.

(d) Commitments regarding the financing and execution of each project approved, respectively, by the Commission, the European country concerned and the beneficiary country or territory are defined in a final contract entitled "Financing Agreement". The form which these agreements will take is not yet quite clear. As a rule (and this is what happened in the case of the Belgian Congo and Ruanda-Urundi), agreements will be limited to two for any one country in any one year, one applicable to social projects approved by an exclusive decision of the Commission, the other to economic projects,

for which the approval procedure is more protracted. In the case of the States of the Community and the overseas territories of the French Republic, it was found necessary to arrange several agreements per country or territory, in order to obviate further delay in launching projects already examined, pending the conclusion of other projects demanding longer study.

(e) There is a series of regulations designed to ensure observance of non-discrimination, so that nationals and companies of the six Member States and the associated overseas countries and territories may participate in bids and tenders on equal terms.

#### 4. Activities of the European Development Fund

The organization of the European Development Fund required a considerable period which it would have been difficult to reduce, owing to the vast amount of work the Commission had to do in establishing services and drafting regulations. This explains why, until early October 1959<sup>3/</sup>, only thirty-three projects with a total of just over 19 million dollars were approved, out of the 200 submitted to the Commission during the financial years 1958 and 1959. Part of the expenditure included in this sum is chargeable to the financial year 1960, whereas contributions from the Member States payable under the first two financial years alone amount to almost 131 million dollars.

There were found to be practical difficulties in the way of implementing the initial decision to allocate two-thirds of the 1958 credits to social projects and one-third to economic projects, since in certain projects, such as rural modernization, the dividing-line between "economic" and "social" could not be determined with complete accuracy. Hence, in allocating the available funds, the Council, by decision of 25 July 1959, adopted different criteria and a more flexible system for 1958, 1959 and 1960. The proportion reserved for "social institutions", as defined in the Convention, now lies between 25 and 30 per cent of the total credits, and that devoted to economic investments, including projects of social value, between 70 and 75 per cent.

Accordingly, the first three financial years are now lumped together. Nevertheless, as the rate of decisions approving projects increases, the Commission may be expected to make up for lost time and, as from 1961, to revert to the annual procedure.

The particulars given above are, of course, necessarily provisional. As more experience of procedures is gained, administrative structures and the Fund's investment policy will undergo many further changes.

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<sup>3/</sup> See Annex I

Annex I

PROJECTS APPROVED BY THE COMMISSION OF THE EUROPEAN ECONOMIC COMMUNITY (1)

Type of projects	Authori- zation to earmark funds (account- ing units)	Type of projects	Authori- zation to earmark funds (account- ing units)
<b>FRENCH ASSOCIATED TERRITORIES</b>			
<u>Ivory Coast</u>		<u>Gaboon</u>	
Social:		Establishment, extension or reorganization of 30 public health units (1 hospital pavilion for general pediatric medicine, 11 pavilions for surgery and maternity, 3 dispensaries, 11 pavilions for the admission of hospital patients, 1 polyclinic, 1 maternity unit, 1 surgical block, 1 puericulture centre) .....	567,000
Establishment of 240 water supply points for use by local populations .....	1,090,000	Building of a commercial section at the Libreville vocational training school..	<u>45,000</u>
Establishment of 5 secondary hospitals .....	580,000	Total .....	612,000
Economic:			
Equipping the fishing port of Sidiérah .....	<u>600,000</u>		
Total .....	2,270,000		
<u>Dahomey</u>			
Establishment of a school for male and female nurses at Cotonou .....	222,000		
Building of a hospital unit at Savèou .....	107,000		
Building of a hospital unit at Anhiéni .....	<u>67,000</u>		
Total .....	396,000		

Type of projects	Authori- zation to earmark funds (account- ing units)	Type of projects	Authori- zation to earmark funds (account- ing units)
<u>Chad</u>			
Public health reorganization (1 pupil dispensary, 22 bush dispensaries, 5 hospital pavilions of 24 beds, 2 bush maternity units, 2 social centres) .....	1,211,000	Economic:	
Extension of the Bailli agricultural training centre .....	89,000	Re-establishment of road communications following the disasters caused by the cyclones between 15 February and 29 March 1959 .....	1,620,417
Total .....	1,300,000	Re-establishment of railway communications following the same disasters .....	1,215,313
<u>Madagascar</u>		Total .....	4,092,730
Social:		<u>French Somaliland</u>	
Building of a teacher training school at Diego- Suarez .....	142,000	Building developments in Jibuti .....	741,600
Building of a classical and modern college at Majunga ..	102,000	Total .....	741,600
Building of a classical and modern college at Tuléar ...	243,000	<u>Cameroon</u>	
Building of 120 classrooms for primary school children in the provinces of Tuléar, Majunga, Diego-Suarez, Fianarantsoa, Tamatave and Tananarive (23 classrooms in each of the first three provinces, 16 classrooms in the three last .....	162,000	Social:	
Water supply works at Diego-Suarez .....	608,000	Hospital pavilion at Meiganga (52,000 accounting units) and at N'Tui (30,000 accounting units).	82,000
		Establishment of 16 water supply points in the Mora sub-division .....	249,000

Type of projects	Authori-- zation to earmark funds (account- ing units)	Type of projects	Authori- zation to earmark funds (account- ing units)
Economic:		<u>BELGIAN ZONE</u>	
		<u>Congo</u>	
Rebuilding of 4 wharves at the former port of Douala and the establishment of railway connexions .....	<u>3,565,000</u>	Medico-surgical centre at Doruma .....	400,000
Total .....	3,896,000	Infrastructure at Luluabourg .....	654,000
<u>Togoland</u>		Infrastructure at Ruashi.	400,000
Social:		Infrastructure at Stanleyville .....	<u>600,000</u>
Construction of a maternity hospital at Anecho (29,860 accounting units) and at Palime (90,180) accounting units) .....	120,040	Total .....	2,054,000
Construction of 10 primary schools .....	81,000	<u>Ruanda-Urundi</u>	
Economic:		Social:	
Modernization of the railway and electrification of the Port of Lome .....	<u>458,880</u>	Road from Mayara to Bugesera	480,000
Total .....	<u>659,920</u>	Economic:	
Total of French associated territories .....	<u>13,968,250</u>	Road from Bugarame to Muramyva .....	440,000
		Path between Rwessero and Kinyinia .....	120,000
		Development of tea growing	<u>366,000</u>
		Total .....	<u>1,406,000</u>
		Total of Belgian zone ....	<u>3,460,000</u>

Type of projects	Authori- zation to earmark funds (account- ing units)
<u>ITALIAN ZONE</u>	
<u>Somaliland</u>	
Construction of a new hospital (a modern medico- surgical unit of 730 beds).	<u>1,950,000</u>
Total for associated territories and countries	<u>19,378,250</u>