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FINANCIAL AND TECHNICAL COOPERATION WITH
THE NON-ASSOCIATED DEVELOPING COUNTRIES
(ARTICLE 930 OF THE COMMUNITY BUDGET)
GENERAL GUIDELINES FOR THE 1981 PROGRAMMES

(Communication from the Commission to the Council)

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-2-

Financial and technical cooperation with the non-associated
developing countries (Article 930 of the Community budget)

General guidelines for the 1981 programme

Introduction

1981 will be the sixth year in which the Community has provided financial and technical assistance for the non-associated developing countries of Asia, Latin America, and Africa. This programme began in 1976 as a new form of Community aid, in addition to the various other relations already operating at the Community level with these countries (commercial promotion, food aid, etc.).

Beginning from a modest base in 1976 (20 M UA), the non-associates programme has already grown significantly, reaching 138.5 M EJA in 1980. On the basis of this experience, however, and supported by a more exact understanding of the situation and needs of these countries, it is apparent that 1981 should become a point of inflection in the growth of this programme, allowing it to reach a point where it will be able to operate on a genuinely effective basis.

I. Summary of the programme's general policy

Under this programme, priority is given to the poorest of the non-associated developing countries, to the poorest sections of their populations, and to the rural sector seen in its largest sense. The aid is aimed at improving the living conditions of the poorest groups in society, with emphasis on improvements in food supplies; actions carried out under the programme can be either at the national or the regional level.

In meeting these objectives, a Community presence in the main regions of the developing world should be assured, with a reasonable geographical balance among these regions.

Part of the funds available each year will be set aside for actions intended to cope with exceptional circumstances, and particularly for reconstruction projects following catastrophes.

Finally, a significant part of the funds will be devoted to cofinanced projects, in cooperation with Member States or with multilateral institutions (international or regional).

II. Experience to date

The five programmes carried out so far have confirmed in general terms that the policy guidelines of this programme are appropriate to the priority needs of the poorest non-associated LDCs. In applying these guidelines, however, certain minor qualifications should be noted, particularly in connection with the normal criteria of poverty, and with the range of sectors covered by the programme :

- national per capita income data are frequently misleading, and can conceal regional imbalances, very unequal income distributions, and the existence of extremely deprived groups within particular countries;

- improvements in the living conditions of the poorest groups in the population must on occasion be promoted through actions which go outside the rural sector in its strict sense.

While the identification of effective rural development projects at the national level is sometimes very complex (and frequently neglected by other sources of external finance), the identification of valuable regional projects is even more difficult, and it is often necessary to go clearly outside the rural sector in this case. Actions at both levels in the same region would clearly complement each other.

Cofinanced projects have always represented an important part of the annual programmes, in effect of the order of 40%. This type of action is not without its own difficulties, however. With the regional and international banks, the difficulties have principally arisen in terms of procedures and of the synchronisation of the activities of the two donors, leading on occasion to serious delays in project starts and in disbursements.

With the Member States, despite regular contacts and a significant growth in this form of cofinancement, it has not yet been possible to establish effective advance programming.

For certain recipient countries, the number of autonomous projects under execution by the Community will make it necessary to strengthen the control exercised by the Commission. The number of staff available to the Commission for implementing this programme generally still remains extremely insufficient, however, even with the application in recent years of the principle of concentration (permitting an increasing volume of funds to be spent on roughly the same number of recipients and actions).

Finally, the procurement rules applied under this programme, even if relatively liberal, have on occasion led to difficulties in our cooperation with certain regional banks.

An effective contribution to the development efforts of the recipient countries makes it necessary to cover local-cost expenditures (often accounting for a very large share of the total), since these represent a serious constraint for weak national budgets. The character of the Community's aid, with no constraining limits in this particular field, is very highly appreciated by many donors (and in certain cases, the absence of such limits is in fact crucial).

III. Aid volumes

The non-associates programme in fact has to cover a population of the order of 1.3 milliard (IBRD data, 1978), in roughly 35 countries of Asia, Latin America and Africa. 900 million of these people live in countries with a per capita income below US\$ 200 per year.

The relatively limited funds available under the early non-associates programmes have at least established the value of this policy, and have permitted the setting-up of the necessary mechanisms. However, even if a genuinely significant Community impact on the development problems of these countries cannot be envisaged, it is clear that a marked increase in the funds available will be necessary simply to ensure that the Community can in fact make a genuine contribution. In order to reach at least a minimum threshold of effectiveness, the Commission has therefore proposed in its 3-yearly budget forecast the amount of 200 M ECU for non-associates aid in 1981, and 250 M ECU and 300 M ECU for 1982 and 1983 respectively.

IV. Geographical allocation of funds

Taking account both of population distribution and of the need to ensure a Community presence in the major regions of the developing world, it seems reasonable to continue with the general pattern of allocation followed so far. It is therefore proposed that the funds available should be distributed among Asia, Latin America and Africa according to the indicative proportions of 73%, 20% and 7%.

Taking account of the prospects of accentuating the Community's activities while not excessively increasing the task of programme implementation, the principal of concentration will continue to be applied under the 1981 programme. Bangladesh, Pakistan and Nicaragua should receive a particular effort this year, subject of course to the identification of effective projects, this being the most basic criteria governing the allocation of funds under this programme.

Presuming that the funding proposal of the Commission will be approved by the budgetary authorities, this will permit a more effective scaling of autonomous projects, along with a more significant contribution to cofinanced projects.

The policy of support for regional integration which the Commission has followed up till now should be continued, with particular emphasis being given to the three regional groupings which appear to have the most significant role in the development of the non-associated areas : ASEAN, the Andean Pact, and the Central American Common Market (CACM). One must remember, however, the practical difficulties encountered in identifying valuable regional projects, and also certain possible political developments (notably in the cases of Bolivia, for the Andean Pact, and El Salvador and Guatemala for CACM); these may make it necessary for the Community to take certain restrictive measures as appropriate, where these countries are concerned.

V. Sectoral allocation of funds

While the draft Regulation intended to govern the non-associates programme indicates the basic objectives of the aid, it does leave some considerable scope to the annual guidelines in terms of defining the precise sectors on which aid is to be concentrated.

Since 1978, it has been possible to move somewhat outside the rural sector, particularly in the case of regional projects. This has been unavoidable, given that regional integration efforts must frequently commence in the non-rural sectors (though this must of course be qualified according to the situation).

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These ideas shall be applied again under the 1981 programme, where it should also be possible to include certain carefully-selected activities in the field of energy. The question of energy is in fact becoming more and more a determining factor in the economic life of the non-associated developing countries, including the people living in the rural sector, and energy projects must be included within any global and balanced approach to development.

The foregoing considerations should not however modify the priority to be given to the rural sector, even for regional projects. The rural sector must of course be seen in its largest sense, including in addition to production activities and basic foodstuffs in particular, also projects upstream and downstream from this, with the emphasis on agriculture, irrigation, fisheries, forestry, communications, water supplies, post-harvest protection and storage and indeed everything aimed at improving the living conditions of the people concerned. With the same end in view, support for agricultural research shall be maintained, at the international, regional, and (where possible) national levels.

VI. Other points

VI.1. Catastrophe reserve

As in past years, it is proposed to set aside between 5 and 10% of the available funds for post-catastrophe reconstruction and prevention projects. As foreseen in the draft Regulation, any funds not utilised under this heading shall be released for normal development projects.

VI.2. Administrative costs

This provision allows the Commission to recruit outside experts or consulting firms for identification or supervision missions, as well as for the strengthening of the regional delegations, with a view to ensuring the proper technical and administrative control of project execution, as is absolutely necessary if one is to guarantee the proper expenditure of public funds.

Despite the substantial growth in the number of projects under implementation, an amount of the order of 2% of the available funds should be sufficient for this provision.

VI.3. Technical assistance and studies

As in previous years, it will be important to properly prepare projects for future Community funding, particularly when one considers the complexity of projects in the rural sector. The technical assistance and studies provision will permit the financing of studies or technical assistance for the benefit of eligible recipient countries or organizations, up to a unit cost of 0.3 M EJA. Above this cost, studies will of course follow the normal procedures established for other projects.

The amount to be devoted to this provision in 1981 should be of the order of 1% of the total funds available.

VI.4. Cofinancing

In accordance with the draft Regulation, an important part of the funds available shall be devoted to cofinancements with Member States or with international development organizations.

The principal consideration in seeking cofinanced projects with international organizations will be essentially to increase the effectiveness to the recipient of the combined assistance, while in the case of projects cofinanced with Member States the possibility of generally reinforcing the Community presence shall also be important.

VI.5. Staffing

From the commencement of the non-associates programme, the staff devoted to its implementation has been insufficient. Various developments in our cooperation with the international organizations, and the strict application of Community procurement rules, have further increased the implementation workload. In order to establish the validity of the programme, the Commission has chosen to increase the funds devoted to it, before insisting on having a sufficiently large staff. Now that the growth in funding has seriously begun, the Commission must emphasize that it will encounter the greatest difficulties in effectively administering this aid if the additional staff are not urgently allocated.