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Preface

This guide was compiled in mid-1990 for the Ministry of Trade and Industry and for more general use by the many sections of government needing information on the forms of development and emergency assistance potentially available from the European Community.

The original version of the guide has received technical editing but its contents have not been updated. Since it was produced, the 4th Lomé Convention has come into operation, Namibia has acceded to it and a National Indicative Programme has been agreed. Much of the information contained in this guide is thus of direct practical relevance to the building of an effective development partnership between Namibia and the EC and to Namibia's full utilisation of EC development assistance.
1. CHOICES AND OPTIONS UNDER THE LOMÉ CONVENTION

2.1 Introduction

2.2.1 What is the Lomé Convention?

The Lomé Convention is an international treaty between the 12 member states of the European Community and 66 African, Caribbean and Pacific countries, known collectively as the ACP. The first Lomé Convention was signed on 28 February 1975 and covered a five-year period. The first Lomé Convention involved a European Community of 9 states and an ACP grouping of 44 countries. Since then Lomé membership has expanded to an EC of 12 and an ACP grouping of 68, including, since the signing of Lomé III, all the independent countries of Africa with the exception of Namibia.

The Convention embodies provisions on trade, commodity, financial and technical cooperation matters. Its commodity stabilisation mechanisms (STABEX, first introduced under Lomé I, and SYSMIN, first introduced under Lomé II) were heralded, at the time, as a step towards a New International Economic Order (NIEO). However the NIEO expectations raised by Lomé I have not been met in successive Lomé Conventions (we are now entering Lomé IV) and the benefits of trade preferences have not been realised. Indeed the ACP has seen its trading position with the Community deteriorate. As a result, more by default then design, the principle benefit of the Lomé Convention has come to lie in its provisions for technical and financial cooperation.

2.2.3 What Are The Principle Features of the Lomé Convention?

One of the major features of the Lomé arrangement is the contractual nature of the core development assistance provisions of the Convention. As article 2 of the Fourth Lomé Convention states:

"ACP - EEC cooperation, underpinned by a legally binding system and the existence of joint instruments, shall be exercised on the basis of the following fundamental principles:

- equality between partners, respect for their sovereignty, mutual interest and interdependence;

- the right of each state to determine its own political, social, cultural and economic policy options;

- security of their relations based on the "acquis" of their system of cooperation."

Once resources are committed to a national indicative programme at the beginning of the Convention they cannot be withdrawn, and within the
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guidelines laid down by the Convention the recipient state can use these resources as it sees fit. As article 3 of the Fourth Lomé Convention states:

"The ACP states shall determine the development principles strategies and models for their economies and societies in all sovereignty."

These provisions of the Lomé Convention implicitly rule out development assistance provided through the Lomé Convention being linked to any particular model of economic development.

A second major feature of the Lomé Convention is the freedom of choice it leaves to the Government in deciding the type of development assistance most appropriate to the country’s particular needs. Article 224 of the Convention specifies the various purposes in support of which Lomé financial resources can be deployed. They include:

a) capital projects and programmes;
b) rehabilitation projects and programmes;
c) sectoral and general import support programmes;
d) budgetary support to alleviate financial constraints through the use of counterpart funds generated by the various Community instruments;
e) support for measures which contribute to attenuate the debt burden and balance of payments problems;
f) technical cooperation programmes;
g) deployment of flexible resources in support of the efforts of grassroots communities;
h) recurrent costs (including current administrative, operating and maintenance costs, both local and foreign) of new on-going and completed projects and programmes;
i) on a case by case basis, supplementary expenses borne by the ACP states arising out of and strictly relating to the administration and supervision of projects and programmes financed by the European Development Fund;
j) credit lines and support of regional payments mechanisms and export credit operations in the ACP states;
k) equity participation;
l) a combination of all or part of the above components integrated into
Choices & Options under Lomé sectoral development programmes.

These various types of assistance give ACP states considerable freedom of choice over what type of assistance they wish to receive under the Lomé Convention, although some of these instruments are most commonly linked to certain non-programmable Lomé provisions.

A third major feature of the Lomé Convention is the freedom Government has in choosing the sectors in which nationally allocated financial assistance is to be deployed. Article 229 of the Convention outlines the choices open to Government. Funds can be deployed in support of:

a) agricultural and rural development, and in particular food self-sufficiency and food security programmes;

b) industrialisation, artisanal activities, energy, mining and tourism;

c) economic and social infrastructure;

d) structural improvement of the productive sectors of the economy;

e) preservation and protection of the environment;

f) prospecting for, exploration and exploitation of, natural resources;

g) education and training programmes, basic and applied scientific research and applied technology, technological adaptation or innovation and the transfer of technology;

h) industrial promotion and information;

i) marketing and trade promotion;

j) promotion, development and reinforcement of small and medium sized national and regional enterprises;

k) support to national and regional development banks and financial institutions, and to clearing and payment institutions which are designed to promote regional and intra-ACP trade;

l) micro-projects for grassroots development;

m) transport and communications, including promotion of sea and air transport;

n) fisheries development;

o) development of optimal utilisation of human resources, special account being taken of the role of women in development;
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p) improvement of social and cultural infrastructure and services including health, housing, water supply etc;

q) assisting ACP and ACP-EEC professional and business organisations with the aim of improving production and marketing of products on external markets;

r) support for structural adjustment programmes, thus contributing also to debt attenuation measures;

s) investment promotion and support measures;

t) support for development operations put forward by economic, cultural, social and educational organisations in the framework of decentralised cooperation, in particular where they combine the efforts and resources of ACP organisations and of their Community counterparts.

Thus it can be seen that under the Lomé Convention a variety of types of support are available for projects and programmes in a variety of sectors. This variety implies the need for Governments to make choices. The first stage at which such choices must be made is in the programming of nationally allocated resources. This takes place through the programming exercise, which involves close consultation between the recipient Government and the Commission of the European Community.

Whilst considerable freedom of choice exists, 15 years of implementing the Lomé Convention has established certain patterns of development cooperation, particularly in southern Africa. Elsewhere in southern Africa the sector of agriculture and rural development has commonly been designated the focal area for CEC development co-operation. This means that under Lomé III the majority of National Indicative Programme (NIP) finance has been deployed in the sector of agriculture and rural development. However in some countries the definition of agriculture and rural development has been very broad, including both financial support to light industries producing consumer goods for the peasant sector and agricultural processing industries.

Taking note of these established patterns is likely greatly to facilitate the programming exercise.
2.2.5 What Are The Principle Instruments of Development Cooperation Under the Lomé Convention?

2.2.6.1 Programmable Resources

The principle vehicle for financial and technical cooperation within the Lomé Convention is the National Indicative Programme (NIP). The NIP consists of a given amount of financial resources allocated for utilisation within each ACP state. The utilisation of this national financial allocation is then jointly discussed by the Commission and the recipient country at the beginning of the Convention. Once a broad agreement is reached on the utilisation of these resources over the coming five years, a formal agreement is signed, which is known as the National Indicative Programme.

In addition to nationally programmed resources, the Lomé Convention makes available funds for regional cooperation, which, in the southern African region, are programmed collectively under the auspices of the SADCC.

2.2.6.3 Non-Programmable Resources

In addition to these programmable resources, financing is available on a non-programmable basis. These resources are allocated not on a geographical basis but for particular purposes which are not country specific, such as: Emergency Aid to cope with emergency situations; STABEX aid to compensate for unforeseen declines in export earnings; SYSMIN to compensate for unforeseen declines in mineral export earnings; and Structural Adjustment Support to assist states undertaking programmes of structural adjustment.

These facilities are intended to allow the EC to respond to changing circumstances which affect the development efforts of ACP states. Securing access to non-programmable resources can provide an important source of additional financial support to the development efforts of countries facing particular types of economic difficulties - a number of which apply to Namibia as it begins its independence.

2.3 Choices and Options

2.4.1 What is Programming?

Programming is the process by which the utilisation of the money allocated to Namibia over the five year life of the Convention is planned. There are several stages to the programming process. Once the Namibian Government has been notified of the size of the financial allocation to be made available under the first five year financial
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envelope of Lomé IV, the Government will need to draw up a Draft Indicative Programme on the basis of its stated development objectives and priorities.

This draft indicative programme should contain:
- the priority development objectives at national and regional level;
- the focal sector or sectors in which support is considered most appropriate;
- the most appropriate measures and operations for attaining the objectives laid down in the focal sector or the broad outlines of programmes to support the adopted policies in the focal sectors;
- if possible, specific, clearly identified national projects and programmes;
- any proposals for regional projects and programmes which Namibia might wish to put forward in the SADCC context.

Once the Namibian Government has drawn up this draft indicative programme, it is subjected to an exchange of views between the Commission of the European Community and the Government. The culmination of this exchange of views is normally the arrival of a programming mission from Brussels in the ACP state, to finalise the indicative programme and sign the programming agreement with the Government. The obligations entered into under the programming agreement are binding on both parties concerned. The Programming Agreement must include:
- the focal sector or sectors and the size of allocation to each;
- the measures and actions needed to attain the objectives laid down in the focal sector or sectors;
- a timetable for the commitment of allocated funds and measures to be taken by the ACP state under the Programming Agreement;
- a reserve fund;
- the projects and programmes to be undertaken outside the focal sector;
- proposals for regional projects and programmes.

As can be seen the Programming exercise involves the Government in making a range of choices.
2.4.3 What Choices and Options Exist Through the Programming Exercise?

The first choice which needs to be made is what sector is going to be designated the focal sector. Given the range of transitional problems faced should the Namibian Government designate one, two or more focal sectors? In deciding on this, it needs to be borne in mind that Lomé IV calls upon the Government to draw up its draft indicative programme "on the basis of and consistent with its development objectives and priorities".

In this context given the limited nature of development planning at this early stage of Namibia's development, consideration could be given to using as an integral part of the planning process the inter-ministerial consultations necessary for the designation of a focal area and the subsequent development of a sectoral strategy or programmes. This raises the important question of the relationship between programmable Lomé resources and national planning. Will the Government adopt the Botswanan model and require all projects and programmes funded by external assistance (including Lomé programmable resources) to be drawn from the five year national plan? Or will the Government, as in a number of ACP countries under earlier Conventions, allow the Lomé programmable resources to be used as a "donor of last resort" by Ministries unable to get a number of their programmes into the national plan?

The relationship between programming Lomé resources and drawing up the national plan need not cause any problems, for the inter-ministerial consultations necessary for the programming exercise could feed into the planning processes and vice versa.

The second type of choice which needs to be made as part of the programming exercise is with regard the modalities of support most appropriate to Namibia's needs. As we have seen, activities which can be financed under the Convention range from capital projects and programmes, through rehabilitation projects and programmes, to flexibly deployed resources in support of grassroots initiatives and even under certain circumstances recurrent costs. What blend of instruments and modalities is appropriate to Namibia's current needs? Should flexible support, through what became known in Zimbabwe under similar circumstances as the microprojects approach, be deployed in support of the efforts of grassroots communities, in order to ensure that direct benefits of development cooperation reach the local level? Or should priority be accorded to rehabilitation or new capital investment? Or should the indicative programme blend these various elements together and if so in what proportions?

One of the big benefits of Lomé, the flexibility of the instruments it provides, means that Government and individual Ministries need to make choices to try and ensure that the type of financial support extended under Lomé is most appropriate to their current needs. This of course
in part needs to be determined with reference to the nature and availability of other external resources and the final relationship determined by Government between external resource mobilisation and development planning.

An important dimension of the type of development assistance available relates to the methods of aid delivery adopted. Development assistance inflows can account for a substantial proportion of financial transactions. The methods of aid delivery chosen can have an important impact on the extent to which these financial transactions stimulate local economic activity.

Let us take for example, meeting the need for more rural school facilities. This need could be met by recourse to a general import programme to finance the import of pre-fabricated school buildings. This would meet the need for expanded school facilities but would have little economic impact on the local economy. Alternatively, these school facilities could be constructed by local building contractors or cooperatives, or local self-help initiatives, employing local labour and using locally available materials. This would ensure that the financial transaction involved in expanding educational facilities stimulated to the maximum degree local economic activity.

The multiplier effect of deploying development assistance through instruments which, to the maximum degree, stimulate local economic activity should not be underestimated. This dimension needs to be taken into account in deciding the most appropriate modalities of support which the Namibian Government should draw on in the implementation of its Lomé National Indicative Programme.

2.4.5 Problems Arising Under Programming

Problems can arise under the programming exercise when the process of inter-ministerial consultation is inadequate. This can create delays in reaching agreement on the draft indicative programme, which in turn can delay sectoral project and programme development and hence project and programme implementation. Above and beyond the delays caused in project implementation by inadequate inter-ministerial consultations, uncertain Government positions on priorities and objectives can leave a vacuum which the EC itself then fills. This would not necessarily occur as a result of malicious intent, but more from a bureaucratic imperative to push ahead with the implementation of development assistance programme (although since Lomé is a five year contract these pressures tend to be less than those on development agencies operating under annual budget constraints).

This is particularly the case since the CEC itself prepares for the programming exercise by undertaking a thorough analysis of the economic situation of the ACP state concerned, and undertaking consultations with
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EC member states, the European Investment Bank and other principle providers of funds to the ACP state concerned. If the Namibian Government is therefore to ensure that the deployment of Lomé resources fully reflects its own priorities and objectives then it is necessary for these priorities and objectives to be clearly articulated in the programming exercise.

Central to this is Government policy on how the mobilisation and utilisation of programmable external resources should relate to the process of national planning.

2.5 Non-Programmable Resources

2.6.1 What Are Non-Programmable Resources?

Under the Lomé Convention money is allocated to purposes which are issue not geographically specific. These resources are not linked to deployment in particular countries but in response to particular situations which could emerge in any of the ACP states. Since these resources are deployed in response to specific situations which arise, their utilisation cannot easily be programmed and they are known, hence, as non-programmable resources. Although it is difficult to incorporate non-programmable resources into the national planning process, for some instruments, such as STABEX and SYSMIN, where sectoral programmes of diversification or restructuring need to be worked out, it is possible to partially build their utilisation into the planning process. Careful study of the relevant non-programmable provisions of the Lomé Convention can provide individual Ministries with an important means of tapping additional external assistance in response to the emergence of specific situations affecting economic activities in their sector.

Non-programmable resources can substantially supplement funding made available through the National Indicative Programme. The name of the game for each individual ACP member state is to maximise the value of financial transfers derived from non-programmable resources.

In order to do this relevant Government Ministries and Departments need to familiarise themselves with the non-programmable provisions of Lomé IV, which may affect their sector and from which additional financial resources can be drawn.

Amongst questions which arise concerning non-programmable resources are:

- What type of assistance is available under what conditions?
- What type of assistance is relevant to namibian needs and government priorities?
- Through what mechanisms is such assistance available?
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- How should financing requests be prepared?
- How should such financing requests be submitted?

2.6.3 What Do Non-Programmable Resources Cover?

2.6.4.1 Emergency Aid and Support to Returnees

The emergency provisions of Lomé provide a cushion for ACP states faced with natural or man-made disasters which threaten the well being of the local population. Given Namibia's vulnerability to drought these provisions are potentially important. In addition, finance is made available under the Emergency Aid provisions for support programmes for the long term economic rehabilitation of returnees and internally displaced people. These provisions should be of particular interest to Namibia in the early years of cooperation under the Lomé Convention.

2.6.4.3 STABEX

STABEX is a scheme for the stabilisation of export earnings from specified agricultural commodities. It can be used to finance programmes of restructuring and diversification. In order to "trigger" a STABEX intervention certain conditions have to be met. Once these conditions are met, STABEX payments can be used to finance specific restructuring or diversification programmes. If through the accession negotiations Namibia should secure the extension of STABEX coverage to Karakul and at the same time be granted Least Developed Country Status under the Lomé Convention, then STABEX could well provide a means of financing restructuring and diversification programmes in the karakul industry.

2.6.4.5 SYSMIN

The other major non-programmable provision of Lomé which should be of benefit to Namibia is SYSMIN, a special facility for the mining sector. SYSMIN was created to assist those countries whose economies are dependent on mineral exports to stabilise export earnings and diversify their export base. The principle mineral covered by SYSMIN of relevance to Namibia is Uranium. However, under certain circumstances SYSMIN support might also be available to assist the Namibian Government in coping with the consequences of mine closures in the copper industry.

SYSMIN support is intended to assist in re-establishing the viability of the mining sector where this is threatened by a decline in export earnings, or to allow for the diversification of export production out of minerals. Assistance is generally given to clearly identifiable
projects of rehabilitation or diversification, both within the affected sector and beyond.

2.6.4.7 Other Non-Programmable Provisions

Other non-programmable funds of lesser significance to Namibia which exist cover: regional trade promotion; the promotion of cultural development and exchange; the promotion of educational links and cooperation between ACP and EC institutions; and for assisting in the financing of Structural Adjustment Programmes.

2.6.5 What are the Benefits and Disadvantages of Non-Programmable Funds?

The principle benefit of the non-programmable provisions are that they provide additional assistance to ACP states to cope with unforeseen problems which may retard their general development efforts. It thus, in part, prevents the diversion of development financing to meet emergency needs. As such, non-programmable resources have been a particularly important source of support for a number of ACP states undergoing particular economic difficulties (in Mozambique during the first 2½ years of cooperation with the EC under Lomé, non-programmable transfers accounted for 65% of Lomé disbursements compared to only 35% for NIP resources).

The principle disadvantages to non-programmable resources are two fold. First, by their nature the deployment of non-programmable resources are difficult to incorporate into the national planning process, although this is by no means an impossibility for certain types of non-programmable assistance, if proper and thorough preparations for tapping non-programmable resources are undertaken at the ministry level.

The second disadvantage for new Lomé members is that for non-programmable resources to become available, the active initiative of Ministries and Government is needed, this is not always a simple task when Ministries are grappling with a range of complex and demanding problems.

It should be stressed however, that the additionality involved in mobilising non-programmable resources is substantial and in a number of sectors may well be thoroughly worth the effort.

The choices involved with regard to non-programmable resources lie with the relevant line Ministries. After studying the relevant provisions of Lomé they must decide if it is worth the administrative effort to pursue financing from certain non-programmable provisions.
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2.7 Trade

2.8.1 What Trade Advantages Arise From Lomé?

The Lomé Convention embodies both aid and trade components. The basic principle which underlies the Lomé trade regime are duty and quota free access to the EC market for most goods. The most notable exceptions to the duty and quota free access are those commodities covered by the EC's own internal Common Agricultural Policy (CAP). From a Namibian perspective this concerns principally the export of beef and sheep meats (see tables in part 5), where the Government in the context of the accession negotiations will need to seek specific duty free levy rebated quotas.

The potential trade benefits derived from the Lomé Convention are likely to be of far greater importance to Namibia than the Lomé development assistance provisions.

However, whilst the promotion of ACP exports to the EC has been one of the principle objectives of the past three Lomé Conventions, the experience to date has been very disappointing. Indeed in the last few years the ACP region has become increasingly marginalised in the trade relations between the EC and developing countries.

Nevertheless, in 1987 ACP earnings from the export of the small group of non-traditional exports (many of which were encouraged by Lomé preferences) exceeded aid disbursements under Lomé III by 300%. The importance of trade development for the future of Namibia thus cannot be underestimated.

Commonly within the ACP region, the trade opportunities opened up by the Lomé Convention are not fully exploited by ACP states.

Full exploitation of the trade opportunities opened up by the Lomé Convention for Namibia will require both active Government support and strong private sector initiatives.

Development assistance provided under the Lomé Convention can be used to finance trade development programmes. In the case of Zimbabwe a highly successful Export Promotion Programme is under implementation, which after only two years of effective operation has promoted over Z$ 200 million in new exports (largely to the regional market).

Both Government and the private sector in Namibia will need to develop systematic strategies, both at a national and regional level, for the exploitation of trade opportunities opened up under the Lomé Convention, if Namibia is to gain the trade benefits potentially opened up by the Lomé Convention.
2.8.3 How Can Possibilities Be Realised?

The first immediate area where trade potential needs to be realised is in the accession negotiations. It is at these negotiations that Namibia will in large part determine the extent to which it will be able to profitably export beef and sheep meats to the EC market. However, once Government has successfully negotiated favourable terms of access, it will be up to the private sector to find the best markets for the most appropriate cuts of meat, in order to maximise foreign exchange earnings for Namibia.

In this context a number of important decisions will need to be taken, with regard to how the marketing of Namibian beef in Europe is to be organised. At the present time the European beef market is in a highly disrupted state. Careful marketing strategies, perhaps drawing on the experience of Namibia's immediate neighbour, Botswana, will be needed (perhaps even entailing joint marketing arrangements). After due consideration Government will need to give a clear lead in this regard, before the quota allocation can be fully capitalised on.

Another important issue arising for the Government from the securing of a beef quota under the Lomé Convention, will be who should be the ultimate beneficiaries of the substantial levy rebate (approximately, R12 million per 1,000 tonnes) granted under the Lomé beef protocol. Here again, after careful study, the Government will need to make a conscious policy choice, in line with its wider development priorities and objectives.

Once accession to the Lomé Convention has been negotiated and should Namibia prove a reliable supplier to the EC market the Government could well capitalise on existing political goodwill in Europe to secure further limited yet significant improvements in market access for Namibia's beef and sheep meat exports.

In the medium term the Government may well be able to assist the private sector in capitalising on the trade opportunities opened up by Lomé through deploying certain of its national allocated development assistance resources to integrated programmes of export promotion. This can be targeted both at the EC market and the local regional market, where considerable opportunities exist. The deployment of national funds for export promotion will of course need to be determined according to national priorities.

In addition, however, the Government working with its SADCC neighbours could tap financial resources available for regional trade promotion (which being non-programmable are additional to nationally allocated resources) to develop certain exports at a regional level. Regional export promotion programmes in game meats, is one potential area where greater value could be obtained from existing exports by pursuing regional programmes of export promotion.


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In the general field of export promotion, Government can however, only be a facilitator, though be it an important facilitator. Government can assist the private sector in learning from the experience of their ACP neighbours, Government can promote regional approaches to export promotion and marketing, but ultimately it is the activities of the private sector which will determine the extent to which Namibia benefits from the trade provision of the Lomé Convention.

2.9 Non-Lomé Development Assistance

2.10.1 Introduction

In addition to its development cooperation activities financed under the Lomé Convention, Namibia will also be able to benefit from a variety of development cooperation provisions contained in the annual European Community Budget. Namibia has already benefitted from these annual budgetary provisions, in that for both 1989 and 1990 financial resources were specifically allocated to finance programmes of development assistance in Namibia. If delays should occur in Namibia acceding to the Lomé Convention, this annual budget programme may even be extended into 1991.

Above an beyond this however, Namibia will be able to draw financial support from a variety of budget lines. If the availability of these funds are to be capitalised on then the Ministries concerned will need to study the relevant provisions and make appropriate applications for funding.

Let us consider briefly these various budget lines and the policy questions and options opened for Government by their existence.

2.10.3 What Annual Budgetary Resources Relevant To Namibia Exist?

2.10.4.1 Food Aid

Undoubtedly the single most important provision for development cooperation under the annual community budget is the budget line for financing food aid operations. Namibia benefited from these budgetary provisions during the repatriation period, during which time they were supplied through the UN system.

The principle issue arising for the Government from the availability of food aid, is the adoption of policies to ensure that food aid deliveries are integrated into rural development programmes and so do not disrupt local agricultural markets. Food aid can be an important source of support for national food security programmes or it can be an important retarding factor in the development of local production. It
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is important for the relevant Government Ministries to be aware of the different options available under the food aid budget and the institutional arrangements necessary to ensure that food aid is effectively utilised in support of Government priorities and objectives.

2.10.4.3 Resources Available to NGOs

A number of annual budget lines are accessible to NGOs, principally:

- NGO Co-Financing (Budget Line 9410): some 90 MECU is made available to co-finance development projects in the third world through European Non-Governmental Organisations (ENGOs).

- Food Aid through NGOs (Budget Line 9411): some 10 MECU is allocated for the financing of food aid operations through ENGOs.

- NGO Food Storage and Early Warning Programmes (Budget Line 9281): some 10 MECU is available for financing through ENGOs food storage programmes involving the active participation of the local community.

These budget lines are described more fully under section 7.4.2.

2.10.4.5 Ecology in Developing Countries

Under Budget Line 9460, some 8 MECU has been made available to finance measures to manage and protect the environment. Funding from this budget line can be directly requested by the Namibian Government for financing suitable operations or local NGOs or Namibian NGOs could approach the Commission for funding for suitable projects.

2.10.4.7 Support for the FLS and SADCC Members

Under Budget Line 9531, some 15 MECU is available for financing projects in the FLS or SADCC member states designed to counteract the effects of South African destabilisation. Funding from this budget line can be used: to assist internally displaced people; the victims of acts of violence; assistance to orphans; support for orthopaedic rehabilitation and the integration of handicapped persons or other such activities.

These funds can be secured for suitable projects in Namibia by the Namibian Government, local NGOs or ENGOs. Funds can be used to cover the full 100% of costs.
**AIDS Control in Developing Countries**

Under Budget Line 954, some 5 MECU has been allocated to support programmes to stop the spread of AIDS. Both Government and NGOs can apply for funding for suitable programmes.
3. AGRICULTURE, FOOD SECURITY AND RURAL DEVELOPMENT

4.1 Introduction

Elsewhere in southern Africa the sector of agriculture and rural development has commonly been designated the focal area for CEC development co-operation. This means that under Lomé III the majority of National Indicative Programme (NIP) finance has been deployed in the sector of agriculture and rural development. However in some countries the definition of agriculture and rural development has been very broad, including both financial support to light industries producing consumer goods for the peasant sector and agricultural processing industries.

There are five principle instruments and three possible instruments, through which the projects of agriculture, food security and rural development can be supported under the Lomé Convention. The principle instruments are:

1. The National Indicative Programme;
2. The Regional Indicative Programme;
3. STABEX;
4. The European Investment Bank;
5. Food aid.

The possible instruments are:

1. Financing rural development from beef quota revenues;
2. Emergency aid financing for returnees and internally displaced persons;
3. Structural adjustment support facility.

Let us consider each of these areas in turn, beginning with the principle instruments through which support could be extended.
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4.2.1 Principle Instruments of Support

4.2.2.1 Financing Under the National Indicative Programme (NIP)

Whilst to date the size of the national indicative programme to be allocated to Namibia has not yet been decided, earlier internal Commission staff papers suggested an allocation of between 7 and 9 MECU per year for the first five year financial envelop of Lomé IV. This would represent an NIP of between 35 and 45 MECU.

The NIP is agreed jointly by the Commission of the European Community (CEC) and the Government at the beginning of the Convention, through the Programming exercise. Normally, as part of this programming exercise a focal area is designated by the ACP Government, in which NIP operations are then concentrated. As previously stated, generally elsewhere in southern Africa, the designated focal sector is agriculture and rural development.

Over the course of three Lomé Conventions the CEC has sought to integrate the various types of support extended through the NIP into a multi-disciplinary package to improve the efficiency of CEC interventions. This multi-disciplinary package type approach is a feature of CEC interventions in the agricultural sector in most ACP countries. This approach has led in a number of countries to a heavy concentration of CEC support in a specific geographical area.

Throughout the Southern African region the CEC is supporting geographically concentrated programmes in a variety of agricultural areas: from integrated programmes for arable development, through integrated programmes for cattle development to integrated programmes for small livestock development, depending on the local conditions prevailing. Increasingly however, the CEC has sought to concentrate its support on Communal Area farmers and those perceived to be the most disadvantaged.

The CEC approach in Botswana and elsewhere coupled with initial indications as to CEC preferences in Namibia would suggest the following CEC orientation to Agriculture and Rural Development in Namibia:

- identify an area where CEC interventions can be concentrated;
- undertake a base line study (farming systems research) to identify the local conditions under which agricultural activities take place and the constraints on further agricultural development in this particular region;
- finance technical assistance to draw up an integrated programme;
- initiate appropriate training of Namibians for design and implementation of such programmes;
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-begins implementation of an integrated programme designed to address needs in the area of concentration in the fields of: extension service provision, agricultural marketing facilities, physical infrastructure, agricultural training, agricultural research etc as appropriate (with technical assistance being provided if necessary).

However, current circumstances may suggest a need in the initial phases of CEC - Namibian co-operation for a certain deviation from this type of approach, with priority being accorded to the creation and consolidation of national structures of agricultural service support. In the early stages of CEC - Namibian co-operation it may well be appropriate for CEC support to be focused on the creation of national structures of extension service provision, marketing infrastructure, research etc. With a more focused geographical concentration of agricultural assistance emerging at a later phase within the framework of the Government's rural development policy and a more integrated approach to external assistance. However, within the framework of a more integrated approach to external assistance care should be taken to ensure that differing donor priorities do not lead to differing regional agricultural policies as has occurred elsewhere in southern Africa - principally Zambia.

The CEC is likely to be open to this type of approach if the Namibian Government provides a clear indication of where their immediate priorities lie in the agricultural sector.

In addition to these major integrated programmes the CEC has also provided finance at the request of various Governments for microproject facilities to assist grassroots initiatives in both the agricultural and other sectors.

Article 252 of Lomé IV deals with the question of establishing microproject facilities and declares:

1. In order to respond to the needs of local communities with regard to development, the Fund shall, at the request of the ACP State concerned, participate in the financing of micro-projects at local level which:

a) have an economic and social impact on the life of the people;

b) meet a demonstrated and observed priority need, and

c) will be undertaken at the initiative and with the active participation of the local community which will benefit therefrom.
2. Contributions for micro-projects shall be made:

a) by the local community concerned, in kind or in the form of services or cash and adapted to its capacity to contribute;

b) by the Fund, in which case the contribution shall not normally exceed three quarters of the total cost of each project and may not exceed ECU 300,000;

c) exceptionally, by the ACP State concerned, either in the form of a financial contribution or through the use of public equipment or supply of services.

3. The amounts representing the Fund's contribution shall be drawn from the grant allocation of the national indicative programme.

4. Special priority shall be accorded to the preparation and implementation of micro-projects in the least-developed ACP States.

Zimbabwe provides one of the best examples of the implementation of the micro-projects approach, although even here problems have arisen (see ANNEX on micro-projects approach for further information).

4.2.2.3 Financing Through the Regional Programme

The utilisation of regional funds allocated to southern Africa is jointly programmed with the SADCC. Under Lomé III a regional indicative programme was agreed with resources being deployed accordingly (see table), although the concentration in the transport sector was higher than initially envisaged.

<table>
<thead>
<tr>
<th>SADCC REGIONAL INDICATIVE PROGRAMME UNDER LOMÉ III</th>
</tr>
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<tbody>
<tr>
<td>As revised in February 1987 the Memorandum of Understanding made the following indicative allocations to regional projects:</td>
</tr>
<tr>
<td>- Transport and communications at least 40% (44 MECU)</td>
</tr>
<tr>
<td>- Food security and agriculture up to 30% (33 MECU)</td>
</tr>
<tr>
<td>- Manpower development a significant amount (about 16 MECU)</td>
</tr>
<tr>
<td>- Non-focal areas up to 15% (about 16 MECU)</td>
</tr>
</tbody>
</table>
From the above, within the joint regional programming exercise between the CEC and SADCC up to 30% of available resources have been programmed for use in the field of agriculture and food security. Programmes to be supported under this heading are determined by the SADCC Council of Agriculture Ministers. To date the CEC has extended support to three principle areas of regional cooperation in this sector:

- regional animal disease control programmes - this has included support to tsetse fly eradication and programmes to control both foot and mouth disease and rinderpest;

- support for crop research - specifically the sorghum and millet improvement programme;

- support for programmes of regional food security.

In each of these areas existing programmes could be extended to address Namibian needs.

The most obvious areas of immediate cooperation would include:

- incorporating ongoing crop research programmes in Namibia into the improvement of mahangu under the umbrella of the SADCC regional sorghum and millet improvement programme;

- addressing Namibia's need for an expansion of grain storage capacity through the regional food security programme.

In the longer term joint programmes of animal disease control could be initiated with Namibia's SADCC neighbours, particularly in the context of moving the "red line", north to improve marketing opportunities for northern former communal area beef producers.

4.2.2.5 STABEX

The aim of the STABEX facility is to remedy:

"the harmful effects of the instability of export earnings..."

by providing post-facto compensatory payments to countries for specified declines in export earnings in a specified range of commodities under a specified set of conditions.

STABEX covers some 49 commodity groupings laid out in article 187 of the fourth Lomé Convention. None of these are presently of interest to Namibia, with the exception of the category "raw hides and skins". Even
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here, however, a problem arises, for karakul skins are specifically excluded from the customs classification covered by these STABEX provisions. It is therefore necessary for the Namibian Government to seek an extension of STABEX to cover karakul, if STABEX is to hold any interest for Namibia.

Article 196 specifies the trigger thresholds for STABEX interventions to occur:

1. The system shall apply to the earnings from an ACP State's exports of the products referred to in Article 187 if during the year preceding the year of application, earnings from the export of each product to all destinations, re-exports excluded represented at least 5% of its total earnings from exports of all goods. The percentage shall be 4% in the case of sisal.

2. For least-developed, landlocked and island ACP States, the percentage referred to in paragraph 1 shall be 1%

This in turn suggests that STABEX will only be of interest for Namibian karakul if Namibia is accorded least developed country status under the Lomé Convention.

If STABEX provisions were extended to cover karakul pelts, then STABEX could have an important role to play in stabilising on-farm incomes from karakul production. Compensation payments for loss of export earnings could then be used to finance programmes of sectoral stabilisation, rehabilitation or diversification.

This could create conditions favourable to establishing the long-term viability of karakul farming under changing market conditions, or alternatively facilitate diversification into other products.

STABEX transfers are additional to the finances made available through the National Indicative Programme.

The terms and conditions determining the utilisation of STABEX transfers have recently been strengthened. STABEX is no longer a simple foreign exchange transfer, but a means of funding jointly agreed programmes in the affected sector. In parallel with this tightening of the procedures governing the utilisation of STABEX transfers it has been agreed that STABEX transfers are now grants rather than reimbursable loans.
4.2.2.7 The European Investment Bank (EIB)

Under Lomé IV some 825 MECU is made available in the form of risk capital and 1,200 MECU in the form of loans to finance development projects throughout the ACP region, which are commercially viable when the interest rate subsidy element of EIB operations under Lomé is taken into account.

The relevant clauses of the Lomé Convention which cover the deployment of EIB finance are articles 233 - 242. Article 234 declares:

"Risk capital may be provided in the form of loans or equity participation...

c) The terms of risk capital operations shall depend on the characteristics of each project or programme financed and shall in general be more favourable than those of subsidized loans. In the case of loans the interest rate shall in any case be less than 3%".

Article 235 declares:

"Loans from the Bank's own resources shall be granted under the following terms and conditions:

a) the rate of interest before subsidy shall be the rate applied by the Bank for the currencies, duration and repayment conditions adopted for the loan on the day of signature of the contract;

b) This rate shall be reduced by means of a 4% subsidy. The rate of subsidy will be automatically adjusted so that the interest rate borne by the borrower will be neither less than 3% nor more than 6% for a loan contracted at the reference rate. The reference rate adopted for calculating the adjustment rate of subsidy shall be the rate for the ECU applied by the Bank for a loan with the same conditions as to duration and repayment on the day of signature of contract".
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Financial assistance to ACP states which is administered by the EIB consists of loans from its own resources (mainly from borrowings on the capital market, limited under Lomé IV to 1.2 billion ECU) and loans in the form of risk capital from European Development Fund (EDF) resources (825 Million ECU under Lomé IV).

Decisions by the EIB are based on commercial considerations (once the impact of interest rate subsidies from the EDF has been taken into account), loans are reserved for projects capable of producing a sufficient economic and financial return. Under Lomé IV the level of interest rate subsidy has been increased to 4% and thus interest rate borne by the borrower will be in the range of 3 - 6%.

Risk capital may be granted through acquisition of holdings or means of quasi capital assistance. Conditional loans only have to be repaid if the venture proves profitable.

Under Lomé III some 9.4% of EIB investment has been devoted to agro-industries. Under Lomé III no major agricultural development programmes were directly funded by the EIB although under Lomé I and Lomé II a number of projects were financed in southern Africa which supported foreign investment for the development of agricultural resources for the export market. In the case of sugar development in Swaziland (in which Tate and Lyle, Coca Cola and Mitsui were involved) EDF funds were also deployed alongside an EIB loan and West German development assistance.

In Namibia the EIB may be interested in financing the extension of agricultural processing plants, in line with national food security goals and may even consider financing bankable agro-industrial projects in Kavango and Caprivi, should such a route be adopted in exploiting the agricultural potential of these regions.

4.2.2.9 Food Aid

Whilst the deployment of EC food aid began simply as a mechanism for the disposal of European food surpluses, sustained criticism of the negative effects of food aid have led to significant modifications in the deployment of food aid, which now provide opportunities for using food aid resources to promote agricultural development.

The first distinction which needs to be made is between emergency food aid and food aid per se. Emergency food aid is deployed in response to emergency situations where food deficits are leading to starvation. Food aid per se is extended to many countries where structural food deficits occur.

It is in the area of the deployment of food aid to countries where structural deficits occur that the most significant innovations have occurred.
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Under Lomé II the Commission sought, in a number of countries, to deploy food aid as an integral part of a programme of support to national food strategies. This led to multi-annual programming of food aid commitments. The most common mechanism through which food aid was deployed within these programmes was through the sale of food aid commodities on the local market, with the cash from these sales (known as "counterpart funds") being used to finance programmes to stimulate greater food self-sufficiency. As local production was stimulated the food aid would then be phased out.

Other mechanisms through which agricultural development was stimulated through the food aid budget was through the purchase of an equivalent amount in inputs into the agricultural process (seeds, fertilisers etc) in place of the nominal food aid. These food aid substitute interventions, have been used in a number of countries particularly as part of drought recovery programmes.

Whilst food aid can severely disrupt local markets and generate substantial external dependency, if food aid is effectively deployed within the framework of a national food security programme, then it can make a significant contribution to national food security goals.

The important factor is for national Government to programme food aid commitments as part of a food security programme and not simply to look at food aid as a free good, with no negative impact on the local economy.

The Commission of the European Community and individual member states should be encouraged to provide food aid within the framework of wider food security programmes.

4.2.3 Possible Instruments

4.2.4.1 Financing Rural Development From The Beef Quota Revenues

Under Lomé IV a 90% levy rebate will be granted on a given tonnage of beef imports from Namibia. Whilst the exporting Government will no longer be under obligation to impose an export tax equivalent to the levy rebate, the Government may choose to impose a certain export tax in order to generate funds for agricultural development. Funds raised could then be used to finance programmes of rural development in communal areas in order to increase the economic viability of farming activities in these areas.

The following table illustrates the level of Government revenue potentially derived from the levy rebate under different assumptions. Two variables are allowed for: varying size of quota allocation; varying percentages of the total levy rebate (75%, 50% and 25%) accruing to the
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Government in the form of revenue.

Table 1. Potential Government Revenue from the Beef Levy Rebate

<table>
<thead>
<tr>
<th>Tonnage</th>
<th>Revenue accruing (Rands) per proportion of total levy rebate:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>75%</td>
</tr>
<tr>
<td>1,000</td>
<td>8,588,250</td>
</tr>
<tr>
<td>2,000</td>
<td>17,176,500</td>
</tr>
<tr>
<td>3,000</td>
<td>25,764,750</td>
</tr>
<tr>
<td>4,000</td>
<td>34,353,000</td>
</tr>
<tr>
<td>5,000</td>
<td>45,804,000</td>
</tr>
<tr>
<td>6,000</td>
<td>51,529,500</td>
</tr>
<tr>
<td>7,000</td>
<td>60,117,750</td>
</tr>
<tr>
<td>8,000</td>
<td>68,706,000</td>
</tr>
<tr>
<td>9,000</td>
<td>77,294,250</td>
</tr>
<tr>
<td>10,000</td>
<td>85,882,500</td>
</tr>
<tr>
<td>11,000</td>
<td>94,470,750</td>
</tr>
<tr>
<td>12,000</td>
<td>103,059,000</td>
</tr>
<tr>
<td>13,000</td>
<td>111,647,250</td>
</tr>
<tr>
<td>14,000</td>
<td>120,235,500</td>
</tr>
<tr>
<td>15,000</td>
<td>128,823,750</td>
</tr>
</tbody>
</table>

Notes:

1. Presently the agricultural levy on beef stands at 4,230 ECU per tonne. It is on this levy that the beneficiaries of the Lomé beef protocol gain a 90% levy rebate. At the present rate of agricultural levy imposed on beef and assuming an exchange rate of 3 Rand = 1 MECU, this represents a rebate of some Rand 11,451,000 per 1,000 tonnes exported to the EC market under the protocol.

2. The percentage of the levy rebate accruing to the Government exchequer will depend on:
   - the relative price fluctuations between the world market and the internal EC market price.
   - the production costs of the beef industry in Namibia
   - transport costs to the EC market
   - marketing costs in the EC
   - the policy adopted by the Government on the distribution of benefits accruing from the levy rebate

3. Given Namibia's alternative market is the relatively high priced South African market and the relatively high levels of remuneration presently enjoyed by Namibian commercial cattle farmers, a 50% benefit represents the top end of additional benefit accruing to Namibia from Beef protocol access to the EC market under current marketing conditions. According to information received from
SWAVLEIS (now Meatco), a 25% additionality is more likely, though this could be increased through selective marketing practices to approximately 50% additionality (that is additional to the returns received on the high priced South African market under present market conditions).

4.2.4.3 Article 255 Emergency Assistance Provisions

Under Title III, Chapter 2, section 6, Articles 254-259, of the fourth Lomé Convention provision is made for emergency assistance to be:

"accorded to ACP states faced with serious economic and social difficulties of an exceptional nature resulting from natural disasters or extraordinary circumstances having comparable effect".

Under the annual community budget similar emergency aid provisions exist for non-Lomé members and Namibia has received financing from these provisions, during 1989 to finance part of the repatriation programme.

Article 255 makes provision for the granting of assistance to:

1. ACP States taking in refugees or returnees to meet acute needs not covered by emergency assistance, to implement in the longer term projects and action programmes aimed at self-sufficiency and the integration and reintegration of such people.

2. Similar assistance, as set out in paragraph 1, may be envisaged to help with the voluntary integration or reintegration of persons who have had to leave their homes as a result of conflicts or natural disasters. In implementing this provision account should be taken of all the factors leading to the displacement in question including the wishes of the population concerned and the responsibilities of the government in meeting the needs of its people.

3. Underlying the developmental nature of the assistance granted in accordance with this article, assistance may be used together with the indicative programme of the State concerned."

Such provisions could legitimately be used by the Namibian Government to secure financing for programmes to establish the long-term economic viability of returnees and internally displaced persons. Such funds if secured would be additional to funds made available under the National Indicative Programme (although it might be necessary to use NIP funds alongside such resources given the scale of the problems faced in Namibia).
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4.2.4.5 Structural Adjustment Support Facility

Under Lomé IV a special facility has been created to provide additional assistance to countries undertaking programmes of structural adjustment (normally with the support of the international financial institutions). Whilst it is to be hoped that Namibia's external financial situation will eventually become such as to not require such assistance, should the situation arise then funding could be sought from this facility for restructuring in the agricultural sector. The relevant provisions of the convention dealing with this structural adjustment facility are Articles 243 to 250. The principle vehicle for the extension of such support are Sectoral Import Programmes (SIPs) and General Import Programmes.

4.3 Non-Lomé Co-operation Between The EEC and Namibia

In addition to the development assistance available to Namibia through the Lomé Convention, in the early stages of independence before Namibia accedes to the Lomé Convention funding will be made available for programmes in Namibia through the annual community budget. For 1990 an allocation of 19 MECU has been made available. It is hoped that an extension to this budget line will be made for 1991, to cover development assistance financing in Namibia during the pre-Lomé phase of 1991.

Whilst this special budget line will fall away once Namibia accedes to the Lomé Convention, a number of other non-country specific budget lines will still be available to fund projects in Namibia of an appropriate nature (the food aid budget line has already been mentioned).

Perhaps the most significant of these is budget line 941 for NGO-Co-financing. This budget line makes co-financing available to European NGOs to finance projects in developing countries. In a number of countries NGO co-financing has been used to support small scale agricultural projects and similar projects may be initiated in Namibia.

Other budget lines relevant to agriculture, food security and rural development in Namibia include:

-Budget Line 9411: Food Aid Operations Through NGOs:

Under this budget line 10 MECU is available for use throughout the developing world, these financial resources can be used for targeted food aid delivery programmes aimed at particularly needy sections of the population.

-Budget Line 9281: Community Participation in Storage and Early Warning System Programmes:
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Under this budget line some 10 MECU is made available for use throughout the developing world to finance food storage projects through ENGOs, involving local community participation and NGO run early warning system projects. It is seen that these NGO operations will eventually be accommodated in Government run programmes once national systems have been developed.

-Budget Line 9460: Ecology in Developing Countries:

Under this budget line 8 MECU is made available to finance operations to manage and protect the environment.

-Budget Line 9532: Support To the FLS and SADCC Members:

Under this budget line some 15 MECU is made available to financed activities relating to displaced persons or victims of war (orthopaedic rehabilitation etc). Suitable agricultural projects for displaced persons could well find funding under this budget line. This budget line is open to NGOs and Government.
5. **THE FISHERIES SECTOR**

6.1 **Introduction**

With regard to cooperation in the fisheries sector Lomé IV recognises:

"the right of coastal states to exercise jurisdiction over the living marine resources of their exclusive economic zones in conformity with current international law and notably the conclusions of the Third United Nations Conference on the Law of the Sea."

The primary objectives of fisheries cooperation are stated as being to:

- improve knowledge of the fisheries environment and its resources;
- increase the means of protecting fishery resources and monitoring rational exploitation;
- increase the involvement of the ACP States in the exploitation of deep sea fishery resources within their exclusive economic zones;
- encourage rationale exploitation of fishery resources of the ACP States and the resources of the high seas in which the ACP States and the Community share interests;
- increase the contribution of fisheries including aquaculture, non-industrial fishing and inland fisheries to rural development...
- increase the contribution of fisheries to industrial development by increasing catches, output, processing and exports."

Under the Convention the Community can supply assistance for fisheries development in the following areas:

- fisheries production;
- fisheries management and protection;
- processing and marketing of fishery products;
Fisheries

with particular attention being paid to:

- training ACP national in all areas of fisheries;
- the development and strengthening of ACP research capabilities;
- promotion of intra-ACP and regional cooperation.

In the fisheries sector the Lomé Convention will commit Namibia to recognising:

"that there is a role for Community Member States fishing fleets, operating lawfully in waters under ACP jurisdiction, in the development of ACP fishery potential and in economic development in general in the coastal ACP States. Accordingly, the ACP States declare their willingness to negotiate with the Community fishery agreements aimed at guaranteeing mutually satisfactory conditions for fishing activities of vessels flying the flag of one of the Member States of the Community."

and to non-discrimination vis-à-vis EC fishing fleets.

With regard to Fisheries Agreements which do not form part of the Lomé Convention, the Convention nevertheless notes how such agreements should include financial compensation and other mutually agreed elements referring to:

- local landings;
- employment of ACP nationals;
- carrying of observers;
- transfer of technology;
- research and training grants.

Through Article 68 of the Lomé Convention the Community commits itself to taking:

"all necessary measures to ensure that its vessels comply with the provisions of the agreements negotiated and with the laws and regulations of the ACP state concerned."

Cooperation with the EC in the fisheries sector falls under five separate headings:

1. Financing from the National Indicative Programme (NIP);

2. Joint regional programmes financed from the regional allocation to SADCC (although this depends on SADCC priorities and under Lomé III the fishing sector was not a focal sector for CEC support);
Fisheries

3. Loans from the European Investment Bank;
4. Trade in fisheries products;
5. Fisheries Agreements.

6.3 Financing for Fisheries Projects Under the NIP

As previously mentioned elsewhere in southern Africa the most commonly designated focal area for development cooperation is agriculture and rural development. Fisheries projects are generally felt to fall under this general heading.

Elsewhere in southern Africa CEC financial assistance extended through the NIP has supported both industrial fisheries (Angola) and artisanal fisheries (Mozambique). Although fisheries projects in these littoral states have been hamstrung by the general economic difficulties, their experience to date is illustrative of the opportunities open to an independent Namibia under the NIP.

In Angola CEC financial assistance has been extended to the rehabilitation of the Angola fishing industry based at the southern Angolan Port of Namibe. The fisheries sector rehabilitation programme, financed from a variety of budgetary instruments, has now reached a total cost of 21.1 MECU. It includes the rehabilitation of a number of industrial fishery facilities, port rehabilitation, training, technical assistance, internal transportation and marketing.

In Mozambique support to the artisanal fisheries sector has involved a number of components, (some of these components were financed under other budgetary headings e.g. NGO Co-financing). This has included:

- an identification study of the needs of the artisanal sector;
- the provision of nets and other inputs to artisanal fishermen;
- assistance to fisheries cooperatives;
- the construction of a fish drying unit;
- establishment of salting facilities;
- rehabilitation of boats;
- boat construction facilities.

Some 254,000 ECU have been disbursed on 7 small project with two large scale programmes being initiated, one for just under 3 MECU in 1982 and a 7.4 MECU programme in 1985.

In addition to these two major areas of involvement in Mozambique the CEC has extended assistance to strengthen the fisheries sector in general through the provision of technical assistance to the Fisheries Secretariat and various Fisheries enterprises.
Fisheries

It can thus be seen that the CEC is willing to extend support to the fisheries sector in a variety of forms and under a variety of institutional arrangements.

6.5 Support to the Fisheries Sector through the Regional Programme

To date the CEC has extended little assistance to the sea fisheries sector through the regional provisions of Lomé. However, there is considerable interest within the Commission in encouraging fisheries cooperation between Angola and Namibia. The CEC has expressed an interest in joint programmes of stock control and fisheries monitoring. Given the keen interest of Manuel Marin, the Spanish Commissioner for Development Co-operation and Fisheries, the CEC is likely to be receptive to any proposals emerging with regard to regional fisheries cooperation.

However, as in other sectors, priorities for the deployment of regional resources will be determined in the SADCC context and jointly programmed with the Secretariat after due consultation with all SADCC member states.

6.7 Financing From the European Investment Bank (EIB)

Given the general provisions governing the utilisation of EIB resources it would appear as if the EIB is well placed to provide concessional financing for the expansion of commercially viable fish processing ventures.

6.9 Trade in Fisheries Products

Under the Lomé Convention fresh fish and canned fish from Namibia will enjoy free access to the EC market, that is to say they will face no quota, levy or equivalent measures limiting or restricting access to the EC market, providing they meet the rules of origin laid down for fisheries products. For fisheries products to originate they must be caught by vessels which are:

- registered in an ACP or EEC state;
- sailing under the flag of an ACP or EEC State;
- 50% owned by ACP or EEC nationals;
-50% crewed by ACP or EEC nationals.

If all these conditions are not met then fish products face a 22% customs duty. These trade provisions are thus designated to encourage the conclusion of Fisheries Agreement between the EC and ACP States, granting fishing access to EC boats. For what point is there in establishing a processing industry if you can't gain access to major markets under conditions which allow adequate profit?
Fisheries

6.11 Fisheries Agreements

6.12.1 Negotiating a Fisheries Agreement: The Issues

6.12.2.1 The Coverage of Fisheries Agreements

Fisheries agreements do not necessarily cover all EC vessels fishing in the waters in question. Private licensing agreements can also exist alongside the Community Fisheries Agreement.

EC Fisheries Agreements are not exclusive, that is to say they do not exclude the possibility of a country negotiating fisheries agreements with a third country. However, the EC does request that the same terms and conditions of payment be applied to it as to any other third country. The coverage of the agreement can be very detailed, with for example allowable catches being specified for each species of fish, within each specified zone only at specified times of the year, using only specified fishing methods.

European Community Fisheries Agreements are generally based on existing fishing activities of EC member states fleets in the territorial waters of the country concerned. In the case of Namibia this could create a certain amount of difficulty in that it is widely acknowledged that a number of foreign fleets are currently incorrectly reporting their catches off the Namibian coast, in what is now Namibia's Exclusive Economic Zone (EEZ).

6.12.2.3 What Does an EC Fisheries Agreement Entail?

Fisheries Agreements cover two principle issues: the level of fisheries access to be allowed EC fishermen and the levels of financial remuneration to be granted to ACP states for this access. Normally access for Community fishermen is agreed for a given level of Gross Registered Tonnage (GRT), although in the case of Angola and Mozambique a specific tonnage of catch was agreed. Financial compensation can take a variety of forms. For a specified level of GRT access (or tonnage specific catch) three types of compensation payment are paid:

- Compensation per se: an amount is paid per annum for a given level of access for a given number of years.

- Bursaries programme: bursaries are awarded for the training of students in various aspects of fisheries management. The CEC will arrange the training programme and handle the administration of this scholarship programme in the fisheries sector.

- Scientific and technical cooperation: a financial allocation is made
Fisheries

directly to the Ministry responsible for fisheries to finance programmes of scientific and technical cooperation in the fisheries sector.

All these payments are quite separate from and additional to financing made available to the fisheries sector under the Lomé Convention. Indeed, there is no formal connection between the negotiation of Namibia's accession to the Lomé Convention and the negotiation of a fisheries agreement with the EC.

Although compensation per se normally accounts for 90% of the total compensation paid, the actual division between methods of payment is up to the ACP Government to determine.

In addition to these three forms of compensation payments the Government also earns revenues from licence fees and levies and from any port services it may provide.

6.12.3 What Problems Can Arise?

6.12.4.1 Monitoring and Control

The most common problem arising within EC fisheries agreements relates to problems of monitoring and control. Under-reporting of catches is a common problem, with the Commission of the European Community, the relevant provisions of the Lomé Convention notwithstanding, having no legal power to enforce accurate reporting by EC fishermen or any of the other provisions of fisheries agreements. It is the responsibility of the ACP state to establish effective monitoring and control of fisheries activities in its EEZ. The CEC may assist the ACP state in establishing administrative mechanisms for monitoring and control, but is prohibited from financing the supply of armed vessels to ACP States for fisheries protection.

Under a Fisheries Agreement penalties can be specified for failure to comply with the agreements provisions, with these penalties being set by the ACP authorities and enforced by the ACP authorities. In addition, under a Fisheries Agreement a joint committee can be established to discuss violations of the Fisheries Agreement and general laws on fisheries, but this committee has little power, with the only real sanction being exclusion from future fisheries access under the Agreement. This sanction however, is only meaningful if the ACP authorities can enforce their fisheries laws on the high seas. If this ability exists, then exclusion from access under future fisheries agreements can be a real sanction, as can the various penalties stipulated under the Fisheries Agreement. If this capacity for effective enforcement on the high seas does not exist, then fisheries vessels excluded from coverage by the Fisheries Agreement will simply fish illegally, with little fear of ever being brought to account.
Within the framework of EC Fisheries Agreements the following are some of the tools which can be used to regulate fishing activities:

-Zoning: Zones can be set within which specified fishing activities can take place. Within these zones only specified fish may be caught, up to an agreed tonnage at specified times of the year.

-Mesh size: The mesh size to be used in various fishing activities can be specified. This restricts the size of fish which can be caught allowing juveniles to reach majority and thereby replenish fish stocks.

-Statutory reporting: The ACP state can demand various forms of reporting of catches and penalties can be specified within the agreement for failure to supply the various types of information requested.

-On-board observers: EC boats can be obliged to carry on-board observers to ensure that the provisions of Fisheries Agreements are adhered to. The costs of carrying these on-board observers can be laid with the fishing operator.

-Obligatory inspection: The Fisheries Agreement can stipulate the conditions under which EC boats must submit to inspection by the authorities of the ACP state in whose waters they fish.

It should be borne in mind that these tools are only effective if the ACP state has the capacity to enforce their observance, and this necessitates an effective capacity to apprehend and punish vessels violating these provisions.

6.12.4.3 Landings and Processing

Fisheries Agreements as well as seeking to secure rights of access for the EC fishermen, can also seek to ensure maximum levels of landings for processing within the EC. Within the framework of Fisheries Agreements a number of countries have negotiated obligatory landings of certain amounts of fish for local processing (see the Fisheries Agreements signed with Senegal and Seychelles). It should be noted that in the most developed of these local landings agreements, the arrangement was based on an existing bilateral agreement with France which allowed for local landings to serve the long established French owned Tuna processing plant.

In other cases a notable reluctance to agree to a fixed level of local landings is evident. Nominally, catch landing agreements are intended to meet local fish consumption needs and local processing needs. The
terms and conditions under which fish are landed is not covered by the Fisheries Agreement, but is a matter for negotiation directly between the ACP state and the fishing vessels owners. It should be noted however, that the inclusion of obligatory landing stipulations in the fisheries agreement strengthens the hand of the ACP state in these commercial negotiations.

A common problem with local landing stipulations is that they do not cover the quality of the fish landed and as a result EC fishermen tend to dump the worst parts of the catch on the ACP state. Thus, care should be taken in drawing up the local landing stipulations.

In a number of areas, such as, conservation, monitoring and control and the expansion of domestic processing, a conflict of interest could occur between Namibian and Community fishermen in the short term. The terms and conditions of fisheries agreements could have an important impact on how these short term conflicts are resolved.

6.12.4.5 Development of Indigenous Fishing Capacity

Given that in the medium to long term the Namibian Government is likely to foster the development of an indigenous Namibian fishing fleet, it should be noted that EC Fisheries Agreement can contain provisions both for:

- the training of nationals in fisheries activities and the employment of a given number of nationals per boat (up to 33% of the crew in the case of Senegal);

- and the gradual reduction of EC fisheries access as the indigenous fleet develops.

Particularly with regard to the latter this could well be a source of tension in EC-Namibia cooperation in the fisheries sector.

6.12.5 The Current EC Position On a Fisheries Agreement With Namibia

The first point to note is that there is considerable pressure mounting on the Commission to negotiate a Fisheries Agreement with Namibia as soon as possible, in order to ensure favourable access for Community fishermen to Namibian waters.

Responsibility for negotiating Fisheries Agreements lies with the Directorate General for Fisheries of the Commission (DG XIV). The Commissioner responsible for DG XIV is Spanish nominated Commissioner Manuel Marin, who is also responsible for the Directorate for Development Cooperation (DG VIII). Although responsibility for both Directorates lies with one man, they are two quite separate arms of the
DG XIV is responsible for negotiating Community Fisheries Agreements with third countries, the principle objective of which is to secure fisheries access for EC vessels. Fisheries Agreements are purely commercial agreements. Their negotiation at the EC level represents a form of hidden subsidy to the Community fishing industry and forms part of the wider EC fisheries policy, which is essentially concerned with restructuring the EC fishing industry in order to ensure the long term viability of the fishing industry.

Fisheries Agreements are not in the first instance instruments of development cooperation. Although DG VIII has an observer at the negotiation of Fisheries Agreements with ACP states, he has no real power of decision making. DG XIV negotiates Fisheries Agreements on the basis of a mandate drawn up by the EC Council of Ministers. Individual EC member States who have a strong interest in the fisheries sector commonly send their own experts along to the negotiations to assist DG XIV.

Given the activities of existing Spanish fishermen off the coast of Namibia, the EC country most interested in gaining access to Namibian waters is Spain. The Spanish are however by no means the only EC Government interested in securing fisheries access for their boats in Namibian waters. Both the French and German Governments are interested and the Dutch authorities have even expressed an interest.

EC Fisheries Agreements are generally based on the existing fishing activities of EC member states fleet in the territorial waters of the country concerned. In the case of Namibia this could create certain difficulties given the widely acknowledged over-fishing and under-reporting which has taken place.

It is already maintained in Europe that the introduction of a moratorium on fishing in Namibia's EEZ is creating difficulties in the Spanish fishing industry. There are fears that given the keen interest of EC member states in gaining access to Namibian waters, some form of linkage may be made between Lomé Accession questions and fisheries access for EC boats (though it should be stressed that to date there is no evidence that any such linkage is having an effect).

From the Namibian perspective fisheries cooperation would appear to need to be based on:

- recognition of the need for effective conservation measures to allow stocks to recover;
- support for effective monitoring and control of fisheries activities in Namibian waters;
Fisheries

-provisions for local landings to ensure the recovery of fish processing levels and associated employment;

-support for the development of an indigenous Namibian fishing fleet and associated management capacity.

These objectives are fully consistent with the provisions laid down in the Lomé Convention on aims and objectives of EC cooperation in the fisheries sector. The point that the general provisions of Lomé are supportive of Namibia's aims and objectives in the fisheries sector should be emphasised in dealings with the EC.

These objectives are even consistent with the formal directives governing the negotiation of fisheries agreements. However, theory and practice do not always coincide when important national interests are held to be at stake.

Outside of the framework of Fisheries Agreements (though undoubtedly related in some way) it is possible to initiate cooperation with the EC under the Lomé Convention (as outlined above). At the present time there are substantial pressures on the Commission to begin development cooperation projects with Namibia in the fisheries sector as soon as possible. This pressure could be capitalised on by the Namibian Government in securing support from the EC in addressing their priority needs in the fisheries sector (provided of course this does not extend to the financing of armed vessels).
7. THE MINING SECTOR

8.1 Introduction

There are four principle possible sources of financing for mining sector projects under the Lomé Convention:

1. Financing from the National Indicative Programme.

2. Joint regional programmes financed from the regional allocation to SADCC (although this depends on SADCC priorities and under Lomé III Mining was not a focal sector for CEC support. Mining thus only received small allocations).

3. Loans from the European Investment Bank.

4. SYSMIN.

8.3 Principle Instruments of Support

8.4.1 Financing Under the National Indicative Programme (NIP)

It is unusual for the CEC to agree to finance major capital investments in the mining sector from the NIP. Geological survey, small mining projects (such as support to small mining enterprises) training and technical assistance are areas where support is more frequently extended.

In the mining sector the most immediate areas where CEC funding could be available in the mining sector is with regard to: geological survey, technical assistance and training.

Elsewhere, however under the Lomé Convention, the CEC has played an important role in the development of agro-mineral production and small mine development. In these areas Namibia may well find its Lomé National Indicative Programme a useful source of support in developing a small mines development programme which could in turn contribute to employment creation in rural areas.

Whether such options in the mining sector are pursued will depend in large part on where the Namibian Government places its priorities for the deployment of nationally allocated Lomé funds.
8.4.3 Financing Under the Regional Programme

Currently, in the mining sector, under the auspices of the SADCC, the CEC is financing a Mining Sector Skilled Manpower Study and an Inventory of Geology, Minerals and Mining. It would thus appear that the most likely areas of support in the mining sector under the regional programme are: training and joint studies involving minerals survey or minerals processing.

Priorities will of course be determined by the Namibian Government in close consultation with its SADCC partners.

8.4.5 Financing from the European Investment Bank

The risk capital provisions of Lomé offer probably one of the most attractive sources of financing for mineral exploration and development, for conditional loans extended under the risk capital provisions of EIB managed EDF operations only have to be repaid if the venture proves profitable.

Over the period 1986 to 1988 some 9.7% of EIB resources deployed went to the extractive industries (some 81MECU in all).

8.4.7 SYSMIN

The SYSMIN, special facility for mining was created with the intention of "establishing a more solid and wider basis for the development of ACP states" where a dependence on mineral exports existed. It aims to stabilise the mining sector when faced with unforeseen difficulties or if this should prove impractical promote economic diversification away from the affected mineral (either within or beyond the mining sector).

The minerals covered by SYSMIN are:

- copper (including cobalt);
- phosphates;
- manganese;
- bauxite and alumina;
- tin;
- iron ore;
- uranium.
Mining

In order to be eligible for support from SYSMIN a number of conditions need to be met:

1. 15% (10% for least developed countries) or more of export earnings must be derived from one of the above named commodities;

2. 20% (12% for least developed countries) or more of export earnings must be derived from all mining products (excluding precious minerals other than gold, oil, and gas).

Once these conditions have been met then the country's production of the affected mineral falls within the scheme. For compensatory payments to be made under SYSMIN the following circumstances must obtain:

- unforeseen circumstances have seriously threatened the viability of one or more enterprises in the mining sector, leading to a significant fall in revenue for the state concerned - assessed on the basis of a drop in production or export capacity of the product in question of around 10%;

- such a decline must not be artificially provoked by policies and measures adopted by the ACP state;

- and should result in a "corresponding fall in total export earnings of approximately 10% at least in the year before that of the request".

Programmes financed under SYSMIN can be used to:

- restructure mining sector enterprises to restore financial viability;

- "broaden the bases of economic growth through the financing of viable horizontal or vertical conversion or diversification projects or programmes"

Thus, SYSMIN interventions are intended to assist in re-establishing the viability of the mining sector where this is threatened by a decline in earnings from mineral exports or to allow for the diversification of export production out of minerals. Assistance is generally extended to clearly identifiable projects and programmes of rehabilitation or diversification.

In submitting a SYSMIN request information in the following areas is required:

- the nature of the problems encountered;

- the perceived or expected consequences both at the level of the enterprise and at a national level;

- the measures or actions required to remedy the situation.
Mining

Prior to the community taking a decision on the request a technical, economic and financial analysis is required to assess the eligibility of the request and the proposed projects or programme utilising SYSMIN assistance. This analysis will deal with whether viability can be restored to the enterprise and sector or whether diversification is more appropriate.

If necessary technical assistance can be financed under SYSMIN to assist in drawing up appropriate projects or programmes.

SYSMIN is not a mechanism for preventing declines in export earnings but is rather a mechanism to assist ACP states in coping with the consequences of declines in mineral export earnings. As such, it has proved a valuable source of support for ACP mineral based economies experiencing severe difficulties.

Since under Lomé IV financing made available to ACP states under SYSMIN is in the form of a grant, yet the money made available to the mining sector enterprise for restructuring is in the form of a loan, counterpart funds are generated by SYSMIN operations. These counterpart funds can be used for social welfare programmes to ameliorate the social effects of minerals export fluctuations.
9. TRADE AND COMMODITIES UNDER THE LOMÉ CONVENTION

10.1 Introduction

10.2.1 Trade: A Central Component of Lomé

The Lomé Convention is a comprehensive international Treaty embodying both aid and trade components. However whilst the promotion of ACP exports to the EC has been one of the principle objectives of the past three Lomé Conventions, the experience to date has been very disappointing. Indeed the ACP has seen its trading position with the Community deteriorate compared to other developing countries particularly in the last few years.

As a result, more by default than design the principle benefits of the Lomé Convention have come to lie in its provisions for technical and financial cooperation. Nevertheless, it should be noted that despite the downward trend in ACP-EC trade, in 1987 ACP earnings from the export of the small group of non-traditional exports, which the trade preferences granted under Lomé have encouraged, exceeded aid disbursements under Lomé III by 300%. The importance of trade development thus should not be underestimated. Indeed, the potential trade benefits derived from the Lomé Convention are likely to be of far greater importance to Namibia than the development assistance extended under Lomé.

10.2.3 What is the Nature of Trade Preference Granted Under Lomé?

The basic principles which underlie the Lomé trade regime are duty and quota free access to the EC market. As a result for a range of commodities Namibia currently exports the Lomé Convention will bring duty free access to the EC market.
Trade & Commodities under Lomé

Table 2. EC Market Access Provisions for Namibian Exports

<table>
<thead>
<tr>
<th>Current Exports</th>
<th>Market Access Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Canned Beef</td>
<td>Free access subject to health regulations</td>
</tr>
<tr>
<td>2. Game Meat</td>
<td>Open Import Licence subject to health regulations</td>
</tr>
<tr>
<td>3. Wool</td>
<td>Free Access (no quota, levy or equivalent measure)</td>
</tr>
<tr>
<td>4. Hides</td>
<td>Free Access</td>
</tr>
<tr>
<td>5. Skins</td>
<td>Free Access</td>
</tr>
<tr>
<td>6. Fresh Fish</td>
<td>Free Access</td>
</tr>
<tr>
<td>7. Canned Fish</td>
<td>Free Access</td>
</tr>
<tr>
<td>8. Basketry</td>
<td>Free access</td>
</tr>
<tr>
<td>9. Hand carvings</td>
<td>Free Access</td>
</tr>
<tr>
<td>10. Timber</td>
<td>Free Access</td>
</tr>
<tr>
<td>11. Cut Flowers</td>
<td>Free Access</td>
</tr>
</tbody>
</table>

10.2.5 The Impact of the CAP on Trade Preference

There are however, notable exceptions to these principles of duty and quota free access, primarily with regard to those commodities covered by the EC's own internal Common Agricultural Policy (CAP). It is the workings of the EC Common Agricultural Policy, for example, which makes the securing of levy rebated quotas for beef and sheep meats so important for Namibia during the accession negotiations.

Under the Common Agricultural Policy, which has greatly stimulated agricultural production in the EC, high prices are offered to European producers, which, if it were not for high import levies on these commodities would lead to a flood of cheap imports from overseas, which would undermine the EC market and make the CAP unworkable. The beef quota Namibia is currently seeking from the EC, will grant Namibia a 90% rebate on the levy applied to beef (designed to bring the world market price of beef above the price of internally produced EC beef), thereby enabling Namibia to earn good prices for its beef exports to the EC.

Table 3. Market Access Provisions for Namibian Exports Covered by the EC Common Agricultural Policy

<table>
<thead>
<tr>
<th>Current Namibian Exports</th>
<th>Market Access Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Fresh, chilled and frozen Beef</td>
<td>arrangement to be negotiated under the beef protocol of Lomé IV</td>
</tr>
<tr>
<td>2. Sheep meat</td>
<td>Open import licence except for quota on sheep of domestic species, subject to health regulations (possible sheep marketing arrangement could be negotiated as part of accession agreement)</td>
</tr>
</tbody>
</table>

Possible Future Exports:
1. Off-season fresh vegetables Depend on regulations
2. Fresh fruit Dependent on regulations (see annex to the Lomé IV Convention)

10.2.7 The Impact of Rules of Origin Provisions on Trade Preference

It is not only through the special rules applied to agricultural commodities covered by the CAP that the European Community deviates from the principles of duty and levy free access which underpin the Lomé Convention, but also through the workings of the provisions governing rules of origin.

The rules of origin provisions of Lomé specify what kind of processing is needed to ensure that a given commodity not originating in an ACP state, is granted "originating" status and hence benefits from the duty and levy free access provisions. The purpose of the rules of origin is to prevent non-ACP countries benefitting from the Lomé provisions by simply routing exports to the EC through ACP countries with only a minimum of processing taking place in the ACP state.

However, it has been argued that the level of processing required under Lomé is prohibitively high, and so prevents ACP states gaining duty and levy free access for: goods undergoing assembly operations; goods involving more than 40% of non-originating material and even the making of shirts from cloth, for example. Yet these are all stages of manufacturing which in many ways represent the starting point from which the development of more integrated manufacturing activities can be developed.

These provisions have in large part ensured that the development of non-traditional exports to the EC have been wholly based on the processing of domestic resources.

The implication of this for Namibian producers and exporters is that before looking to export manufactured commodities to Europe, careful attention should be paid to the rules of origin provisions applied under the Lomé Convention to that commodity, and the source of the non-originating content of the manufactured goods (for components from other ACP or EC states count as originating components).
**Trade & Commodities under Lomé**

Table 4. EC Market Access Provisions for Namibian Exports Subject to Rules of Origin

<table>
<thead>
<tr>
<th>Current Namibian Exports</th>
<th>Market Access Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Karakul fashion garments</td>
<td>Free access, subject to rules of origin</td>
</tr>
<tr>
<td>2. Woven rugs and hangings</td>
<td>Free access, subject to rules of origin</td>
</tr>
<tr>
<td>3. Basketry</td>
<td>Free access, subject to rules of origin</td>
</tr>
</tbody>
</table>

10.3 **Principles and Practice: Exploiting Lomé's Trade Potential**

10.4.1 **The Need For Partnership**

Within these constraints considerable scope exists for the development of exports to the EC under the free access principles. The constraints must be borne in mind and the opportunities exploited to the full if Namibia is to gain the trade benefits inherent in the Lomé trade provisions.

The experience to date however is that commonly within the ACP region, the trade opportunities opened up by the Lomé Convention are not fully exploited.

If this general ACP experience is not to be repeated by Namibia, and if the trade opportunities opened up by Lomé are to be exploited to the full, then both active Government support and strong private sector initiative will be required.

10.4.3 **Accession Trade Questions**

The first area where strong Government action will be required, will be in negotiating, through the accession agreement where this is possible, favourable terms of access for Namibian exports covered by the CAP, principally beef and sheep meats.

It is at these negotiations that the Namibian Government will determine the extent to which Namibian producers will be able to profitably export beef and sheep meats to the EC market. Once Government has successfully negotiated the extent of preferential access however, it will be up to the private sector to make the most of this access by finding the best priced markets in the EC for the most appropriate cuts of meat, in order to maximise foreign exchange earnings for Namibia.

The beef quota issue aptly demonstrates a fundamental point in relation to the Government and private sectors role in exploiting the trade
provisions of Lomé: the Government can create opportunities for profitable export to Europe it is however the responsibility of the private sector to fully exploit these opportunities.

With regard to exploiting the opportunities available under the beef quota, the Government also has an important role to play in establishing the framework for the export of quota beef. In this context a number of important decisions will need to be taken, with regard to how the marketing of Namibian beef in Europe is to be organised. At the present time the European beef market is in a highly disrupted state. Careful marketing strategies, perhaps drawing on the experience of Namibia’s immediate neighbour, Botswana, will be needed (perhaps even entailing joint marketing arrangements). After due consideration Government will need to give a clear lead in this regard, before the quota allocation can be fully capitalised on. Will the Government encourage regional approaches to the marketing of beef? Will the Government appoint a sole exporter? Will the Government allow free competition amongst Namibian meat exporters to the EC or will it divide up the quota?

Another important issue arising for the Government from the securing of a beef quota under the Lomé Convention, will be who should be the ultimate beneficiaries of the substantial levy rebate (approximately, R12 million per 1,000 tonnes) granted under the Lomé beef protocol. Here again, after careful study, the Government will need to make a conscious policy choice, in line with its wider development priorities and objectives.

Once accession to the Lomé Convention has been negotiated and should Namibia prove a reliable beef supplier to the EC market the Government could well capitalise on existing political goodwill in Europe to secure further limited yet significant improvements in market access for Namibia's beef and sheep meat exports.

10.4.5 Development Assistance and Trade

In the medium term the Government may well be able to assist the private sector in capitalising on the trade opportunities opened up by Lomé through deploying a portion of its National Indicative Programme in support of coherent trade development programmes and strategies. This can be targeted both at the EC market and the local regional market, where considerable opportunities exist. In the case of Zimbabwe, development assistance financing has been used to support a highly successful export promotion programme, which after only two years of effective operation has promoted over Z$ 200 million in new exports, most of which have gone to the regional SADCC market. The deployment of national funds for export promotion will of course need to be determined according to national priorities.

In addition, however, the Government working with its SADCC neighbours
Trade & Commodities under Lomé

could tap financial resources available for regional trade promotion (70 MECU under Lomé IV, which being non-programmable are additional to nationally allocated resources) to develop certain exports at a regional level. Regional export promotion programmes in game meats, is one potential area where greater value could be obtained from existing exports by pursuing regional programmes of export promotion. This could also provide the basis for developing exports in associated processed meats, and even backward linkages into regional strategies for game farming development. The marketing of horticultural products to Europe could also benefit from a regional approach in addressing certain constraints on market consolidation faced.

In the general field of export promotion Government can, however, only be a facilitator, though be it an important facilitator. Government can assist the private sector in learning from the experience of their ACP neighbours, Government can promote regional approaches to export promotion and marketing, but ultimately it is the activities of the private sector which will determine the extent to which Namibia benefits from the trade provision of the Lomé Convention.

10.4.7 Partnership: A Two-Way Street

Close and effective Government - private sector cooperation is likely to be needed if the trade potentialities of Lomé are to realised. Both Government and the private sector will need to develop systematic strategies, both at a national and regional level, for the exploitation of trade potentialities of Lomé.

The development of Government - private sector relations is, however, a two-way street. Government needs to give effective support to the export promotion needs of the private sector, and the private sector for its part needs to be supportive of the Governments wider economic development priorities and objectives. If the private sector demonstrably contributes to meeting priority objectives for employment creation, rural development and the meeting of housing, educational and health objectives, then justifying the deployment of concessional development assistance finance in support of export promotion, is far easier than if the benefits of the economic expansion arising from export development lies only with a restricted social sector.
11. THE LOMÉ CONVENTION AND HUMAN RESOURCES DEVELOPMENT

12.1 Introduction

CEC support for human resources development has been one of the major areas of pre-independence involvement in Namibia. CEC support has largely been extended to Namibians in exile, although recently a number of programmes have been initiated within Namibia.

Under Lomé I, II and III funds have been drawn from the regional funds allocated to southern Africa to finance the training of Namibians at UNIN. The CEC financially assisted in the establishment of the Namibia Extension Unit and has also assisted the SWAPO Literacy Campaign. Through the NGO Co-financing arrangements provided for under budget line 941 the CEC has also supported formal programmes of curriculum development at the Loudima School in Congo. Under the Curriculum Development Programme under way at Loudima a special agricultural option has been developed which teaches basic science skills through theoretical and practical aspects of agriculture. This programme has been particularly successful in stimulating student interest in agriculture as a future occupation.

In addition, within the framework of this curriculum development programme joint projects between UNIN and the University of Bremen Namibia Project to develop Namibian history and geography books have been supported. The CEC has also supported a variety of training schemes for Namibians over the years both through the Lomé Convention and NGO Co-financing.

More recently the CEC has begun to support non-governmental educational projects within Namibia itself. This has included support for a Vocational Training Centre, support for the Namibia Literacy Programme, and in the context of the repatriation of 41,000 Namibian refugees an emergency school building programme under the auspices of the RRR Committee.

Thus the CEC is likely to approach the question of support to human resource development in Namibia through the Lomé Convention on the basis of this experience.
Human Resources Development

12.3 **Instruments of Support Under the Lomé Convention**

Two principle instruments are available for financing projects in the field of human resource development:

- The National Indicative Programme;
- Joint regional programmes financed from the regional allocation to SADCC.

12.4.1 **Financing Under the National Indicative Programme (NIP)**

Elsewhere in southern Africa the designated focal sector is agriculture and rural development, with secondary priority accorded to human resource development. CEC support for human resource development has been concentrated in the formal education sector.

The two areas of most immediate interest to Namibia in this regard are: support extended for in-service training; and classroom construction through the microprojects programme. Although there are other areas where the experience of other southern African countries of human resource development programmes under Lomé could hold relevant lessons.

12.4.2.1 **In-Service Training**

In both Swaziland and Zambia the CEC has supported programmes to strengthen the teaching body, through programmes of in-service training for maths and science teachers. In the case of Zambia a programme has been established in close association with the British Council, whilst in Swaziland the programme is co-financed with the Dutch Government, with an institutional link being developed with the Free University of Amsterdam. One of the principle goals of CEC support to the educational sector in Swaziland is to meet the need for scientifically qualified manpower and skilled craftsmen. It also aims to strengthen the teaching of agriculture in schools and better equip school leavers to pursue farming careers. In this regard CEC support includes technical assistance to the Ministry of Education, for planning purposes.

These types of in-service training programmes may well be relevant to Namibian needs at the present time, where in addition to a shortage of teachers, the existing corps of teaching staff are largely inadequately trained.

If the goal of ten years compulsory education (7 years primary, 3 years secondary) is to be achieved in the near future then the number of teachers available will have to double in two years. This will place enormous demands on existing educated manpower. It will probably necessitate large numbers of school leavers entering the teaching
profession within a framework of an in-service teacher training and upgrading programme. Whilst existing experiences through UNIN and NEU can be drawn on further assistance will be needed from external donors. With regard to the upgrading of maths and sciences teachers the CEC has a regional experience to draw on, and this may prove an appropriate area for future CEC support.

12.4.2.3 Classroom Building Under the Microprojects Facility

The Namibian Government has committed itself to the introduction of compulsory education once facilities and staff become available. It is envisaged that a nine year basic education programme would be introduced, involving both primary and secondary education, with emphasis placed on rural primary education. Central to the attainment of the goal of compulsory education will be the construction of sufficient classrooms.

Within this context the experience of the Zimbabwe microproject facility provides some important precedents.

In the immediate post-independence period Zimbabwe faced a substantial expansion in demand for educational facilities, which was compounded by the need to replace facilities destroyed during the liberation struggle. Although the Government spent some 22% of the annual budget on education during the 1980-88 period the overall task of educational expansion remains beyond the fiscal capacity of the Zimbabwean Government.

The situation facing Namibia is likely to be equally dramatic, for a doubling of children in full time education can be anticipated subject to facilities and staff being available.

In the case of Zimbabwe the CEC made an important contribution to meeting the new demand for educational facilities through the educational component of the microprojects facility. In Zimbabwe the aim of the education microprojects facility is to:

- assist government in the provision of universal primary education by increasing opportunity for those in the communal areas;
- to improve existing facilities;
- to reach the most disadvantaged.

Through the microproject facility the CEC meets two-thirds of the costs of the project with 1/3 coming from the local community (though within this 1/3 maintenance of the facilities constructed can be included). In Zimbabwe the microproject facility has provided finance for the rapid construction of classrooms and accommodation for teachers in rural
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areas, where the need is deemed to be greatest, at some 669 different primary schools.

The microproject facility although being unable to assist the Zimbabwean government in meeting the increase demand for education in full, has ensured that in the educational sector rural communities have benefitted from independence, and so has contributed to meeting heightened popular expectations in this regard.

If desired, a similar facility to that existing in Zimbabwe could be established in Namibia. However, as in all other sectors the Government must decide its priorities for support under Lomé in the light of its development objectives and priorities.

12.4.2.5 Vocational Training

In the case of Zimbabwe the CEC has supported the upgrading of Gweru Technical College and the Bulawayo School of Mines, which trains mining industry artisans. CEC support in this area is determined by Government priorities.

12.4.2.7 Multi-Annual Training Programmes

Elsewhere in southern Africa under previous Lomé Conventions the CEC has supported from the NIP a variety of multi-annual training programmes, in order to fund training programmes in priority areas. However, this method of funding training programmes is currently coming under critical review. There is feeling that in the past the training supported has not corresponded with the priorities accorded by Government.

There is therefore an increasing desire on the part of the CEC to move away from general multi-annual training programmes to the incorporation of targeted training programmes in the various focal sector programmes under implementation, incorporating training needs into project design at all levels and across all sectors.

12.4.2.9 Technical Assistance

Where shortages of skilled person power arise the CEC has extended technical assistance when requested by the Government. The CEC has displayed a willingness to support the high level manpower needs of Namibia by making available a technical assistance facility, from which the Government can draw down, as and when technical assistance is required, after due consultation with the local CEC representative. To date however, the Namibian Government has not requested the establishment of such a facility.
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Where technical assistance is given there is generally a component for local counter-part training included as part of the project.

12.4.2.11 Support to the Non-Formal Education Sector

Whilst elsewhere in southern Africa support to the non-formal education sector has not been extensive under the NIP, given existing CEC financial support in this area, if the Namibian Government were to seek on-going financial support to this sector, their request would no doubt be accommodated.

12.4.3 Financing Under the Regional Programme

Under the regional programme human resource development has been named as one of the three focal areas for the deployment of Lomé resources. Under Lomé III some 16 Million ECU was allocated to human resource development within the regional indicative programme. In large part these human resource development programmes have been complementary to sectoral programmes in other sectors.

CEC supported SADCC regional training programmes currently under implementation include:

- woodfuel management manpower training;
- training in road transport management;
- training in the electrical supply sector;
- training of wildlife management personnel;
- mining sector skilled manpower study.

In the past training programmes for customs officials and railway staff have also been supported under the regional programme. The range of regional training programmes supported under Lomé is quite wide, but they all now have one thing in common, they relate closely to the development of other sectoral programmes.

In a number of sectors where training will be required in Namibia the most cost effective method may well be through regional training programmes (sending Namibian national for training in neighbouring SADCC countries). Over time, as appropriate, Namibia could develop training institutions which would be of value to its SADCC neighbours.

Priorities for support under the regional programme will need to be jointly discussed by all SADCC states, with the SADCC Secretariat then programming the regional allocation in the human resource development sector jointly with the CEC.
13. **THE LOMÉ CONVENTION AND THE NON-GOVERNMENTAL SECTOR**

14.1 **Introduction**

Under Lomé IV a new Chapter has been introduced into the Convention which places particular emphasis on widening participation in development cooperation initiated under the Convention beyond the Government sector.

However, since the Lomé Convention recognises the sovereignty of ACP states in deciding their economic, social cultural and political priorities, this broadening of participation can only take place within limits laid down by the Government. That is to say that although Lomé IV allows development cooperation initiated under the Lomé Convention to be implemented in association with:

"decentralised public authorities, rural and village groupings, cooperatives, firms, trade unions, teaching and research centres, non-governmental development organisations, various associations and all groups and parties which are able and wish to make their own spontaneous and original contribution to the development of ACP States".

Before this can occur the Namibian Government would need to make a conscious policy decision that this is the types of involvement in the development cooperation process that it would like to encourage. In this regard the Namibian Government would probably need to earmark, within the National Indicative Programme, the volume of allocated resources which it would like to see going into these kind of development cooperation ventures.

For any of the above groups in Namibia to be eligible for direct development cooperation support under Lomé IV it would be necessary for their activities to:

"correspond with the priorities, guidelines and development methods adopted by the [Namibian Government]".

Under past Lomé Conventions and also under Lomé IV, one of the principle vehicles for supporting decentralised forms of development cooperation has been through microproject programmes.
NGOs

14.3 The Microprojects Approach

Microprojects have to clearly benefit the local people in an identified priority area and be undertaken on the initiative and with the active participation of the local community. This local participation, either in cash or kind must meet at least 25% of the total costs of the project, although under Lomé IV maintenance costs can be included in the total costs, with maintenance of the facility once established constituting the principle contribution of the local community.

The financial contribution of the EC to these microprojects cannot amount to more than 300,000 ECU (R960,000), although the average size of microprojects is generally much smaller. It is also possible for microproject programmes to be financed, which involve not just one project but a whole series of different projects, implemented under the auspices of either a Namibian or EC Non-Governmental Development Organisation.

These microprojects would need to be financed from resources set aside for this purpose by the Namibian Government, from those allocated under Namibia's National Indicative Programme.

Thus for a microprojects facility to be come available to support the self-help efforts of organised communities or social groups, the Namibian Government must take a conscious policy decision to establish such a facility.

14.5 Microprojects: The Zimbabwean Experience

In Zimbabwe possibilities under the Lomé Convention to establish Microproject programmes have been taken advantage of in providing effective support to small scale local self help initiatives throughout the country. Under the microprojects approach at the request of the Zimbabwean Government a total of 15 MECU of funding from the National Indicative Programme has been set aside to finance small projects at the local level. These projects as well as involving inputs, either in cash or kind, from the local community concerned, have also, on occasion, involved inputs from Government. For example if under the Microprojects Educational Facility a new classroom was to be built by the local community with EC funding, the Zimbabwean Government would make a commitment to cover the costs of a teacher.

In Zimbabwe the microprojects approach has involved support both for economic self help initiatives and for a rural schools building programme. The implementation of the rural schools building programme has been highly successful, with facilities having been extended at over 600 rural schools. In the economic sphere projects supported have included such small scale agricultural developments as vegetable gardens, poultry production units and irrigation schemes as well as
NGOs community self-help grazing schemes.

As an indication of the type of scale of agricultural development projects supported under the microprojects facility, between 1982 and 1986 the CEC supported ten separate grazing projects involving some 20 grazing schemes, within the framework of a pilot project approach, the total CEC contribution was Z$312,467 - that is an average intervention of Z$10,623. The aim of these grazing schemes was to improve production and conserve vegetation cover, thereby reducing the risk of environmental degradation. The schemes were financed on a tripartite basis, with the CEC financed microproject facility meeting 50% of costs and the Government and local community meeting the other 50%.

The financial support extended through the microproject facility in Zimbabwe took place within a policy framework which accorded high priority to the development of communal lands, and where an established experience already existed within the reformed government agricultural services of grazing schemes. The CEC did not initiate the project and approach adopted but through the microproject facility addressed financial constraints facing the Zimbabwean implementing agency (AGGRADES).

The experience of Zimbabwe is that a bottom up approach which supports initiatives taken by the local community provides a much firmer foundation for the successful development of local agricultural self help initiatives. In the case of grazing schemes in Zimbabwe, those which were established as a result of outside initiatives, showed much lower levels of community participation and were generally less successful in meeting specific project goals and promoting general agricultural improvements broadly defined.

In the field of economic self help a number of difficulties have arisen from which Namibia could usefully learn. In Zimbabwe the need for intermediate support service organisations has been recognised, if income generating self-help initiatives are to be sustained. The function of support service organisations is to provide the necessary management support and training to ensure that the skills of those involved in economic self-help initiatives are developed to such an extent that the initiative becomes self-sustaining.

Within Namibia, a number of such support service organisations are in the early stages of development and need to be encouraged. These support service organisations can also have an important role in encouraging and stimulating community self-help initiatives. This helps ensure that the funds set aside under the microprojects programme are rapidly and effectively utilised.

However, linking local initiatives to funding bodies such as the CEC through a microprojects facility is clearly an area where organisations, with broad coverage in the rural areas, such as the churches could play
NGOs

an important role. Indeed, in Zimbabwe, the World Lutheran Federation has in certain areas begun to take on this role, though it should be stressed that this has generally been with regard to non-income generating projects, where the churches tend to lack the necessary skills needed for effective management support and training.

14.7 Non-Lomé Provisions Extending Support to the NGO Sector

14.8.1 Introduction

In addition to its development cooperation activities financed under the Lomé Convention, Namibia will also be able to benefit from a variety of development cooperation provisions contained in the annual European Community Budget. Namibia has already benefitted from a number of these annual budgetary provisions. From its initiation to 1986 the EC provided money in support of the development activities of Namibian NGOs through budget line 9410 for NGO Co-Financing. From 1986, the Namibian non-governmental sector was able draw support from budget line 953 - the Special Programme for Victims of Apartheid. During the transitional period 1989-90, Namibia was able to benefit from resources made available under no less than 7 different budget lines. These included a special budget line established to finance transitional programmes in Namibia. In 1990 this budget line was increased to 19 MECU and has been used to support a wide variety of activities both with the Government (including budgetary support) and the Namibian non-governmental sector.

If delays should occur in Namibia acceding to the Lomé Convention, this annual budget programme may even be extended into 1991.

Whilst once Namibia has acceded to the Lomé Convention a number of these budget lines will fall away (principally budget line 9530 - the Special Programme for Victims of Apartheid - and budget line 9532 - the Special Programme for Namibia), others will remain, many of which are open for submissions from Namibian NGOs, either directly or indirectly through a European partner NGO. If the availability of these funds are to capitalised on then it is necessary for Namibian NGOs to study the relevant provisions and make appropriate applications for funding.

Let us consider briefly these various budget lines.
14.8.3 What Annual Budgetary Resources Relevant To Namibia Exist?

14.8.4.1 Food Aid

An important provision for development cooperation under the annual community budget is the budget line for financing food aid operations through NGOs. Under this budget line for 1990 funding through NGOs for the delivery to the third world of the following quantities of food aid is made available:

- 120,000 tonnes of cereals;
- 20,000 tonnes of milk powder;
- 2,500 tonnes of sugar;
- 7,000 tonnes of vegetable oil;
- other products to the value of 8 MECU.

This food aid is intended to support rural development through "Food for Work" programmes. Normally its delivery involves the NGOs in initiating self help projects. All applications for such food aid has to go through the NGO coordinating body for Food Aid (EURONAID).

14.8.4.3 NGO Co-Financing

Under budget line 9410, some 90 MECU is made available to co-finance development projects in the third world through European Non-Governmental Organisations. This money is available for co-financing development projects world wide, so in large part Namibian projects have to "compete" for funds with development projects elsewhere in the world.

This budget line is heavily used by ENGOs. Indeed, demands are such that annual funds have normally been allocated by April of the calendar year in question. In order to access these funds Namibian NGOs need to go through a European counterpart NGO.

Whilst this co-financing does not require the approval of the Namibian Government, the CEC invariably endeavours to ensure that NGO co-financing projects are consistent with Government policies and objectives. However, since the funding is available for co-financing development projects world wide, the Government can assist in mobilising funds for the NGO sector by pursuing policies which encourage the development of local Namibian NGOs and other less formal grassroots self-help initiatives.

14.8.4.5 Food Aid through NGOs

Under Budget Line 9411, some 10 MECU is allocated for the financing of food aid operations through European NGOs (ENGOs). This can include the delivery of food aid to needy sections of the population (ie various
supplementary feeding programmes) or the supply of seed and equipment for the promotion of agricultural production. These operations require at least 25% co-funding from the ENGO. Here again if local Namibian NGOs are to avail themselves of resources made available through this budget line they must work through a European NGO.

The Government can assist in the mobilisation of these resources by encouraging locally represented ENGOs to adopt targeted feeding programmes for needy sections of the population.

14.8.4.7 NGO Food Storage and Early Warning Programmes

Under Budget Line 9281, some 10 MECU is available for financing through ENGOs food storage programmes involving the active participation of the local community. The early warning programmes should be designed to provide ample warning of deteriorating food availability at the local level. It is intended that such NGO initiated operations are eventually incorporated into the national programmes of the state concerned. Here local communities can take the initiative and then find a suitable ENGO to channel the funding (and any necessary technical support) to them.

In both these areas, given that Government structures are in the process of reform, NGO initiatives mobilising local support could well meet immediate needs until the Government is better placed to establish a comprehensive national system.

14.8.4.9 Other Resources Available to NGOs

Several other Budget Lines are accessible to NGOs, principally:

- Ecology in Developing Countries (Budget Line 9460);
- Support for the FLS and SADCC Members (Budget Line 9531);
- AIDS Control in Developing Countries (Budget Line 954).

For further details, see sections 1.5.2.3-5 above.
ANNEX 1. THE MICROPROJECTS APPROACH: EXPERIENCES AND ISSUES

In Zimbabwe, the microprojects facility has been used to support small scale rural development initiatives. These have included such small scale agricultural developments as vegetable gardens, poultry production units and irrigation schemes, as well as community self help grazing schemes.

As an indication of the type of scale of agricultural development projects supported under the microprojects facility, between 1982 and 1986 the CEC supported ten separate grazing projects involving some 20 grazing schemes, within the framework of a pilot project approach, the total CEC contribution was Z$ 312,467 - that is an average intervention of Z$ 10,623. The aim of these grazing schemes was to improve production and conserve vegetation cover, thereby reducing the risk of environmental degradation. The schemes were financed on a tripartite basis, with the CEC microproject facility meeting 50% of costs and the Government and local community meeting the other 50%.

The financial support extended through the microproject facility in Zimbabwe took place within a policy framework which accorded high priority to the development of communal lands, and where an established experience already existed, within the reformed government agricultural services, of grazing schemes. The CEC did not initiate the project and approach adopted but through the microproject facility addressed financial constraints facing the Zimbabwean implementing agency (AGGRADES).

In the Namibian context the establishment of a microprojects facility could create a mechanism through which the CEC could support a wide range of small scale agricultural self help initiatives throughout Namibia. The CEC could not and should not be expected to generate these small scale agricultural self help initiatives. An external body such as the CEC lacks the necessary local knowledge and would be operating in a context of institutional uncertainty which would limit the impact of any initiatives it could identify, without being able to provide all the necessary support services.

The experience of Zimbabwe is that a bottom up approach which supports initiatives taken by the local community provides a much firmer foundation for the successful development of local agricultural self help initiatives. In the case of grazing schemes in Zimbabwe those which were established as a result of outside initiatives, showed much lower levels of community participation and were generally less successful in meeting specific project goals and promoting general agricultural improvements broadly defined.

In the Namibian context the institutional framework for supporting small scale agricultural self help initiatives is uncertain and whilst establishing the institutional framework for extending assistance to local
Microprojects

agricultural self help initiatives is likely to be accorded a high priority in the post-independence period, some delays can be expected before such government support infrastructure is in place. However, currently, a limited amount of supporting infrastructure for promoting small scale agricultural self help initiatives does exist within the Namibian NGO sector.

The CEC already has a foundation in this regard through the support it has extended to the Rural Extension Service Unit of the Namibia Community Co-operative Alliance. Within the framework of a micro-projects approach the CEC could look to supporting, over the coming years, small scale agricultural self help projects identified, stimulated and supported by NCCA. The example of NCCA is merely illustrative, in nascent form other support service organisations exist (operating not only in the agricultural sector). Where a proven capacity for supporting small scale agricultural self help initiatives exists these organisations could be granted limited institutional support in order to allow them to extend the support services they can offer to small scale agricultural self help initiatives.

Thus the establishment of a microprojects facility to support agricultural development would appear an appropriate form for CEC assistance to Namibia to take in both the pre and immediate post-independence period. Whether such a facility should then be continued under Lomé IV would be a matter for an independent Namibia Government to decide in consultation with the CEC, as part of the programming exercise.
ANNEX 2. SYSMIN: SOME EXPERIENCES IN SOUTHERN AFRICA

The SYSMIN scheme, or special facility for mining products, was introduced under Lomé II. Its objective is to meet the needs of those ACP states whose economies are largely dependent on mining and exporting mineral products. Under Lomé I there had been pressure for mineral products to be incorporated under STABEX, SYSMIN was in effect the chosen response to this pressure. The aim of SYSMIN is to maintain existing production and export capacity. Although its roots may be seen to lie in the STABEX facility its implementation bore some marked differences, which were in effect to provide a model for the revision of the utilisation of STABEX provisions under Lomé III.

SYSMIN funds are not made available as simple financial transfers but as project financing for interventions in the mining sector. Decision making with regard to SYSMIN applications is by a two staged procedure:

-First, the Community has to decide on the admissibility of the application for aid made by the State concerned. The Commission studies this application in close collaboration with the ACP state. The Commission then decides whether the application is admissible, following the delivery of an opinion by the relevant Community authorities. This first stage ends with the Commission and the ACP state signing a document confirming by common accord that the conditions for aid have been fulfilled.

-Subsequently, the Commission appraises the projects or programmes, following which a financing decision is taken.

The utilisation of SYSMIN resources from the inception of the scheme was thus far more tightly directed, with the Commission having as strong a say in their final utilisation as if it had been a conventional EDF financed project in the mining sector.

In 1981 the first SYSMIN applications were received in respect of copper and cobalt from Zambia and Zaire. On October 21st 1981 both requests were judged to be admissible and on the 11th June 1982 the Financing Agreement for the Zambian SYSMIN intervention was signed. Under Lomé II and III SYSMIN resources were transferred in the form of soft loans, with 1% interest over 40 years with a 10 year grace period. The SYSMIN loan to Zambia formed part of a wider US$ 300 million Export Rehabilitation and Diversification Project which the EIB (33 MECU), African Development Bank and the World Bank were all supporting. In February 1986 a further 28 MECU SYSMIN II loan was agreed for ZCCM.

SYSMIN I has now been successfully implemented and this has contributed towards halting the downward spiral in the volume of copper production, which bottomed out in 1985. With the help of a second SYSMIN loan under Lomé II for 28 MECU, which extended the Export Rehabilitation Diversification project and an increase in world copper prices, in financial year 1887/88 ZCCM was able to make an after tax profit of K 372 million.
SYSMIN

With earlier problems of foreign exchange availability now being addressed by the Zambian Government and buoyant copper prices ZCCM's return to profitability looks sustainable.

SYSMIN interventions constitute a series of individual but related projects covering rehabilitation and procurement of mine equipment and supplies, works and supplies contracts for mining infrastructure, technical assistance and training. The commodity import component of the SYSMIN intervention generates counterpart funds which are used through the SYSMIN Social Fund to finance social projects – such as housing and water supply improvements and health facility provision – on the copperbelt.

Under Lomé IV SYSMIN transfers have been converted to grants and are no longer repayable loans from the country perspective. However, transfers are undertaken on a two stage basis: first a grant to the state and then a loan to the enterprise actually undertaking the rehabilitation programme. This loan has to be paid back to the state which then uses the "counterpart funds" generated for the type of social projects outlined above.