

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(90) 654 final

Brussels, 17 December 1990

Proposal for a

COUNCIL DECISION

concerning

General Guidelines for Financial and Technical Cooperation

with the developing countries in Latin America and Asia

during the period 1991-95

(presented by the Commission)

## EXPLANATORY MEMORANDUM

1. In the context of the Community's policy towards the developing countries, financial and technical cooperation with the developing countries in Latin America and Asia (IAA) began in 1976. The objectives of such cooperation and the implementing procedures were laid down in Council Regulation (EEC) No 442/81.<sup>1</sup>

At the same time, other means of cooperation with those countries - such as food aid, Stabex for the least developed countries and a variety of economic cooperation schemes - have gradually been developed.

In May last year the Commission presented a report on the progress achieved in the first thirteen years (1976-88), referring to all these types of cooperation.

On this basis, and in view of the profound changes which the developing countries concerned and the Community itself have undergone, the Council and Parliament asked the Commission to propose ideas on cooperation with the IAA developing countries over the next ten years.

In June this year the Commission produced such a paper, which is currently being studied by both the Council and Parliament.

2. In accordance with this Communication, the new guidelines for cooperation with the IAA developing countries must include the following points:
  - (i) the need for a substantial stepping up of cooperation with the IAA developing countries on a multiannual basis.
  - (ii) the current two channels of cooperation (namely development aid and economic cooperation) should be maintained, but the latter should be consolidated being in the mutual interest and directed in particular to the relatively more advanced countries;
  - (iii) development aid (financial and technical cooperation) will continue to be targeted on the least-favoured strata of society, the rural sector and regional cooperation, but in addition it will be available to support urban development and sectoral adjustment and schemes to promote the role of women and to deal with problems relating to ethnic groups and population growth;

<sup>1</sup> OJ L 48, 21.12.1981, p. 8.

- (iv) economic cooperation will be refocused on three areas:
  - (a) the transfer of economic, scientific and technical know-how,
  - (b) the economic environment and (c) schemes to help firms;
- (v) environmental considerations must be taken into account in all cooperation schemes by reserving a proportion of available appropriations for specifically environmental measures.

3. In the light of the guidelines, which will be decided by the Council and Parliament on the basis of the Commission Communication summarized above, the Commission will propose at the earliest opportunity a new basic Regulation covering all instruments (except those which already are, or will be covered by specific basic legislation)<sup>1</sup> and making the necessary amendments to existing legislation.
4. Because of the need to pursue without a break the aid policy towards the Latin American and Asian developing countries and to this end to use the appropriations to be entered in the Community budget for 1991 and in view of the time needed by Parliament and the Council to study the draft Regulation referred to above, operations will have to continue in 1991 on the basis of the existing legislation.

Most of these appropriations are for financial and technical cooperation and are covered by Regulation (EEC) No 442/81. Article 9(2) of the Regulation provides that: "acting on a proposal from the Commission and after consulting the European Parliament, the Council shall determine, in good time before the end of the year, the general guidelines to be applied to aid for the following year".

When Parliament issued its opinion on the general guidelines for aid to the LAA developing countries in 1990 it requested that they should, in future, cover a multiannual period - as, indeed, the Commission had proposed.

As this is a matter of urgency, the Commission proposes that the Council should adopt, according to the procedure laid down in Regulation (EEC) No 442/81, the general guidelines needed for 1991, with a view to applying them on a five-yearly basis. The proposal faithfully reflects the content of the Commission Communication as regards financial and technical cooperation over the next ten years, which also takes account of the comments made on a number of occasions by Parliament and the Council.

Clearly these guidelines will be amended, if necessary, in the framework of the new basic Regulation.

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<sup>1</sup> Such as Stabex-LAA, Cooperation in the field of Research and Development, EC-IIC.

General guidelines for financial and technical cooperation with the developing countries in Latin America and Asia for the period 1991-95

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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to the Council Regulation (EEC) No 442/81, and in particular Article 9(2) thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas general guidelines should be determined, for financial and technical cooperation with the developing countries in Latin America and Asia for 1991, for application on a five-yearly basis in order to ensure that Community operations in this field are consistent,

HAS DECIDED AS FOLLOWS:

Article 1

General framework

There are two basic channels of cooperation between the Community and the LAA developing countries, namely development aid and economic cooperation, which supplement trade relations and political dialogue.

Financial and technical cooperation, which began in 1976, is one of the main instruments of development aid and includes food aid, the export earnings stabilization mechanism, opportunities for co-financing operations undertaken by European NGOs and various types of emergency and humanitarian aid, which have to be coordinated and, where necessary, combined.

Article 2

Objectives

In general, development aid is the expression of the Community's support for the LAA developing countries, which face serious problems (population growth, mass poverty, financial and environmental difficulties) for which they alone cannot muster all the necessary resources and know-how.

Within the range of development instruments, financial and technical cooperation is designed to transfer funds and targeted know-how to specific operations (projects or programmes of varying types) with a view to solving general or sectoral problems or carrying out pilot schemes aimed at developing new strategies.

Given the immense scale of the needs of the LAA developing countries and the quality of the aid that can be mobilized via financial and technical cooperation, such cooperation should be directed primarily at improving the living standards of the neediest sections of the population in the countries in question. It should also have a pump-priming or catalytic effect in areas where domestic resources or external aid are hard to mobilize, but which are of strategic importance either for the balanced development of the developing countries or for the international community as a whole.

### Article 3

#### Eligible countries

1. All the developing countries in Latin America and Asia except for those which belong to the ACP group of countries or which are covered by the Community's Mediterranean policy are in principle eligible for financial and technical cooperation.

By its nature, however, such cooperation is principally intended to support the efforts of the poorest or most disadvantaged countries.

It will be extended to other countries in the two regions in specific fields or cases where Community action is taken in response to unforeseen events or in the short or long term leads to larger-scale operations or new policies to help particularly under-privileged sections of the population or essential sectors at regional or world level, but which do not constitute a clear priority in terms of allocation of domestic resources. The aid will be used essentially to deal with problems involving:

- natural disasters;
- regional cooperation;
- strengthening of institutions;
- the environment and drugs.

2. Community aid is directed towards development centred on people and thus entails respect for and promotion of all human rights. Efforts made to further or ensure fuller enjoyment of these rights will be taken into consideration in the allocation of resources.

For operations directly targeted at people faced with serious development problems, however, the only condition governing the granting of such aid shall be the assurance that the target populations can effectively be reached without interference.

## Article 4

### Main fields of action

#### 1. The rural sector

Financial and technical cooperation continues to give priority to the rural sector for the simple reason that most of the population in the IAA developing countries belongs to this sector, that it includes the least-favoured strata of society and that the Community has solid experience in such matters.

All the subsectors will be taken into consideration depending on the situation and priorities in each country: agriculture, fishing, stock-farming, rural loan schemes, production and service infrastructure, training and so on.

Improving the level of food security will continue to be a matter of the utmost importance.

The problems of small towns which provide services for rural areas will also be taken into consideration.

Current Community support for international agricultural research will also be maintained and special attention will be given to national and regional research requirements, above all the needs of small farmers.

Particular attention must be given to the fight against drugs in cooperation with the IAA developing countries where the main production areas are located.

As part of operations to assist the rural sector, special attention will be given to crop conversion schemes, provided that these are grounded on normal economic criteria. Otherwise such schemes will not be undertaken unless additional appropriations are available under other Community policies or provided by other aid donors.

#### 2. The environment and natural resources

The environment and natural resources will be a new priority area for financial and technical cooperation.

All projects or programmes will be designed and assessed to ensure that their environmental impact is as favourable as possible and, particularly the rural sector, where there are alternative options, preference will be given to projects aimed at environmental protection, such as the management of river basins, "social" reforestation and so on.

A proportion of all financial and technical cooperation funds will be reserved for projects specifically aimed at environmental protection (such as protection of tropical forests) which the governments of the developing countries concerned do not consider to be a high priority because of their very long-term results. This reserve (minimum 10%), which could possibly be increased under the annual budget procedure, will be used to finance projects and programmes aimed at:

- informing and educating the public, training management and technical experts and strengthening environmental structures in IAA developing countries;
- carrying out feasibility studies and pilot schemes.

### 3. Regional cooperation

Regional cooperation among developing countries continues to be a priority area for financial and technical cooperation because of its inherent importance and the Community's experience in the field.

Four areas should be considered:

- (i) regional cooperation on the environment;
- (ii) the development of intra-regional trade;
- (iii) strengthening of regional institutions;
- (iv) communications - particularly networks and services.

### 4. The structural dimension of development

The structural dimension of development is a new priority which should be covered by financial and technical cooperation.

Although the problems of structural adjustment proper are generally outside the scope of Community aid to the IAA developing countries, macroeconomic and sectoral problems should be taken into account in the choice and design of schemes.

Projects and operations financed by Community aid will be systematically scrutinized to ensure that they fit into sectoral policies conducive to their success (for example, farm prices, savings policy, rural loans schemes and so on). In appropriate cases, support will be given to improving these policies, either as part of larger-scale projects or on an independent basis.

Some structural schemes affecting a whole sector, a region of a country or several countries could also be considered. For such schemes, cooperation with the relevant international bodies and bilateral donors would be sought.

### 5. Rehabilitation and reconstruction following natural disasters and preventive measures

This is a necessary field of action as it goes further than emergency aid and emergency food supplies in alleviating the plight of the victims. Some 10% of resources for the whole period should be earmarked for this type of aid, with the possibility of exceeding the ceiling in any given year.

As far as the nature of the operations is concerned, they can cover any sector according to need. Besides financing reconstruction, rehabilitation or disaster prevention projects, more rapid means of intervention should also be developed, particularly in the case of major natural disasters, in the form of direct support programmes for the population or financial transfers to the national authorities.

## 6. The human dimension of development

This heading covers a number of aspects. It should be taken into account in all other areas of action because of the inherent justification of this form of cooperation.

Careful attention should therefore always be given to the aspects referred to below when operations are identified and implemented, and in addition such issues should be the subject of specific projects.

The role of women in development is of capital importance. Steps must be taken to ensure not only that the changes brought in by projects and programmes do not alter the existing situation to women's cost but that specific measures, or even projects or programmes, are selected in order to promote their full participation on an equal footing in the production and decision-making processes and in social activities.<sup>1</sup>

The problems of native ethnic groups deserve special attention, particularly because they often belong to the most disadvantaged sections of the population. The need to respect their desire to maintain their culture and social organization should also be taken into particular account.

Population problems are a major issue for a good many developing countries and should be taken into account by the Community, which must give financial and human support for any action put forward in agreement with the grassroots communities.

Community aid could also be used to help improve living standards in the big towns via upstream or demonstration schemes involving:

- (i) the transfer of know-how for dealing with urban problems;
- (ii) developing and undertaking pilot schemes aimed at the informal sector, notably the development of micro-enterprises.

Training must be both an end in itself and a regular feature of all operations supported by the Community, not only for the leaders but also for the people concerned themselves.

Wherever necessary, support could be provided for specific training schemes in all the various sectors covered by these guidelines.

Regular information must be provided about the operations financed by the Community, with recourse where feasible to new technologies.

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<sup>1</sup> Conclusions of the Council of 29 May 1990.

Article 5

1. Recipients and operators

Given that aid must be targeted at men and women, directly or indirectly the final recipients of every operation will be the people of the developing countries.

The range of operators (and intermediate beneficiaries) involved in financial and technical cooperation schemes should remain as wide as possible so as to include not only states and regions but decentralized public authorities, local or traditional communities, private institutes and operators and also NGOs.

The necessary coordination with the authorities in the country concerned need not automatically mean that aid must be channelled via the public sector - in some cases other operators will be chosen on the basis of their efficiency, qualifications and specific experience.

2. A country can develop only as a result of joint efforts from within the country by the population and the government chosen by them, taking account of the social values and cultural heritage of each people.

Outside support can do no more than speed up the process, for example by providing the extra financial resources and technical and organizational know-how which the country does not possess.

Community cooperation schemes are carried out against a background of growing dialogue with the LAA developing countries on all issues of mutual interest, both political and economic, at all levels - international, regional and bilateral.

As regards financial and technical cooperation the priority areas for Community support will emerge from this dialogue, which should cover not only the form that operations should take but also general policies which could affect these operations and their implementation.

Wherever possible, thanks to the multiannual character of Community cooperation with the LAA developing countries, multiannual programming on the basis of objectives will be undertaken for each country and where appropriate by region.

This programming - which will be of an indicative, flexible nature - should help to increase the impact of Community aid on the general policies of the countries concerned.

It will take account of the possible contribution of other Community cooperation instruments, such as food aid and economic cooperation.

Resources will be allocated to the various recipient countries and regions by reference to:

- (i) the income levels and development needs of the various countries;
- (ii) the intrinsic value of operations in terms of development potential and their contribution to healthy, realistic macroeconomic policies and to the needs of the most disadvantaged sections of the population;
- (iii) the possibility of arousing the country's interest and/or mobilizing additional resources to assist certain sectors.

### 3. Forms of transfer, projects and programmes

Aid will be allocated to projects and programmes and, wherever feasible, to integrated projects, sectoral programmes and quick-disbursing programmes.

The latter type of scheme comprises support for economic reform programmes where circumstances justify it, and other types of structural measure with a sectoral or regional approach within a given developing country.

All aid is in the form of grants because of the developing countries' increasing difficulty in repaying debts and the social orientation of financial and technical cooperation.

It might, however, be worth applying suitable mechanisms to link the gift of aid to a country (or a community or region) with procedures for refunding by the individual recipients, in particular when the purpose of the scheme is to support profitable activities or small businesses.

Similarly, where there are the necessary guarantees and where there are grounds for giving Community aid a greater role to play, it will be possible to advance the requirements in local currency of traditional projects for the supply of imported products (or other methods) in order to establish counterpart funds (to be deposited in inflation-proof accounts) for the use of the project managers.

Each individual scheme (project or programme) will be subject to technical and economic analysis. This will enable clear objectives backed up by figures to be set and thereby make subsequent evaluation of the results easier.

Efforts must be made to ensure that the local population participates not only in undertaking operations but right from their conception. A maximum 3% of the total resources allocated to financial and technical cooperation with the LAA developing countries could be used to cover study costs, the cost of recruiting short and long-term experts and other auxiliary staff to assist the recipients and the Commission in devising general policies, identifying and drawing up projects, monitoring their execution and

assessing their results during and after, none of which would be included in individual projects or programmes.

#### 4. Coordination and integration of aid

All instruments of Community cooperation should be carefully integrated so that they work together with maximum efficiency. Integration should be sought not only in overall planning of cooperation on a country-by-country basis (see Article 5(2)), but also when each project or programme is prepared.

Integration of instruments particularly applies to food aid and the Stabex system but it should be extended wherever technically feasible to humanitarian aid and economic cooperation.

As much benefit as possible should also be drawn from the experience of NGOs, notably in connection with the numerous projects co-financed with the Community.

Coordination with other aid instruments is one way of increasing the efficiency of operations by bringing together a critical mass of resources so as to obtain the maximum benefit from the advantages peculiar to each of them.

Coordination should be stepped up, particularly with the bilateral aid provided by the Member States, which would, furthermore, reinforce the European presence.

Co-financing is the closest possible form of coordination and thus deserves particular attention but at the same time the decision-making process and execution need to be made much less slow and cumbersome - the result of the number of decision-makers and the particular rules governing each of them.

### Article 6

#### Specific regional considerations

Aid will be adapted to the needs and priorities of each country and each region.

The Community must also take account of the specific nature of its relationship with each of the regions of Latin America and Asia.

With regard to Asia, the large number of least developed and densely populated countries means that Community aid should be concentrated on those developing countries with a relatively low level of development.

In rural areas, in addition to technology transfer, Community aid should help to increase investment - especially in production. Attention will also be given to population policy and to communications, telecommunications and energy-producing infrastructure in rural areas.

The wide variety of civilizations and development situations in Asia must be taken into consideration so that Community aid is adapted to the needs of the different countries.

There are three important aspects to environmental protection: (i) saving the tropical rain forests, particularly in South-East Asia, (ii) combating the deforestation caused by population pressure, particularly on the slopes of the Himalayas, and (iii) limiting the adverse effects of industrialization in densely populated areas.

Current developments in the Indochina peninsula give hope for much greater respect for human rights. The Community must join in international efforts to ensure that these political changes are matched by very rapid economic recovery and the return of refugees and displaced persons.

Regional cooperation is also an area in which further developments seem likely, and this applies to both ASEAN, which has enjoyed longstanding Community support and South Asia (SARC), where a more active form of regional cooperation is desirable, and also Indochina.

With regard to Latin America, the development threshold of the countries eligible for Community aid must take account of the overall situation of the relatively more advanced countries in this region.

Because of the vast differences between the richest and poorest sections of the population in most Latin American countries, Community aid must be targeted at the neediest sections of the population.

In this connection, particular attention will be given to the production of basic foodstuffs, to measures supporting national land reform legislation and to programmes enabling the grassroots communities - and in particular the indigenous communities - to take charge of their own development.

The determination and efforts of the countries in that region to achieve regional and subregional integration will continue to receive strong support.

In this context, Central America will be given particular attention, in accordance with the Community's commitments - which were reconfirmed at the 1990 Dublin Ministerial Conference (San José VI).

Some of the proposed new objectives of Community aid are of particular interest to this continent:

- drug production plays a considerable role in the economy of some countries in the region. Community aid should be able to help, albeit to a small extent, in solving this problem. In this connection an initial coordinated response should be given to the efforts made by Colombia and the other Andean Pact countries;
- aid for the development of micro-enterprises in the cities is a special priority in Latin America, even in the relatively advanced countries;
- protection of the environment, in particular the tropical rain forests, is essential not only for the countries in this region but for the entire human race. One of the reasons for this concern is that a large number of useful forest species are native to the region;
- strengthening the macroeconomic management capacities and science and technology capacities of Latin American institutions.

#### Article 7

##### Evaluation and reports

Regular assessment, both during and after the implementation of projects, enables means and objectives to be adapted to changing realities.

Such evaluation will be based *inter alia* on the cost-effectiveness approach set out in Article 2 of the Financial Regulation.

All Community schemes are already subject to regular concurrent assessment: this will be maintained and standardized and ex-post evaluation will be extended and made more structured.

Reports presented to Parliament and the Council on a regular basis and publications for the general public will ensure that financial and technical cooperation is managed in a transparent way.

Annual reports will be drawn up at the end of each budget year giving the results of implementation (commitments and payments) and the projects and programmes prepared and selected in the course of the year.

More detailed reports also giving the results of evaluation will be presented at the end of and halfway through the five-year period (1991-95), making it possible not only to assess implementation but also to decide whether the guidelines for aid should be maintained or altered.

## FICHE FINANCIERE

### Orientations de la coopération financière et technique

#### avec le PVD-ALA (1991 - 1995)

#### 1. Lignes budgétaires concernées

Lignes budgétaires B 7-3000 et B 7-3010.

#### 2. Base légale

Il s'agit des bases existantes pour chaque ligne concernée.

#### 3. Classification

DNO

#### 4. Description

##### 4.1. Objectif

- Accroissement de l'effort d'aide communautaire au développement dans les PVD-ALA les plus pauvres dans l'objectif de répondre à une demande pressante d'extension du champ d'application de cette forme d'aide (protection de l'environnement, dimension humaine du développement, coopération régionale, dimension structurelle du développement, catastrophes naturelles).

##### 4.2. Personnes concernées

- Les couches de population les plus défavorisées dans les pays les plus pauvres d'Amérique Latine et d'Asie;
- les couches les plus défavorisées des autres pays de deux régions.

#### 5. Nature de la dépense et mode de calcul

##### 5.1. Nature

Exécution des projets ayant pour but d'appuyer les populations confrontées dans les PVD-ALA les plus pauvres à des problèmes de développement ainsi que l'environnement et l'intégration régionale.

##### 5.2. Calcul

Pour l'exercice 1991, les actions seront réalisées à partir des crédits prévus dans l'avant projet de Budget.

Pour les exercices futurs, une augmentation s'impose conformément aux orientations politiques proposées.

6. Incidence financière de l'action sur les crédits d'intervention

6.1. Echéancier des crédits d'engagements et de paiements<sup>(1)</sup>

Chiffres préliminaires

(En mio Ecu)	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
<u>Chapitre 7-30</u>					
Crédits engagement	448	580	600	620	652*
Crédits de paiements	319	350	430	520	600

(\*) Sous réserve des résultats de la renégociation de l'accord interinstitutionnel sur la discipline budgétaire.

6.2. Part du financement communautaire (en %) dans le coût total de l'action

100%

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(1) Pour la coopération financière et technique, il faudra prévoir entre 60% et 80% des montants prévus, étant donné qu'il est attendu que les autres lignes budgétaires de ce chapitre augmentent pendant la période de référence de 20% à 40% du montant global du chapitre.

EICHE D'IMPACT DE CERTAINS ACTES LEGISLATIFS SUR LES PME ET L'EMPLOI

1. OBLIGATIONS ADMINISTRATIVES DECOULANT DE L'APPLICATION DE LA LEGISLATION POUR LES ENTREPRISES

AUCUNE

2. AVANTAGE POUR L'ENTREPRISE

OUI

LESQUELLES

L'aide au développement pourra engendrer des avantages pour les PME dans les domaines services et fournitures de matériel.

3. INCONVENIENTS POUR L'ENTREPRISE  
(coûts supplémentaires)

NON

CONSEQUENCES

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4. EFFETS SUR L'EMPLOI

Aucun effet négatif prévisible sur l'emploi dans la Communauté.

5. A-T-IL EU CONCERTATION PREALABLE AVEC LES PARTENAIRES SOCIAUX?

NON

AVIS DES PARTENAIRES SOCIAUX

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6. Y A-T-IL UNE APPROCHE ALTERNATIVE MOINS CONTRAIGNANTE?

NON

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# DOCUMENTS

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