

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(81) 536 final

Brussels, 29th September 1981

FINANCIAL AND TECHNICAL COOPERATION WITH THE NON-ASSOCIATED
DEVELOPING COUNTRIES
(ARTICLE 930 OF THE BUDGET OF THE EUROPEAN COMMUNITIES)

GENERAL GUIDELINES FOR THE 1982 PROGRAMME

(Communication from the Commission to the Council)

COM(81) 536 final

Financial and technical cooperation with the non-associated
developing countries

(Article 930 of the Budget of the European Communities)

General Guidelines for the 1982 Programme

INTRODUCTION

The Regulation governing the programme of financial and technical assistance in favour of non-associated developing countries¹⁾, and setting up a management committee intended to furnish opinions on the projects proposed by the Commission, was officially adopted only in February of 1981. However, the spirit of this Regulation has already been applied since 1977. Further, the general guidelines established each year (cf article 9.2 of the Regulation) have amplified on the objectives and character of this assistance, particularly in terms of specifying the geographic breakdown between continents, and indicating the major recipients, the sectoral breakdown of the assistance, and the scale of funding to be reserved for post-catastrophe reconstruction projects.

I. SUMMARY OF THE OBJECTIVES AND NATURE OF THE PROGRAMME

The Regulation states that the aid should, as a general rule, be directed towards the poorest of the developing countries, while ensuring a Community presence in the major regions of the world by means of a reasonable geographical balance among these regions.

Further, it states that the funds available under this programme may be used to cover three types of action, contributing essentially to an amelioration of living conditions for the poorest population groups in these countries :

./.

¹⁾ Council Regulation (EEC) No. 442/81 of 17 February 1981 (published in OJ L.48 of 21 February 1981).

- as the main priority, development actions in the rural sector and the improvement of food production;
- at a subsidiary level, projects with a regional character;
- for a pre-determined proportion of the funding, actions intended to meet with exceptional circumstances and particularly post-catastrophe reconstruction projects.

II. SUMMARY OF EXPERIENCE TO DATE

Despite the very considerable needs of the eligible countries taken as a whole, it is clear that this Community aid is appreciated at its proper value by the recipients. The programme's priority objectives are in evident correspondence with the needs of the poorest developing countries, as are the entirely grant nature of the funds, and the possibility of covering local cost expenditures. Further, one should not overlook the effects of other Community aid instruments (food aid, emergency aid, trade promotion, NGOs), as well as the possibilities offered in the trade field by the GSP.

It is not possible to establish rigid poverty-threshold indicators for potential recipients, since in countries with a very uneven distribution of income and wealth, even a relatively favourable set of national indicators can mask very serious regional or local imbalances which should not be overlooked.

Despite the difficulties of identifying good regional projects, and the occasional need to step outside the rural sector in such cases, regional projects have occupied a significant place under previous programmes, and provide a relevant counterpart to actions financed at the national level.

An important share of total funding (of the order of 40%) has been devoted to cofinanced projects. However, it has not always been simple to synchronise our procedures with those of our cofinancing partners, and the result has been delays averaging one year in the effective implementation of such projects. Cofinancing with Member States has occupied an increasing share of the total, and increasing contact among the concerned departments has begun to introduce a multiannual perspective to the programme.

The staff available to the Commission in Brussels for the implementation of this programme has remained clearly insufficient. The increase in the number of projects under execution justifies a strengthening of on-site control, which the Commission has been gradually implementing.

III. THE VOLUME OF AID

The financial and technical assistance made available by the EEC for the non-associated developing countries is aimed at contributing to their development and particularly at helping to resolve the problem of hunger in the world (the Community's basic instrument for this purpose, according to the European Parliament), while at the same time ensuring a Community presence in the major regions of the developing world.

This Community assistance is addressed to more than 30 countries in Asia, Latin America and Africa, with a total population of the order of 1300 million, and of which 1200 million live in 15 countries with per capita income levels below US\$ 360 (c. 300 ECU)¹. It might be noted that the total population of those developing countries which are associated with the Community is of the order of 400 million.

The Commission is well aware of the difficult budgetary circumstances facing the Community. Nevertheless, it believes that it is essential that no backward step be taken in the modest efforts made since 1976 in favour of the poorest developing countries of Asia and Latin America.

For this reason, the Commission feels it indispensable that the 1982 budget should include commitment credits of at least 200 M ECU, the amount proposed by the Commission for 1981.

A further reason for not slackening this effort is the necessity of maintaining coherence with the position expressed by the Community in the United Nations Conference on the least-developed countries.

As regards the payments credits, finally, it must be noted that the volume of funding required here is not a variable capable of modification by a budgetary authority but, on the contrary, a completely predetermined parameter arising out of the commitments undertaken during the past six years. The fact that the level of payments is approaching the level of commitments is not only a proof that the programme has emerged from its start-up phase, but equally an indication that it is only now that this new Community instrument is beginning to have a concrete impact in the developing countries. The allocation of payments credits in the 1981 budget at only one-third of the level proposed by the Commission has led to payments being stopped after only four months of the year, and, unless a solution is found extremely quickly, will risk destroying the credibility of the Community and of its policies.

IV. GEOGRAPHICAL ALLOCATION AND PRINCIPAL RECIPIENTS

Taking account of the considerations expressed in the Regulation, of the experience achieved to date and of the level of funding now proposed by the Commission, the following geographical breakdown is proposed for 1982: Asia 75%, Latin America 20%, Africa 5%. This does not change the balance followed up till now.

./.

¹) Upper limit for the group of low-income developing countries as defined by the IBRD (1978).

In Asia, it will be appropriate to consider as potential recipients,¹⁾ all those countries which have received our assistance in the past, while adding certain very poor countries which it has not been possible to reach up till now, such as Bhutan.

China has not benefitted under Community cooperation activities up till now, except in a very limited fashion under the headings of emergency food aid and training. If in the future, this country should show an interest in possible financial and technical cooperation, the Community should respond favourably.

However, given that China represents practically an entire continent, even a gesture towards this country would require a volume of resources which would be incompatible with the funds at present available for the non-associates programme, at least if the general balance established so far is not to be profoundly changed. Given that the Commission's budget proposal for 1982 does not take account of the possible inclusion of China among the recipients, it would be necessary to adjust the budget appropriately if China were to be included during this year.

The same principles can be applied in Latin America. In addition to the countries having already received this form of assistance¹⁾, it will be appropriate to include Colombia among the potential recipients, given her comparable level of development. It would also be suitable to include Costa Rica, on an exceptional basis and taking account of the serious economic crisis which is current there as well as of the country's essential position in Central America.

Assistance for regional actions will be continued as in the past, wherever effective actions can be identified, and with the aim of supporting organizations for regional integration, direct cooperation among two or more countries, as well as the various organizations of regional importance and the international agricultural research institutes.

Given their dynamism, ASEAN and the Andean Pact shall of course remain among the principal recipients under this heading.

In Africa, it will be necessary to find appropriate possibilities of intervention, notably for projects of a regional character, and particularly in the field of ports, communications and the improvement of access for enclave ACP countries.

V. CRITERIA FOR PROJECT SELECTION

Recipients of the funds to be allocated under Article 930 of the 1982 Budget shall be chosen from among the countries and organizations referred to in the preceding paragraph, taking account of the following considerations :

- aid received under previous programmes;
- absorptive capacity and administrative ability;
- the availability of good projects sufficiently advanced to be taken into consideration for the forthcoming year;

./.

¹⁾ See list annexed.

Depending on the extent to which these practical criteria are satisfied, priority will of course be given, as far as possible, to the poorest developing countries. At the same time, an effort will be made to achieve a certain balance between recipients in the medium term, taking account of their population, the degree of poverty, the effectiveness of the assistance, and of the political priorities of the Community.

In this context, and as in the 1980 and 1981 programmes, the principle of concentration will be applied. Rather than giving assistance to every eligible country in every year, some countries will receive an increased assistance in one year, while being omitted from one (or two) subsequent programmes. This principle will permit an increase in the average size of projects, and help increase the effectiveness of programme management, given the limited staff resources available to the Commission.

At the same time, a major effort will continue to be made to strengthen the project-development and absorptive capacity of the poorest developing countries, by means of technical cooperation (technical assistance, both general and project-linked, and studies). This is particularly important to ensure that such countries are not penalised, in terms of reduced aid flows, by a lack of well-prepared projects.

Further, the principle of concentration should not be considered as excluding certain smaller actions at the grass-roots level. Such actions could be covered by means of a grouping of small development actions (micro-projects) within a specific project or programme.

Finally, one may add that in looking for projects full account will be given to the national development plans of the recipient countries and to the priorities indicated by their governments.

VI. SECTORAL BREAKDOWN

In conformity with the Regulation, priority will continue to be given to the rural sector, including agriculture, livestock, fisheries and forestry, and whenever possible to actions linked with augmenting the food supplies of the population-groups concerned. These actions will concern not only the phases of production and marketing, but also the phases upstream and downstream of production, as well as production infrastructure and support services, and social and educational aspects, so as to make a comprehensive contribution to the improvement of incomes and living conditions.

For regional projects, priority will be given where possible to the direct or indirect development of the rural sector, though without forgetting that efforts towards socio-economic integration are frequently directed more through other economic sectors. Further, it is particularly for these other sectors that Community support is most requested, or even on occasion the only support available.

Support for agricultural research shall be continued through known institutions, whether at the international or regional level, or the national level.

VII. OTHER ASPECTS OF THE PROGRAMME

7.1. Catastrophe reserve

Taking account of the level of funding expected for 1982, it is proposed to reserve from 5 % to 7 % of total funds for reconstruction or prevention actions following catastrophes. After 31 October, in accordance with the terms of the Regulation, funds not used for this purpose may be made available for the financing of normal projects, following the indicative geographical breakdown referred to above.

7.2. Two types of support are necessary for ensuring a proper management of this aid programme :

- the use of expertise recruited from outside the services of the Commission, to provide assistance in the preparatory phases of its implementation (analysis, identification, pre-feasibility and feasibility studies, technical studies), and in the execution phase, for the supervision and on-site control of projects.
- the establishment of a small number of development specialists, integrated in the delegations of the Commission, to contribute to the various phases of programme implementation.

The proportion of annual programme funds to be reserved for these two purposes will be of the order of 3 % and 1 % respectively.

Such orders of magnitude are very reasonable, even modest. In fact, they cover together practically all costs relating to the preparation of projects and the control of project execution. Even if the real cost per project may vary considerably depending on the nature of the projects and the conditions in which they are implemented, an overall percentage of the order of 8 % - 10 % is generally accepted by most major donors.

Looking more specifically to the question of project supervision, it is appropriate to repeat that even in recipient countries where the national administration is most heavily-staffed, such supervision by the donor is an essential element in ensuring project effectiveness. The need for reinforcing the resources available to the Commission for carrying out these tasks is evident, and has indeed been put in relief by recent reports of the Court of Auditors.