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of the
EUROPEAN COMMUNITIES

Directorate-General
for
Development Aid

COMMISSION MEMORANDUM TO THE COUNCIL
OF THE COMMUNITIES ON THE USE MADE
OF AID BY THE ASSOCIATED COUNTRIES

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INTRODUCTION

Article 16 of the Internal Agreement on the Financing and Administration of Community Aid provides that "the Commission shall ascertain how the aid granted by the Community and financed by the Fund is utilized by the Associated States, the overseas countries or territories or the French overseas departments receiving it. It shall inform the Council of its findings at regular intervals, not less than once a year".

The information contained in this document covers the period from 1 January to 31 December 1967. Intended for the Council of the Communities, it provides greater detail on some points and fills out the particulars given in the Commission's report to the Association Council - covering the same period - on the administration of financial and technical aid, as provided for in Article 27 of the Yaoundé Convention.

The information given below relates to certain aspects of the utilization of EDF loans to finance economic and social investment and the relevant technical co-operation (Chapters I to III). The remarks made in this first part also apply to aid for diversification. The second part deals with training schemes, which are part of the general technical co-operation programme (Chapter IV).

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CHAPTER I. IMPLEMENTATION OF ECONOMIC AND SOCIAL INVESTMENT PROJECTS

The Commission's report to the Association Council on the administration of financial and technical aid for the period from 1 June 1965 to 31 December 1966 had noted that the Associated States have their responsibilities in the implementation of investment projects.

To remark upon the lack of administrative facilities in the Associated States is to state the obvious, and only in two or three countries where conditions are more favourable has there been any notable improvement in the general situation. There is at any rate a case for continuing to stress the need for the Associated States to make the greatest possible contribution of their own to their development, in line with the public statements of their political authorities. We must also ask whether there are not, even where the Community is concerned, factors that really make for delay in the implementation of our projects. The formalistic nature of our regulations in particular sometimes appears to be ill-suited to the needs we have to satisfy, and the means deployed by the staff of the Commission are still distinctly inadequate.

1. CONTRIBUTION OF THE ASSOCIATED STATES

Experience gained with the projects now under way has shown that special clauses requiring the recipient countries to make substantial contributions of their own (whether staff or equipment) very often lead either to major delays or other shortcomings in the matter of implementation or, where such clauses are scrupulously respected, they produce disastrous effects on other fields necessarily neglected instead.

(a) The secondary school in Bamako (Mali), financed under the first EDF and completed in 1967, will serve to illustrate the first type of difficulty. The Government of Mali was to carry out the investments needed to assure the school's water and electricity supply, the construction of the school itself being financed by the EDF. When the school was built, however, it could not be used because there was no water and no electricity. The EDF therefore had to finance this additional investment too, though with a time lag.

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Similarly, the country hospital at Kayanza (Burundi), constructed with funds from the first EDF, would have been available for use by the end of 1965 if the recipient country had been able to meet in time its obligation to build accommodation for the medical staff. The necessary credits were granted under Burundi's extraordinary budget for 1966, and it was not until 1 September 1967 that the hospital could start work.

Road construction provides another example of the same problem. In Cameroon the EDF financed the improvement of the most difficult and most costly part of the Tignère-Kontcha road link. The Cameroon Government had agreed that it would itself finance construction of the link between this new section and the old road which carried on to Kontcha. When the work financed by the EDF was completed at the end of 1964, the road came to a sudden end in the middle of a forest, for the 27-km linking section had not been built. It was not until 1967 that the Government was able to make available the necessary credits and to build the section needed to complete the road between Tignère and Kontcha.

(b) If a country meets its commitments before the stated deadlines and helps to finish a project by contributing equipment and staff, there is still the danger that the normal functioning of the other activities of government services may be impaired as a result. The third stage of the campaign against rinderpest provides a concrete example. The resources available to the livestock departments of the countries concerned are - at least in part - to be used in the campaign.

To take one country only: in Mauritania, where the staff and equipment available to the livestock department were already far from adequate, using some of them for the campaign meant that normal operations in other fields had to be neglected. As a result there is already a serious danger of fresh outbreaks of other epizootic diseases.

The Commission therefore sees to it that each project financed from the EDF constitutes a self-contained unit lending itself to direct use. If the resources of the recipient country or population have to be used for carrying out projects, the Commission makes sure

that the Governments of the associated countries do not undertake commitments which they could only meet at the expense of normal operations which are equally important for the balanced development of their countries.

2. IMPLEMENTATION OF SMALLER SCHEMES

For work of minor importance which is of no interest to firms not established locally, and for urgently required deliveries of small quantities, the requirement that calls for tender must be issued to European firms (EDF Financial Regulation, Article 47(2)) and the long delays that go with this requirement expose the EDF unnecessarily to the criticism that its procedures are too time-consuming. The Commission should be authorized, in these exceptional cases, to call for local bids. This would very often make it possible to speed up the whole operation appreciably and would also prove that the Commission is taking into account the need to provide work for local firms.

Also, certain European firms sometimes submit tenders only in order to be able to subcontract the minor jobs to local firms and skim off part of the profit.

3. IMPLEMENTATION OF JOINTLY FINANCED SCHEMES

With two special-term loans granted in 1967 the Community is financing projects in conjunction with private capital, government aid from Member States, bank loans and suppliers' credit.

In the case of the textile plant at Fort-Archambault (Chad), the sources of finance under bilateral aid arrangements are the Fonds d'Aide et de Coopération (FAC) (special loan) and the Kreditanstalt für Wiederaufbau (long-term loan). In the case of the cement works in northern Cameroon, a long-term loan has been provided by the Caisse Centrale de Coopération Economique.

For jointly financed projects promoted by private interests, there arises the question how the rules of competition are complied with as regards the funds supplied by the EDF. In the cases mentioned, EDF financing is limited to the cost of acquisition of a

specified part of the equipment. The Chad contract, which has already been signed, provides that the loan will be made available on presentation of the documents evidencing payment, on the basis of the value fob shipping port, for the equipment purchased. The firm must also notify the Commission of the commercial and technical reasons on which it based its selection among suppliers from the Community.

CHAPTER II. USE MADE OF ECONOMIC AND SOCIAL INVESTMENTS

The authorities in the associated countries take over full responsibility for the utilization of the schemes once they have been carried out - i.e. once the work provided for in the financing agreements has been completed. It is at this stage that the investments may begin to have their main effect on the development of the country - when, say, a newly built road, a new water supply, a school or a dispensary is first used or a new plant is started up. The country concerned should therefore ensure that these facilities are properly managed and maintained. This is where its main contribution must be made.

1. MANAGEMENT OF PRODUCTIVE SCHEMES

To make sure that productive schemes financed by the EDF are satisfactory when operational, the Commission sees to it more particularly that the countries concerned have the means available that are needed for the management of the new production facilities.

Projects that are to yield direct financial profits are normally financed by loans (either ordinary loans from the EIB or loans granted on special terms by the EDF). The Commission and the Bank make sure that the undertaking, whether private or public, which is to manage the scheme is worthy of confidence and capable of using to advantage the capital put at its disposal so that it can meet its financial commitments and at the same time contribute to the development of the economy. Whenever possible the undertaking itself is also called upon to take a financial interest in the project so that it will have a direct and lasting stake in good management.

The same management problem arises in the case of projects financed by outright grants involving productive facilities on some scale. The Commission then stipulates that special clauses relating to the management of the investment be included in the financing agreement.

Three of the projects approved in 1967 - one industrial, the other two agricultural - may serve as examples.

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In connection with the provision of electricity and water to the textile mill at Koudougou (Upper Volta) it was stipulated that the supply facilities would be managed by the textile manufacturing firm. The contract to be concluded to this effect between the Upper Volta Government and this firm will have to be transmitted to the Commission before the call for tender is issued for the installations financed by the EDF. The same applies to the specifications for the company which will be responsible for supplying electricity and water to the town of Koudougou.

The scheme for agricultural improvement on an industrial scale in the Agonvy area (Dahomey) provides for the laying-out of oil-palm plantations to be owned and run by village co-operatives. A palm-oil works will also have to be built, and it too will have to be managed properly. In the financing agreement the Commission has already laid down that arrangements for the management of the works and the marketing of the products will have to be completed within two years - well before the plantations begin to produce. The Commission went even further by reserving the right to make an appraisal of the arrangements made by the Government and to refrain from completing the project unless there is every assurance that these arrangements make for efficient management.

As regards other integrated agricultural and industrial schemes, the Commission makes sure that the agency responsible for overall management is capable of running the project along financially profitable lines and that the pay and social conditions of the workers employed to operate the scheme are as good as possible. The improvement of social conditions to be brought about by those managing the project can often contribute substantially to raising the level of prosperity of the people working on and around the project. This refers in particular to medical services, education, accommodation, commercial services, transport, etc.

As regards management arrangements more specifically, the Commission has decided that the loan on special terms for the oil-palm plantation in Cameroon (the CAMDEV project) shall not be made available until a satisfactory agreement has been reached concerning the structural and financial reorganization of the agency responsible for implementing the scheme and subsequently operating the plantations.

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2. MANAGEMENT AND MAINTENANCE OF ECONOMIC INFRASTRUCTURE FACILITIES

The problem of the efficient management of completed projects also arises in the case of infrastructure facilities which operate independently, such as ports or railways.

In these cases the Commission, following the same lines as for productive investment schemes, makes sure that an appropriate framework exists already or is set up. The problem did not arise in connection with the scheme, approved in 1967, concerning the Abidjan-Niger railway because this railway was already operating satisfactorily as an independent public undertaking. It had, however, to be tackled in connection with the new port of Owendo (Gabon); in the financing agreement it will be stipulated that the Gabon Government will have to set up a public corporation with responsibility for the operation and maintenance of the port. This corporation will have a budget of its own and will have to be managed along industrial lines. Its board of directors will be made up of representatives of central and local government, political and economic associations, trade organizations, business groups and the staff. The Commission's aim is to ensure that the port is operated in the interest of the general public, including consumers and small producers.

Infrastructure investments such as roads, navigable waterways and wells, which do not come under the jurisdiction of independent agencies, have to be kept in good operating condition by regular maintenance work carried out by the public authorities or the part of the population directly concerned. The Commission makes sure, while a scheme is still being carried out, that the authorities of the country concerned take the financial, technical and statutory action needed for satisfactory maintenance, and as far as possible it also sees to it that these arrangements really meet with the approval of the agencies which have to carry them out and can be put into practice by them. So that the arrangements are made within the required time-limits and are sufficient, the financing agreements stipulate that the Commission must be notified before the contracts are signed.

The Commission even encourages the associated countries to ensure the maintenance of such investments by setting up specialized

agencies such as the Office des Eaux du Sous-Sol in Niger and the road funds now existing in various associated countries. These agencies should be allowed to manage their own budgets, they should regularly be supplied with the funds they need, and they should be allowed to use them only for carrying out the priority tasks for which they are responsible. There might even be a case for these agencies being entitled to provide in their own budgets for special credit lines for the maintenance of projects financed by the EDF.

Lastly, where the countries concerned intend to make the users bear part of the cost of maintenance of completed public projects, the Commission ensures in each case that the appropriate charges or the work to be done are kept within reasonable limits and do not exceed the means of the users.

CHAPTER III. TECHNICAL CO-OPERATION LINKED WITH INVESTMENT

Technical co-operation linked with investment takes the form of services provided by consultant firms or individual experts, who make surveys or give technical assistance to the Governments of the associated countries. The administration of this type of aid gives rise to various questions, discussed below, with regard to the sending of experts and the granting of assistance preparatory to or concurrent with investment schemes being carried out.

1. RELIEF OF TECHNICAL ASSISTANTS BY LOCAL STAFF

The relief of technical assistance personnel sent by the Community sometimes gives rise to problems if the experts' tasks have to be performed on a more or less permanent basis after the project has been completed.

In such cases, the Commission attaches great importance to ensuring that local staff are trained to take over gradually from the technical assistance staff. Sometimes difficulties arise despite these efforts. In 1965, for instance, the Commission agreed that two experts should be sent, for a period of two years, to the Bureau de Développement Industriel of Madagascar to assist in the preparation of projects. These experts were instructed to train local staff to take over from them. To make sure that local experts would eventually take over, the Commission left a monthly sum of 100 000 Malagasy Frs. per expert to be paid by the Malagasy Government. The BDI was, however, unable to find Malagasy nationals in time who were available and sufficiently qualified to take proper advantage of the training provided by the technical consultants; in 1967 the BDI was thus forced to ask for the extension of at least one of the foreign experts' contracts.

2. CHOICE OF CONSULTANTS

The choice of a consultant firm can determine whether a scheme is a success or a failure. This is therefore a question of prime importance, but it is also one of the most delicate problems that can arise at all. For a balance must be struck between two requirements which are difficult to reconcile - efficiency and impartiality.

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The efficiency requirement means that the consultant firm must do a technically irreproachable job while taking into account the special problems arising in African countries. To this end it is wholly desirable that the selected firm should have had previous experience in this field; otherwise it will tend to suggest solutions which are too "European", always costly and, more often than not, inappropriate. It is particularly with regard to architecture that the need makes itself felt for knowledge of the special problems of African countries.

As for impartiality, the consultant work must not be entrusted exclusively to firms from Member States which are the former mother countries of African associates, just because they are experienced in African affairs. European consultant firms which lack this experience should therefore be made familiar with the special problems of the countries in which they will have to make surveys. This will be all the easier if the firm is prepared to employ, either temporarily or permanently, staff already experienced in this respect. This appears to be the approach adopted in practice by some firms, particularly in the field of agriculture.

The Commission is therefore establishing a pool of experienced firms from the six Member States and the Associated States (experienced in a double sense: experienced in African affairs and experienced in the methods and procedures of the European Development Fund). It will then be able to draw on this pool as required and thus avoid the disadvantages of commissioning firms which have hitherto concentrated exclusively on European problems.

It is clear that not all the competent consultants in Europe can simultaneously receive practical training in African problems. They can be added to the pool of suitable firms only very gradually, the danger otherwise being that the criterion of efficiency which has to be met by the EDF would have to be abandoned or that it would not be possible to exploit sufficiently the experience gained, particularly through schemes in the associated African countries, by the firms which have already worked under EDF arrangements. All competent consultant firms which have not yet been called in therefore continue to be acceptable applicants for the future, but they can only be taken under contract on the basis of the objective criteria set out above, and not in response to pressure, no matter where it comes from.

3. CHOICE OF INDIVIDUAL EXPERTS AND SCOPE OF PREPARATORY TECHNICAL ASSISTANCE

As part of its preparatory technical assistance programme the Commission has financed, from the EDF, several groups of experts sent out to assist the authorities of an Associated State in the preparation of its schemes. In general, the work of these missions is very satisfactory, but it does come up against certain limitations, either on the part of the experts or on the part of the local departments which they have to assist or for reasons inherent in the job itself.

In 1964/65, for instance, a group of three experts spent five months in the Congo (Brazzaville) in order to prepare the documents for projects to be submitted for financing by the EDF. The group studied and completed seven dossiers in all, representing a total amount of about 13 million u.a. Of the five projects financed, two are being carried out normally. While work was proceeding on two other projects in 1967, they were found to be inadequate and had to undergo fairly substantial changes. Again in 1967, after the preliminary studies for the last project had been completed but before actual work started, the scheme had to be abandoned for technical reasons.

Apart from the complex nature of the projects and the technical problems they give rise to, one of the major factors contributing to the successful conclusion of schemes of this kind is the quality of the experts. If it is to call on the services of first-class technicians, the Commission should be able to guarantee them job security, and this is impossible in view of the way aid from the Community is organized at present. The limited amount of work to be done, in a particular country and a given special field, often does not even justify the experts' staying long enough to acquire the knowledge of the country and its physical conditions which is really necessary. This explains the difficulties encountered in the implementation of the agricultural schemes prepared for the Congo (Brazzaville).

Lastly, among the factors determining the efficiency of preparatory technical assistance, mention must also be made of co-operation between the experts and the government departments of the countries concerned. The latter bear the ultimate responsibility for the projects to be submitted, but they must be able to make good use of

the help of the technical assistants by explaining the main options within which they have to work, without restricting their freedom of judgment too much.

4. ADJUSTMENT OF PREPARATORY SURVEYS TO LOCAL CONDITIONS

If the choice of the consultant firm or expert has been a good one and the mission well thought out, the results of the survey will, from the technical angle, make full allowance for local conditions. More delicate problems may, however, arise in the psychological sphere.

The role played by the consultant firm or the experts is a hybrid one for they are legally answerable to the local administration yet they often possess much greater specialized knowledge than the representatives of this administration. There will be a fairly natural tendency on their part to use this superior position to try and obtain from the administration benefits over and above those fixed in their contracts.

It is impossible to list all such patterns of behaviour, but among the most frequent cases there are demands for additional emoluments, choice of expensive schemes, a general tendency on the part of the consultant firm or the expert to give the impression of being the direct representative of the body distributing the aid.

The Commission therefore takes rigorous action to make sure that the behaviour of firms and experts conforms to the principles of co-operation between the Associated States and the Community.

5. CONNECTION BETWEEN PREPARATORY TECHNICAL ASSISTANCE AND CONCURRENT TECHNICAL ASSISTANCE

The Commission sees to it that as a rule supervision of work is entrusted to the firm or expert that has helped to prepare the project, whenever they have done a satisfactory job. This approach makes for coherence and continuity in the various operations which together ensure that the project is successfully carried out. On the other hand, the consultant firm may tend to try and cover up, while the work is being done, mistakes it may have made in the preparatory stage. There would be no such drawback if two different firms were called in for preparation and supervision, but this would often lead to other, more serious drawbacks should these firms belong to different schools of thought in technical matters; these differences are often aggravated when the firms are competitors.

CHAPTER IV. GENERAL TECHNICAL CO-OPERATION: TRAINING PROGRAMMES

A. SCHOLARSHIP PROGRAMMES

1. DELAYS IN IMPLEMENTATION

The large number of scholarships awarded and the wide range of tasks connected with the programme (selection of candidates, assignment to the different places of study, travelling arrangements, supervision of the work done by the scholarship-holders, checking the results, deciding whether scholarships should be renewed, accountancy, etc.) ensure that the department concerned has a constant backlog to cope with, despite the assistance provided by the agencies co-operating in the administration of the programmes.

Delayed submission of a large number of applications adds substantially to the difficulties in the execution of the programme.

2. FINANCING OF LOCAL TRAINING

(a) Value of the scholarships

As the number of scholarships awarded for local training has been increasing, disparities in value have had to be adjusted. The value of the grants is determined with due regard, according to the level of training, for the value of scholarships awarded by the Associated States and also under bilateral aid arrangements, particularly those of the FAC. However, it appears expedient, in certain cases, to continue awarding scholarships of different values with a view to directing scholarship-holders towards those fields of study which can be considered to have priority - agriculture, for instance.

(b) Payment of grants

Payment is made, depending on the facilities available to the agencies administering the programme, either directly to the scholarship-holders or to the training institutions, which allocate to the scholarship-holders the share to which they are entitled under the rules. This method of payment, which is the one most frequently used, does not give rise to any difficulties if the institutions involved have a budget of their own. If they do not, however, there

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appear to be formal obstacles making it impossible to pay out to the holders of Community scholarships their share of the money that has been remitted. The Commission, together with the Governments of the Associated States concerned, is now looking for a solution to this difficulty.

3. SUPERVISION OF LOCAL TRAINING

For practical reasons it is more difficult to supervise training courses if they are given by establishments situated in the Associated States than if they are given in the Member States. The Commission is therefore seeking, in co-operation with the Governments of the Associated States concerned, some way of improving supervision arrangements.

B. SEMINARS

1. ORGANIZATION OF SEMINARS IN THE MEMBER STATES

The agencies co-operating with the Commission in the organization of seminars in the Member States are fully experienced in this type of work. None the less, they sometimes have difficulty in getting a sufficient number of participants together because these are dispersed over a vast area and because of the requirements of their study programmes.

2. RESULTS

The questionnaires filled in at the end of each seminar by almost all participants show that on the whole the participants are satisfied with the arrangement. Their attitude has changed considerably since 1964. In the beginning, most of them were severely critical of the idea of association and insisted that they wished to be independent. They now show a very clear tendency to admit that association is an arrangement that has something to offer their countries.
