

**GUIDELINES AND CRITERIA
FOR THE DETERMINATION OF
PRIORITIES OF PROJECTS
FOR FINANCING THROUGH
THE SECOND ACCOUNT**

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(Adopted by the Executive Board at its Eleventh Meeting in March 1993)

The Guidelines and Criteria for the Determination of Priorities of Projects for Financing Through the Second Account are adopted in conformity with regulation II.3 of the Regulations and Rules for Second Account Operations, taking into account the advice of the Consultative Committee. These Guidelines and Criteria must be read in conjunction with the Agreement Establishing the Common Fund for Commodities and they will be reviewed annually by the Executive Board.

ELIGIBILITY

Only measures which are eligible for financing through the Second Account under the terms of the Agreement and which are presented to the Fund in accordance with the provisions of the Regulations and Rules for Second Account Operations shall be considered for financing through the Second Account.

PRIORITIES

- 1.1 Proposed measures shall be prioritized in the light of particular circumstances characterizing each commodity, and the economic and financial situation in developing producing countries including their debt problems.
- 1.2 Bearing in mind the principles laid down in Article 18.3 (m) and (n), due emphasis shall in this regard be given to commodities of interest to the least developed countries. Due emphasis shall also be given to commodities of interest to developing countries, particularly those of small producers-exporters.
- 1.3 Due emphasis shall further be given to the expected impact of proposed measures on the development of those countries.

- 2.1 Due emphasis shall be given to measures which are likely to improve the socio-economic conditions and/or protect the environment in developing producing countries.
- 2.2 In the context of improving the socio-economic conditions in developing producing countries, the Fund may give special attention to projects which may lead to an improvement of the quality of life of workers and smallholders engaged in production, transport and processing of commodities as well as to the development of their skills and abilities.
- 2.3 In this regard, the Fund shall, wherever possible, seek to contribute to the enhancement of commonly agreed policies of the United Nations and its specialized agencies in fields such as health, education, food security and environment. Regional or national programmes with similar or identical objectives shall likewise be taken into account.
- 3.1 In selecting projects for financing through the Second Account, the Fund shall encourage consistency regarding efforts undertaken at the international level in the field of commodities. It shall take into account the work of UNCTAD and, in particular, the efforts pursued by bodies such as GATT and other international or bilateral agencies to liberalize trade in commodities and commodity related products.
- 3.2 The Fund may give special attention to project proposals developed by an ICB as an important part of an overall strategy for the commodity in question.
- 3.3 Due account shall be taken of the resources of the associated industries, traders and importers of the commodity, and of the support which they offer to industries in the developing countries and in the co-financing of projects.
- 3.4 Due priority will be given to projects either seeking loans or which have secured co-financing commitments. However, in conformity with the priority listed in 1.2 above, financing of projects pertaining to least developed countries shall be on grant or soft loan terms.
- 4.1 The Fund will give special attention to measures including technical assistance projects aimed at improved management and better utilization of commodity resources, *inter alia, with a view to optimizing a level of economic exploitation which is sustainable also in the longer term.* Where structural over-supply of a particular commodity on the world market occurs, associated projects should not involve measures which exacerbate the problem.
- 4.2 The Fund may also give special attention to measures including feasibility studies and other technical assistance projects aimed at providing a basis for increased local processing of commodities in developing producing countries.
- 5.1 The Fund may give special consideration to measures aimed at strengthening the competitive position of commodities facing difficulties such as a falling market share in competition with synthetic substitutes and a declining trend in real term export earnings

resulting from structural changes in their markets; inter alia, by seeking new outlets and encouraging innovative technologies to enhance the value of these products. These measures should demonstrate the potential for improvement in long-term competitiveness.

- 6.1 Among projects of a comparable nature, priority shall be given to those where the finance provided by the Fund would yield significant benefits to a number of developing producing countries with a large part of their population depending on the commodity in question.
- 6.2 The Fund shall promote and facilitate measures aimed at vertical diversification with a view to:
 - (i) Increase remuneration to producers through value-added measures to the commodities; and
 - (ii) Assisting in developing other alternatives where demand for traditional commodities is experiencing a downward trend.