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Report

drawn up on behalf of the Committee on Development and Cooperation

on the Proposal from the Commission of the European Communities to the
Council (Doc. 37/74) for a Communication on the food aid policy of the
European Economic Community

Rapporteur: Mr Horst SEEFELD

PE 37.230/fin.

By letter of 22 March 1974 the President of the Council of the European Communities consulted the European Parliament on the Commission's communication to the Council on the Community's food aid policy.

At the European Parliament's plenary sitting of 4 April 1974 the Commission's communication was referred to the Committee on Development and Cooperation as the committee responsible and to the Committee on Budgets for its opinion.

The Committee on Development and Cooperation appointed Mr Seefeld rapporteur on 24 May 1974.

A preliminary discussion of the report was held on 6 June 1974. At its meeting of 25 June 1974 the committee considered the motion for a resolution and the explanatory statement and adopted them with one abstention.

The opinion of the Committee on Budgets is attached to this report.

The following were present: Mr ACHENBACH, Chairman; Mr Knud NIELSEN and Mr SANDRI, Vice-Chairmen; Mr SEEFELD, rapporteur; Mr BROEKSZ, Sir Arthur DODDS-PARKER, Miss FLESCHE, Mr GLINNE; Mr HARZSCHEL; Mr James HILL; Mrs IOTTI; Mr MURSCH; Mr ROMUALDI and Mr SPENALE.

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The Committee on Development and Cooperation hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the communication from the Commission of the European Communities to the Council concerning the food aid policy of the European Economic Community.

The European Parliament,

- having regard to the Communication from the Commission of the European Communities to the Council (COM (74) 300 final);
 - having been consulted by the Council (Doc. 37/74);
 - having regard to the report of the Committee on Development and Cooperation (Doc. 171/74) and the opinion of the Committee on Budgets;
 - having regard to the alarming reports and publications from the aid organizations, particularly the FAO;
 - having regard to the fact that the food deficit is becoming greater while the world's population continues to increase;
 - having regard to the Community's responsibilities in the world, in particular towards the developing countries;
1. Welcomes the Commission's memorandum as a first step towards including food aid policy in the Community programme and sees it as the beginning of European aid measures on a Community basis;
 2. Takes the view that improved multilateral and bilateral coordination will help to avoid double expenditure and to improve the effectiveness of aid, and requests the Commission to do everything in its power to work out common basic principles for a long-term development strategy and food aid policy;
 3. Welcomes the Commission's efforts to increase food aid in the coming years in keeping with the EEC's economic stature;
 4. Takes the view that increased aid also has political advantages since it would become part of a general European development and peace policy and thus enhance the Community's moral stature in the world and contribute to the fulfilment of the obligations and objectives of the second development decade;
 5. Acknowledges the Commission's efforts to free food aid policy from

the internal market aspects of the European Community's agricultural policy and to set this policy on a new basis characterized by humanitarian considerations and those of development policy;

6. Approves the overall political conception of the memorandum and supports in particular the proposals for the first indicative three-year programme (1974/75 - 1976/77), since this is to be carried out entirely in the form of Community aid;
7. Draws the Commission's attention to the fact that the 'Europeanization' of food aid policy, like the development policy as a whole, must be taken into account in working out EEC internal policy, in particular economic and monetary policy;
8. Requests the Commission to make the necessary administrative and technical arrangements for setting food aid policy on a Community basis in order to obviate any initial difficulties;
9. Recalls that an extension of Community aid requires an economic and practical solution of storage, transport, distribution and supply problems in the recipient countries, and calls for an appropriate control system to be set up;
10. Points out that the minimum and maximum amounts laid down in the indicative programme represent only a fraction of what is needed by the developing countries to cover food shortages and therefore appeals urgently to the Community to extend aid further in the coming years;
11. Requests the Commission to include in the Community budget the funds necessary for implementing the planned indicative programme in the time limit set;
12. Welcomes the formation of reserves to combat possible price increases and to meet transport costs, but believes that in view of the rising inflation and transport rates the appropriations for these reserves are too low and should therefore be increased;
13. Draws the Commission's attention to the fact that not only the quantity but also the quality of the products should be increased in future, emphasis being placed on increased supplies of foodstuffs with high protein contents;
14. Welcomes the Community's medium-term supply plans in the field of food aid, since these will make it easier to include aid in the development plans and programmes of the recipient countries;

15. Is convinced, however, that food aid is not a final solution and should only be given until the vicious circle of unemployment, poverty, inadequate effective demand, low production of foodstuffs and malnutrition is broken;
16. Requests the Commission to take steps to ensure that food aid does not have detrimental effects either on the agriculture of the recipient countries or on international trade;
17. Recommends the Commission to consider how more use can be made of food aid for project and programme aid for instance the food-for-work projects;
18. Calls on the Commission to consider whether, on account of the sharp increase in fertilizer prices, the Community could not perhaps consider a distribution system for fertilizers or set up a kind of world reserve bank for fertilizers in which the EEC and the other industrialized countries would be involved; financial operations for the establishment of fertilizer factories in the developing countries might also be possible;
19. Would like information from the Commission on whether more agricultural experts could be sent to the developing countries particularly afflicted by hunger in order to improve the still inadequate agricultural infrastructures;
20. Requests the Commission to take more account, in defining the Community food aid policy, of the actual development needs of the countries concerned and to involve the developing countries directly in the efforts at coordination;
21. Calls for greater publicity to be given to the present catastrophic world food situation and for the public to be mobilized for urgent action;
22. Urges the Commission to work out a comprehensive concept for the alleviation of world hunger problems for the coming world food conference in Rome and would like the Community to show a united front at this conference;
23. Calls on the Council to establish administrative procedures to enable the Community food aid policy to be implemented quickly and efficiently, and to confer appropriate powers on the Commission;
24. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities and, for information, to the Governments of the Member States and to the FAO.

EXPLANATORY STATEMENTI. Introduction

1. Experts in economic development theory have for a long time been investigating the characteristics and causes of underdevelopment. It is now clear that economic and social underdevelopment can be attributed to a number of factors:
 - low per capita income with the resulting poor food situation, typical deficiency diseases, primitive and unhygienic living conditions and low life expectancy coupled with a high birth rate;
 - socio-economic dualism, i.e. wide discrepancies between sectors and/or regions with a money economy and those with a subsistence economy together with an extremely uneven distribution of income. Socio-economic dualism results in poor economic integration and a low availability of supplies for the population so that overlapping markets, which stimulate economic development, cannot form;
 - a very low saving ratio, which leads to inadequate capital resources. This results in an insufficient investment ratio, which foreign capital investment can do little, if anything, to offset;
 - a fourth factor, in addition to the gearing of production to the primary sectors (agriculture, raw materials), is that most developing countries are characterized by inadequate material and intellectual infrastructures. Finally, inefficient administrative machinery hinders the drafting and implementation of consistent development plans.

2. The causal chain is as follows: unemployment - poverty - inadequate demand backed by purchasing power - low food production - malnutrition. Thus, it is all a question of taking a number of measures aimed at promoting general development - particularly in the field of social structures - and hence eliminating, or at least reducing unemployment in the developing countries. Only in this way can poverty be alleviated and effective demand created. At all events, the problem is much more serious and complex than it would at first appear purely from the point of view of agricultural technology. The need for a carefully planned food aid policy will continue for a transitional period whose length cannot yet be determined, i.e. until the developing countries are in a position to supply themselves adequately.

II. Causes of the food deficit

3. The food problem in the developing countries may be described as follows:

The supply of food is quantitatively and/or qualitatively insufficient properly to satisfy the dietary needs of the population. This shortage of food is aggravated by the fact that the population in the developing countries is increasing particularly sharply and the supply of food cannot keep pace with this population explosion¹. At the beginning of this century the population of the world was roughly 1.5 thousand million. By the 1970's it had reached 3.8 thousand million. By 1980 it could be as high as 4.8 thousand million. While the population of the industrialized countries will probably not have increased very much by the end of this century, that of the developing countries will have doubled, if the present rate of growth (2.7%) is maintained². About 4/5 of the population of the world would then be living in the developing countries. Thus, the low per capita growth rate of economic production as a whole in the developing countries is directly related to the excessive increase in the population.

There are two ways of solving this problem:

- increasing the supply of food and improving the scope for making use of this supply;
- limiting further increases in world population.

The latter problem, the limitation of the population increase, cannot be solved by nutrition science or by a Community food aid policy. Nevertheless the Community should still make every effort to implement a successful family planning policy in the developing countries in cooperation with the appropriate UN organizations. The argument of the sensitive third world, namely that family planning is a form of neo-colonialism, is arrogant and short-sighted. Since already about 40% of the world's population plays no part in economic growth this problem must be solved. A coherent population policy should supplement aid measures on a world-wide scale but should not and could not replace them. The question whether family planning should be systematically advocated is, however, something which each individual country must answer for itself.

¹The population of the world increases daily by 200,000, the total increase for this year being 74 million; agricultural production in the developing countries has been increasing for many years at a rate of 1 to 3 % and thus falls short of the 4% target set for the second development decade.

²Cf. UNCTAD - Doc. TD/B/429, p. 3; World Bank estimates put the rate of growth at only 2.4%.

4. The food crisis has become worse in recent years. The shortage of basic foods combined with price increases has in some developing countries reached catastrophic proportions. Famine is not something which the future will bring as a result of further increases in the population; it is already here since about 10 million people die each year as a direct or indirect result of hunger. About 1,000 million people out of every 4,000 million suffer constantly from hunger and 400 million are close to starvation. The father of the 'Green Revolution', the Nobel Prize winner NORMAN BORLAUG, has stated that in the next two years 20 million people will die if harvests are not increased. On the African continent 200,000 people have died of hunger in the last 9 months. As regards India, we have only to think of the hunger revolts of this spring to imagine what will happen if the next harvest fails.

5. The optimistic forecasts of past years have long since been disproved by reality. When the British expert C.P. Snow 5 years ago warned against catastrophic famine in the world, most nutrition experts said that such forecasts were exaggerated since 'miracle seeds and miracle fertilizers' had triggered off a worldwide 'green revolution' with enormously increased harvests. It was even said that countries with chronic food shortages such as India would one day be able to meet their own requirements. Professor Brandt, an agricultural expert living in the U.S.A., put forward the theory that developments in the field of food production not only since Malthus and Ricardo, Alfred Marshall, Taussig and John Maynard Keynes, but also since Walter Bucken, Schumpeter and Wilhelm Röpke had been so great and had opened up such unlimited new technical vistas that there could be no question of an imminent food crisis. Brandt arrived at these conclusions because he started from the premise that surplus energy and falling costs would make the most important and scarcest vegetable and animal foodstuffs, protein and cell-forming nitrogen (N), available even in the furthest corners of the earth.

6. Pessimism today characterizes the world food situation. UN Secretary-General Waldheim has spoken of a worldwide emergency and at the beginning of May 1974 Mr Boerma, the Director-General of the FAO warned that 'the demand for food was still growing and so much is used to cover needs until the next harvest that only a little can be set aside'. Moreover, world cereal reserves have reached the lowest level for many years (105 million tons); recent estimates indicate that reserves are only sufficient for 29 days. This shortage has led to a trebling or doubling of the price of wheat and maize¹; in short, prices which cannot be paid by the poorest countries. Interestingly enough, the 1972 cereal purchases by Russia and China, which like to be seen as protectors of the poorest

¹ 1 ton of wheat costs about 400 DM, 1 ton of maize about 300 DM and 1 ton of rice about 500 DM.

countries, led to these price increases and the depletion of world reserves. Food surpluses at stable prices are therefore no longer available on the world market.

7. At the end of the 1960's two of the most thorough investigations on the food problem were published independently in the United States and the Federal Republic of Germany. The U.S. President's Science Advisory Committee declared in a study consisting of more than 1,000 pages that: 'the world food problem is not a threat of the future, it is here now and must be solved in the next two decades.' The Association of German Scientists submitted a contribution which Professor von Weizäcker summarized as follows: 'The next twenty years will probably see the birth of 1,000 million people for whom there will be no food; it is very unlikely that major famine can be avoided'.
8. The European Community and the world must therefore prepare themselves for a chronic food shortage. Even in the thirties world population was increasing only half as quickly as it is today and it was therefore possible to increase food production at a rate equal to the growth in population. However, by 1958 the population was increasing so rapidly that agriculture could no longer keep pace. In 1966 there was a slight improvement because the Wheat Institute in Mexico and the Rice Institute in the Phillipines succeeded in developing varieties which yielded twice, three times and even four times the usual harvests. This facilitated considerable increases in the yield per acre in the USA and Canada. This 'green revolution', which in some cases led to record harvests, has now come to a standstill. The new types of cereal depend all too much on expensive irrigation, fertilization, pest control, and particularly agricultural infrastructures, which in many countries of the world do not yet exist. Moreover, most farmers could not afford the necessary capital investment.
9. In 1972 world cereal production amounted to 1,200 million tons, the yearly growth rate being 30 million tons. Food production would have to be doubled within the next generation simply to maintain the present inadequate per capita supply to the population. This cannot be done with the present methods of the 'green revolution'. In the last 2 years India, Ethiopia, Bangladesh and other countries of Asia, Africa and South America have been threatened by famine.
10. The present food shortage in the world can be attributed to many causes. Continuous drought and unfavourable weather conditions are one of the factors which reduce harvests. This has led to a sharp increase in the demand for imports, to heavy cereal-buying by the Soviet Union and China and to a considerable reduction in world reserves. Meteorologists believe that the unfavourable climatic conditions will continue for a long time since the cooling process of the earth is driving monsoon rains southwards.

A dry weather belt is developing from the South Sahara, through the Middle East to India, South Asia and North China. Falling temperatures characterize this development in the Northern Hemisphere, and the formation of steppes and the spread of deserts in the Southern Hemisphere. In the Sahel zone the desert is spreading southwards. The drought affects not only Chad, Mali, Mauritania, Niger, Senegal, Upper Volta and Ethiopia but also Nigeria, Cameroon, The Central African Republic, Zaire, Angola, Uganda, Kenya and Tanzania. The ground water level is permanently falling. Lakes are slowly drying out and wells have to be sunk to depths of up to 200 metres. In Asia once fertile regions are becoming arid because the monsoon rains now fall over the sea. Valuable arable land is therefore being lost while the population of the earth is still increasing.

11. Paradoxical as it may seem, another reason for the food shortage is the prosperity of the industrialized world, since people in the advanced countries prefer protein in the form of meat to vegetarian food. This causes an increase in the demand for fodder crops for the growing herds of cattle. In America 1.8 tons of wheat are consumed per person per year. In the Soviet Union the figure is 1.4 tons and in the Member States of the EEC about 1 ton, while in the developing countries 200 kg. have to suffice and in India only 1 ton of cereal is available for every 7 people. In the industrialized countries only about 150 lb. of cereals are consumed in the form of bread, meal, noodles and similar foods. The rest is used as cattle fodder for the production of protein in the form of meat, milk and eggs - an expensive and wasteful operation¹. Thus, the prosperity, the surplus of the industrialized world, could well become a burden on world food production.
12. The oil crisis² has a two-fold effect on the developing countries. The negative effects on the balance of payments and the pressure these place on the economy cannot yet be estimated (higher costs of crude oil imports, lower export yields because of market recessions in the industrialized countries and the resulting price increases for exports). Crude oil, however, is also an important basic ingredient in the manufacture of fertilizers, the price of which has tripled since the energy crisis last year. Without fertilizers no increase in agricultural production is possible. High oil prices also result in valuable acreage being lost

¹More than 6 pounds of cereal are necessary to produce 1 pound of beef and more than 3 pounds to produce 1 pound of pork.

²The oil crisis has given rise to a paradoxical development between the industrialized and developing countries. The advanced western countries now give a total of 8.6 thousand million dollars in aid to the developing countries. The latter, however, have been hard hit by the price increases in oil, since according to the OECD these involve additional expenditure of about 8.3 thousand million dollars.

since the water pumps can in some cases no longer be operated as a result of the lack of fuel and barren land can no longer be made fertile because it cannot be irrigated. In Western Europe 73 kg. of nitrogen fertilizer are at present used per hectare, in the USA 33 kg., in Latin America and Asia 12.5 and 11.1 respectively and in Africa only 2. In 1974 India had to import about 3 million tons, although it had no foreign currency with which to pay for it¹. However, 1 million tons less fertilizer means a loss of 10 million tons of wheat. The result is that the limited success of the 'green revolution' will become even more limited. An even lower level of food production in the developing countries will add to the problems of the existing world-wide food shortage.

III. The Community's responsibilities with regard to the world hunger problem

13. The catastrophic food situation can be rectified or at least alleviated only if the advanced and developing countries cooperate closely and give this problem 'absolute priority'. If mankind is to survive a large amount of money and energy will in future have to be invested in a long-term programme. In a realistic discussion of the present or future food situation in the developing countries we should not overlook, as is often done, the fact that famines have existed at all times in one region or another. Unspecific and sensational figures on the number of people, particularly children, who starve each year, which are frequently quoted for the purposes of dramatization, scarcely aid serious efforts to fight hunger. There is a danger that public opinion will be jaded by the constant repetition of unattested figures and prophecies of catastrophe. Moreover, the famine in large areas of Asia, Africa, Latin America and the Middle East should not simply be fatalistically accepted. In all probability hunger cannot be eliminated, but it can at least be alleviated. A prerequisite for this, however, is that rich and poor countries should work together on the solution of this problem.

¹In this connection it should perhaps be noted that the development and detonation of the first Indian atomic bomb cost 2.4 thousand million DM.

14. In 1971 the Commission submitted a Memorandum on a Community policy for cooperation with the developing countries.¹ This has now been followed by a further Memorandum on the food aid policy of the European Economic Community² which may be regarded as supplementing the first.
15. The Community's activities in respect of food aid in the form of cereals supplies were initially based on the 1967 wheat trade agreement signed in Rome after the Kennedy Round as part of a food aid agreement. The Community and Member States undertook to supply the developing countries with 1,035,000 tons of wheat annually for a period of three years. A new agreement for a further three years was signed in 1971. The enlarged Community's cereals commitments are currently 1,287,000 tons for the 1973/74 financial year, of which 45% derives from Community measures and 55% from Member States' aid.
16. In addition to participating in the Food Aid Convention, the EEC has implemented a number of special food aid programmes since 1970. Under the world food programme, agreements had been signed by 1972 on the supply free of charge of 133,000 tons skim milk powder, 35,000 tons butteroil and 500 tons of egg powder. Under an agreement with the International Committee of the Red Cross, 3,000 tons skim milk powder were supplied, and under an agreement with UNRWA 2,000 tons butteroil and 4,000 tons sugar. The EEC adopted a further programme for the supply free of charge of 60,000 tons skim milk to the WFP, ICRC, UNRWA and several developing countries. It also agreed with UNRWA to contribute to a food supply programme for Palestinian refugees.

(a) Drawbacks of the present food aid policy

17. The drawbacks of development aid - and, thus, of the food aid policy - stem from the fact that hitherto the Community programme has not included an overall EEC development aid policy, apart from the Yaoundé Convention. Each Member State has developed its own cooperation policy on the basis of historical, political and economic factors, and in spite of some coordination this has produced a many-sided picture.
18. Parliament has drawn attention in several opinions to the inadequacies of the food aid policy.³ A major drawback is that some aid was decided at Community level, but most was still given under bilateral agreements. Furthermore, part of the present food aid policy is linked too closely to internal market aspects of the common agricultural policy's surpluses. While cereals were supplied under international agreements, such products as skim milk powder, butteroil, tea, sugar and egg powder were supplied independently of international commitments and the size of this aid was based exclusively on the situation in the internal Community market, which is subject to considerable fluctuations. Hitherto there has been

¹ Commission of the European Communities SEC (71)2700

² COM(74) 300 final

³ cf Vredeling reports, Docs. 250/71 and 90/71

no coherent or uniform food aid concept. Although food aid has only existed since 1968 and the success of emergency aid measures cannot be denied, several obvious drawbacks have emerged:

- relatively modest size of aid in relation to the Community's capacities and the food requirements of the least developed countries;
- excessive dependence on surpluses of the EEC common agricultural policy;
- the lack of longer-term commitments which produced difficulties for medium-term Community demand planning and for the integration of aid in the recipient countries' development plans and programmes;
- the fragmentation of aid, especially in respect of implementing methods which serves as a striking example of entrenched national prejudices.

(b) Europeanization of food aid

19. The Final Communiqué of the Paris Summit Conference of 19/20 October 1972 declared the resolve of all governments concerned 'in the light of the results of the UNCTAD Conference and in the context of the development strategy adopted by the United Nations ... progressively to adopt an overall policy of development cooperation on a world-wide scale'. There can be no doubt that the EEC's food aid policy must be Europeanized, i.e. come under a Community system. Probably this will only be possible if national development programmes are adapted to real development requirements; at least, in the first phase, the principles of EEC Member States' development and food aid must be harmonized, and the Commission should devote special attention to this sector. Furthermore, an attempt should be made to involve the developing countries directly in the efforts at coordination. There can be no progress unless further national powers in respect of development aid policies are transferred to the Community, perhaps on the model of the Yaoundé Convention. Some minor success seems to have been achieved for the Working Party on Cooperation Development formed under the Council has already noted that in future 'any supplementary food aid programme should be organized more systematically.. and better adapted to the development plans of recipient countries'¹
20. A Community food aid policy can only be successful if the basic principles are laid down in the context of a long-term development strategy and policy. Furthermore this long-term policy must be taken into account when European internal policy, especially as regards economic and monetary policy, is being formulated. The Community's food aid so far can only be seen as a modest and imperfect beginning; the current concepts must therefore be renewed.
21. More coordination at bilateral and multilateral level will help to avoid duplication of expenditure and make aid more effective. In any case the Community must finally realize that the EEC's agricultural surpluses do not help solve the world hunger problem. Food aid must

¹cf. Report of the Working Party on Development Cooperation, 19 June 1973

not be a method of reducing agricultural surpluses but must be motivated primarily by humanitarian and development policy considerations. This last remark, incidentally, applies not only to the EEC but to all industrial countries.

22. Furthermore, the Community should consider how to publicize the current world food crisis more widely and to mobilize public opinion in favour of priority action.

(c) Increased European aid

23. Considering that one thousand million people are hungry and several million suffer from malnutrition, it should be possible for the Community to increase its aid in line with its economic power. This does not mean underestimating the major economic difficulties of some European countries, but in face of the economic power and trade volume of the EEC as a whole, there can be no doubt that the Community must do more to combat the hunger crisis.
24. The Commission rightly points out that the Community had the chance to adapt its food aid policy more closely to the requirements of the developing countries. The EEC is a major producer of basic foodstuffs. Compared with its total cereal production of 104 million tons, the present 1% volume of Community cereal aid is extremely modest. The frequent argument that more food aid might vastly increase EEC agricultural production is a technical and political problem that can be resolved. Certainly permanent and increased aid would primarily have political advantages because it would act as an element of a global European development and peace policy, increase the Community's moral stature in the world and help fulfil the commitments and aims of the second development decade. The Commission's argument that increased food aid might increase commercial agricultural sales and non-agricultural exports is unacceptable, for Community aid should not depend on market factors.
25. If Community aid is increased, stockpiling, transport, distribution and supply problems would need to be solved in an economic manner. More emphasis should be laid on supplies to particularly vulnerable population groups. The Community could establish reserve stocks in the well-known disaster areas of the world so that the necessary food is immediately available in cases of famine. It is also important that aid should be continuous and that there should be a wide range of products.
26. Since direct food aid also has its drawbacks, which we shall discuss later, perhaps the Community should intensify its aid measures in other sectors, such as fertilizers. Since fertilizer prices are almost exorbitantly high for the developing countries, the Community might consider setting up a system, to be defined in more detail later, of fertilizer allocation. Perhaps a kind of emergency world fertilizer

reserve bank could be set up jointly by the EEC and the other industrial states. The Community could also supply fertilizers direct to the disaster areas or provide financial aid and experts so that fertilizer plants may be set up on the spot.

27. A further possibility of aid could be to send agricultural experts to the most seriously threatened countries, because the farming infrastructure in the developing countries is still inadequate. For instance young European farmers could be released from military service and help build up a rational agricultural system.

IV. Complexity of the world hunger problem

28. The disastrous food situation can only be solved if all aspects of this complex problem, i.e. the economic, social and cultural questions, are tackled jointly; lowering the birthrate is an essential precondition.

(a) Significance of effective demand

29. It is often forgotten that the most modern agricultural techniques are useless as long as they cannot be applied rationally for economic reasons, in particular the absence of an open market. It is only possible to step up food production if overall economic development is improved, unless of course the State acts as buyer and distributor. The food scarcity is usually a result of the inadequate purchasing power of the broad masses who are under or unemployed and therefore have low incomes. Greater purchasing power would almost automatically increase the demand for food, which in turn would stimulate production. The source of the world food problem is, therefore, poverty rather than a weak agriculture.
30. To give absolute priority to promoting agriculture is no less complex a question than giving absolute priority to industry, especially when prestige projects are involved. Overall economic factors must be taken into consideration, of which the promotion of industry and other branches of trade is as important as creating the necessary infrastructures. This ensures the supply of certain agricultural products in the country itself and produces a stronger demand for food. It also creates jobs for the underemployed in agriculture.
31. To give priority to agriculture alone could lead to 'white elephants' investments which are not adapted to overall conditions in the respective country. There are known cases of dairies, slaughterhouses, cold-storage plants, silos, stocks and processing industries which were set up without consideration of contingent factors and then stood empty and unused. Those are glaring examples of wrong investment. The same applies to agricultural production itself; food for which there is

no purchaser will spoil. The fact that many people are underfed or suffer from malnutrition is due not to inadequate production capacity but to the absence of effective demand. Effective demand is a precondition for a healthy market, otherwise farmers would only produce for their own consumption and no farmer in the developing countries would consider producing additional products which he could not sell.

(b) Social structure as an obstacle to solving the food problem

32. Social structure, reflected clearly in a backward agricultural system of a somewhat feudal nature, is one of the major obstacles to eliminating malnutrition. The incomes of the rural population - often representing more than 70% of the total population - living under outmoded ownership conditions, will stagnate. Technical advances may even have the drawback here of further reducing the number of jobs. The flight from the country into the towns does not solve the problem either because there are no jobs in the urban areas. As a result a new proletariat emerges on the outskirts of towns and reform is essential to improvement, although that alone would not solve the problem entirely. Purchasing power can increase only if the social situation of the rural population changes radically.

(c) Food aid is not a definitive solution

33. Until new jobs are created and purchasing power is increased, food aid remains important and necessary for the starving masses in the developing countries. The physiological food gap, i.e. the food demand which is not expressed as effective purchasing power, is bridged by food aid. It would be illogical and unrealistic, however, to think that the increasingly grave world food problem can be solved by food transactions even if the rich countries increased their agricultural production. A food aid policy by the donor countries based on such motives would completely misfire because it was determined by the donors' interests. If aid is to be serious, the two concepts must be carefully distinguished, and the interests of the developing countries must take priority.
34. At first glance food aid does not appear to pose problems; but there are some questions which cannot be dismissed. FAC aid is mainly supplied direct to the governments of the recipient countries. As a rule the cereals supplied to the developing countries are sold by the formation of counterpart funds, or distributed free of cost. Since it is hardly possible to check its utilization and since adverse effects on local markets (e.g. pressure on producer prices) must be avoided, this form of food aid raises considerable problems. It is certainly important that food aid should neither destroy the agricultural market of the recipient country nor disrupt international trade flows. Moreover, food aid must not lead the governments of the recipient countries to reduce or abandon their own efforts. Food aid without adequate planning of its utilization, and direct sales on the open markets of the recipient countries, may easily do more harm than good. On the other hand, it has been shown that open market sales are a simple and less costly method of administering food aid; this is also the most widely used method of distributing food because the recipient country bears no extra costs. Distribution free of cost presupposes a certain administrative infrastructure which does not exist in many countries. Parliament supports open market sales, except for emergency aid and measures to assist particularly needy population groups, but requests the Commission and Council to take all appropriate measures to avoid possible adverse effects.

(d) Project and programme aid

35. Experience has shown that food aid for disaster cases and development projects creates least problems, particularly because the question of injuring the market does not arise here. The World Food Programme (WFP) jointly established by the United Nations and FAO in 1962 has had

excellent results with project aid. WFP gives food for projects which are of major importance to the economic and social development of the recipient countries, for example the Food for Work Projects, employment-intensive projects to improve the infrastructure, irrigation etc. for which food was distributed as part payment in kind. Hand in hand with measures to improve living conditions and productivity in rural areas, new jobs are created and the food situation improved. WFP also organizes special food programmes for population groups suffering from food deficiency or malnutrition.

36. Programme aid is linked to promotion of the overall economic development of the recipient countries. Many developing countries attempting to implement development plans are faced with the problem of inflation and balance of payments difficulties; the increasing purchasing power is directed above all to food. Carefully planned food aid in the form of programme aid could make a considerable contribution to development in specially selected countries by supplying them, on special terms, with the food quotas required for bridging purposes. If this uncovered demand for food cannot be met by rising production in the country itself or foreign supplies, the respective countries would be forced to lower their economic targets. If programme aid is to be effective and do no harm in the recipient country, the probable level of food demand must be estimated as exactly as possible. In any case the recipient country must not reduce its efforts in agriculture and market disturbances must be avoided.
37. Food aid measures by the Community and WFP result in significant differences in the distribution of food aid on a geographic basis, as the Commission Memorandum points out. The Community grants aid primarily to the least developed countries, principally Bangladesh, while WFP supports countries which already have relatively advanced infrastructure. It is questionable whether the two programmes are complementary. The Commission should examine whether Community aid has had the same effect as WFP aid; after all WFP is an organization with more than ten years' experience in this field. More careful consideration should be given to whether food aid policy could not be used to set in motion an overall structural policy in the developing countries, which would finally lead to the international division of labour. That would be a major step towards solving employment and balance of payments problems.

V. Proposals for the first three-year programme (1974/75 - 1976/77) and for the first annual programme

38. At the same time as its Memorandum, the Commission submitted a three-year programme to begin in 1974/75 and run until 1976/77. This initiative deserves support because the proposed programme is to be implemented

only in the form of Community aid. It is, therefore, a first step towards the 'communitarization' of the development aid policy, as requested for years by Parliament. The 'Europeanization' of food aid is a great advantage because of the close links of food policy with the other sectors of EEC domestic policy, and it will help increase their efficiency. In this context the Commission must be asked whether this transfer of responsibilities from national to Community level can be implemented in administrative terms. The Commission should therefore make the necessary efforts to avoid transitional difficulties and ensure that the storage problem is settled satisfactorily and in good time.

39. In view of the gathering food crisis, the expiry of the 1971 international cereals agreement and the World Food Conference planned for November 1974, the Commission chose a good moment to submit the programme, even though the general state of the Community is not satisfactory at present. Moreover, the Community can now draw on the experience gained in food aid since 1968. The programme proposals are not extraordinary in themselves but they do seem sensible and feasible. Their aim is to dissociate food aid from agricultural surplus problems, to increase the quotas made available (in spite of good world market prices) and to simplify and speed up the distribution of aid by 'communitarizing' it. The increase in aid quotas is most welcome, especially at a time when some industrial countries, in particular the USA, are reducing their supplies because of the increasing food scarcity on the world market. The proposed programme, which in a sense represents a Community guarantee for the supply of certain quotas, will enable the developing countries, independently of their respective market situations, to adapt their development plans to these proposed supplies.
40. The Commission wants to gradually increase the annual cereal aid from an annual 1.3 million tons to 1.7 million tons and up to a maximum of 2.5 million tons, which it hopes to reach by 1977, although only if Member States agree that the 700,000 tons per year distributed on a national basis (55%) may be transferred to the Community. The Commission also intends to include in its programme other foodstuffs such as butteroil and sugar which hitherto were supplied only from EEC agricultural surpluses and for which there were no firm agreements. This answers Parliament's longstanding demand that food aid should be supplied independently of the situation on the EEC agricultural market. The following additional annual supplies are proposed until 1977: 80,000 - 120,000 tons skim milk powder, 45,000 - 65,000 tons butteroil and 10,000 tons sugar.

41. These figures represent the proposed minimum and maximum commitments under the Community programme. The minimum for cereals is calculated on the basis of requests for aid that have been received and the projected reductions in American and Japanese aid. The 2.5 million ton maximum is based on the increased import demand of the developing countries, which they find difficult to cover by commercial imports, and on various FAO appeals for establishing food reserves in the developing countries. The proposed minimum commitment for skim milk powder (80,000 tons) for 1974 food aid is far short of what has already been requested. The Commission justified the maximum (120,000 tons) with reference to the cessation of American concessional transactions, the protein deficiency in developing countries and the fact that skim milk powder is specially suitable in emergency situations. The minimum butteroil commitment (45,000 tons) corresponds to the amount proposed for 1974, and the maximum (65,000 tons) is based on estimates of the consumption capacity of the developing countries and the technical capacities of European industry to produce butteroil. The maximum commitment of 40,000 tons proposed for sugar is very low in relation to the requirements of the developing countries. In view of the constant increase in the food deficit in the developing countries, the proposed minimum and maximum amounts in the indicative programme represent only a fraction of requirements there in the coming years¹.
42. Food aid is not just a question of quantity but of quality too. The Community should therefore concentrate on increasing the supplies of high protein foods. Lack of protein is the prime nutritional problem in the developing countries. Since plants with high-value protein content also exist (legumes) the Community should do all it can to promote the cultivation of such plants in the developing countries.
43. The Commission should pay special attention to improved utilization of food which is already available. Malnutrition and food deficiency are not always caused by food scarcity or lack of money, but often by inadequate knowledge of nutritional requirements. Education and information on agriculture and nutrition must, therefore, be intensified wherever this may at least improve the situation.

¹ According to FAO calculations, cereal requirements will increase from 30 million tons in 1970 to 36 million tons in 1980; for milk products, meat, oils and fats, requirements will triple or double, from 5.1 million to 19.7 million, from 0.7 million to 1.84 million and from 1.9 to 4 million tons respectively. The value of these foodstuffs will rise from 4 to 7 thousand million dollars; given the world market prices in the first quarter of 1974, it may rise to 14.2 thousand million dollars.

44. The Commission should also concentrate on setting up stocks in the developing countries. One reason for the bad nutritional situation may be that insufficient care is taken of food stocks or that they are not fully utilized. Stockpiling is an important factor of adequate nutrition because it bridges the period until the new harvest. Careful stockpiling could prevent seasonal famines.
45. Provision has been made for annual financing costs of between 305 and 487 million u.a. until 1977 under the three-year indicative programme:¹ under the 1975 budget, 225,050,000 u.a. for food, 20,550,000 u.a. for distribution and transport, 20,000,000 for other products, a reserve of 39,840,000 u.a., giving a total of 305,444,000 u.a. In case national measures are discontinued - which would correspond to Community measures to supply 1,700,000 tons - the total cost would rise to 411 million u.a. That is 188 million u.a. more than earmarked in the Community budget for 1974 and 97 million u.a. more than set aside in the Community plus Member States budgets. That is why, if the Council adopts the three-year indicative programme the necessary appropriations must also be entered in the Community budget so that the programme can be implemented. 20,550,000 u.a. and a 15% reserve (39,840,000 u.a.) are earmarked for distribution and transport costs to cover possible price rises and freight costs. The 15% reserve is welcome, but in view of increasing inflation and freight costs the amount of the proposed reserve is too low and should be increased. The total food aid appropriations in the 1974 budget are 223 million u.a., of which 133 million come under Chapter 90 and 90 million u.a. under the EAGGF. It would have been more rational and practical to list all food aid appropriations under Chapter 90.

VI. Community and Member States' participation in the work of the World Food Conference

46. On 8 February 1974 the Commission submitted to Parliament for its information a Communication from the Commission to the Council on Community and Member States' participation in the activities of the World Food Conference² to be held at ministerial level in Rome in November 1974.

¹ If Community measures are supplemented by national measures, the credit requirements would be distributed as follows:
1975: 305 m.u.a., 1976: 335 m.u.a., 1977: 369 m.u.a.; in the absence of national actions and assuming a Community total of 1,700,000 tons, requirements would be:
1975: 411 m.u.a., 1976: 452 m.u.a., 1977: 487 m.u.a.

² SEC (74) 377 final, 30.1.1974

47. This report is not concerned with details of the coming World Food Conference. But the opportunity will be taken to make several observations of principle.
48. In view of the Community's growing responsibility in the world, in particular towards the developing countries, it should take part in the preparatory and actual work of the Conference. The Commission is also responsible for representing Community interests at this Conference. Parliament calls upon the Council and Commission to formulate a comprehensive concept of food aid policy for the World Food Conference. In view of the continuously deteriorating world food situation, a joint EEC stand and the submission of practical proposals to solve these problems can only improve the Community's world image.

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman for the Opinion: Mr LENIHAN

The Committee on Budgets appointed Mr Lenihan draftsman of the opinion on 19 June 1974.

It examined the draft opinion at its meeting on 1 July 1974 and adopted it unanimously.

The following were present:

Mr Aigner, Chairman, Mr Lenihan, Draftsman for the Opinion, Mr Artzinger, Mr Bangemann (deputizing for Miss Flesch), Mr Berthoin (deputizing for Mr Rossi), Mr Boano, Mr Concas, Mr Maigaard, Mr Notenboom, Mr Petre, Mr Pounder, Mr Vernaschi, Mr Yeats (deputizing for Mr Terrenoire).

INTRODUCTION

1. The reason for this Commission communication on food aid policy is the major crisis that has developed in various parts of the world caused by drastic food shortages. The Commission gives an ample description of the nature and causes of the crisis which some parliamentarians had the opportunity to witness at first hand during the delegation to the Sahel in the Autumn. The crisis has by no means abated since then.

2. The immediate impact has been felt in most countries of the world in certain food shortages and steep increases in food prices, but in the developing countries the effects have been more widespread because hunger and malnutrition were already prevalent and the present crisis has tipped the scales in the direction of famine, and because the dislocation may not only be economic but also social and political.

3. The ability of the developing countries to respond to the crisis on their own is limited. Increases in the level of food production are not possible on any scale in the short term and what is needed is immediate relief plus considerable help to meet the escalation of food import requirements estimated to last up until at least 1980. Your Rapporteur recalls that the Committee on Budgets has not been insensitive to these problems and to the need for a vigorous food aid policy. During debates on the last Community Budget the Budget Committee approved an amendment to the food aid chapter of the Budget, increasing appropriations by some 35 million u.a. This amendment was strongly advocated during the meeting of the Delegation from the Committee on Budgets to the Council before the Council approved the Budget. The Council, after hearing these arguments, accepted the amendment.

What the Commission proposes

4. In view of the crisis the Commission believes that the Community must undertake a more ambitious food aid policy aiming at continuity of supplies by means of a 3 or 5 year indicative programme to be implemented by firm annual commitments and expressed in quantitative terms, a diversified food aid "basket" aiming at helping to create a more balanced diet in the developing countries, and an overall increase in the present size of the programme.

5. The Commission maintains that the Community has a special responsibility, that the countries of the developing world look to the Community and see it as having an influence in the world and that for reasons of efficiency and rationalization the Community is better placed to undertake this programme than the individual Member States. Therefore the

Commission suggests the progressive abandonment of the national States' programmes of food aid in cereals and the extension of the Community's role to fill this gap and to extend its responsibility. The Commission recognizes that such a transfer of responsibility could not take place immediately and has based its calculations on two hypotheses, one of which is in the absence of national programmes.

6. The Commission asks Council to approve the principle of medium term indicative programmes of 3 years: within each, food aid commitments of the Community would be determined on an annual basis; the size of the first programme 1974/5 representing the lower limits of the indicative programme and being at an experimental stage; and certain general principles for implementing the Community's food aid policy.

7. The Commission analyses certain faults of the present policy which it considers is too modest in relation to the requirements of the developing world and in relation to the programmes of other developed countries. It believes that the present policy is based too heavily on unintentionally accumulated surplus stocks although it would seem to your Draftsman that these stocks would be better deployed in the Third World than being given to the Soviet Union, for example. The Commission also draws attention to the lack of advance supply commitments which it believes hinders the medium term planning of supplies in the Community and in the recipient countries. In short, the policy is very much a stop-gap one and the Commission graciously recognizes the role of Parliament in drawing attention to this. It believes that improvements can be made outside the scope of the present policy as well as through its enlargement.

8. Before proceeding to an analysis of the immediate financial consequences, your Draftsman would like to make a few general comments. Clearly no-one will question the need for a major revision of the food aid policy in the light of the present food crisis. The general outline of the Commission's proposals seems to be sensible and sensitive. There is recognition that the Community can never meet fully the gap created by the projected increase in food requirements of developing countries. The idea of a more diversified food aid "basket" is generally to be welcomed, as is the open market sales approach outlined which does not require the recipient government to assume extra administrative responsibilities.

9. The Commission believes that any adverse distortions in international trade and production can be offset if precautions are taken such as tailoring the amount of aid granted to total production and by stipulating that the food received should not be sold below normal prevailing prices.

In paragraph 36 of the Memorandum the Commission states that it

"believes that the Community should continue leaving all decisions on the timing of the expenditure of counterpart funds to the recipient governments themselves. This approach is clearly more enlightened, and probably also more realistic than that underlying some other forms of food aid distribution, since it is usually the control measures over project choice, release of counterpart funds, and end-use supervision that complicate administration, increase red tape, and cause most friction between recipient countries and bilateral agencies".

10. The sentiment behind this seems to be entirely welcome but the practice of the last few years shows the dangers. The report by the Audit Board for the financial year 1972 demonstrates that large quantities of food aid covered by Community appropriations are simply not getting through to the intended recipients. If this were merely a fault at the level of the donor country then this could be solved simply through the internal Community financial control mechanisms. However, there are undoubtedly inadequacies at the level of the recipient country as well. Whether the "enlightened" approach advocated by the Commission allows any possibilities of correcting these inadequacies is something which your Draftsman doubts.

11. Some end-use supervision does seem to be necessary and the Commission would seem well advised to seek certain arrangements with recipient countries to improve control of this sort. But clearly the main burden for the Community is to ensure that the full amount of food aid committed actually leaves the Community and actually arrives in the recipient country. This at the moment is not the case and your Draftsman would like to hear of any proposals that the Commission might have for this.

12. Finally, on these general points, the Commission's initiative to reduce national actions and extend the Community ones should be welcomed and the Community should act as a whole in this present crisis.

The financial consequences of the Commission's proposals

13. The main item of direct interest to the Committee on Budgets, apart from the points outlined above, is obviously the effect of the 3-year indicative programme if it comes into being. Of course although the Committee and the Parliament will be able to examine the proposals when they form a part of the Community's annual budget, this is perhaps the only opportunity we will have of examining the programme independently in some detail and of making recommendations to the Commission if we

think fit. Despite the present economic difficulties that Europe faces, despite the need to keep the Community Budget in check, particularly at a time when we are contemplating the transfer to exclusive financing by own resources, your Draftsman believes that a major upward revision of the Community's food aid appropriations is necessary. Your Rapporteur would like to thank the Commission for having provided a more detailed financial schedule than is usual. Having said that he feels that there are certain elements in this schedule which are misleading and which tend to minimize the financial effects of the proposal.

14. The Commission says that because food aid needs may vary the indicative medium term approach should be expressed in ranges for each project. This is certainly the sort of approach which would be in line with this Committee's general thinking on the presentation of the financial consequences of most proposals. However, the Commission then goes on to say,

"To avoid the distorting effects of price changes on food aid availabilities the range limits would be set in terms of minimum and maximum quantities".

Surely the Commission must have some projections for price increases in the food market for the next few years even if they are tentative and gloomy. Without some estimates of the effects of such price changes it would be extremely difficult to make any proper assessment of the financial consequences.

15. The Commission having given these minimum and maximum commitments and also allowing for the contingency of the absence of national actions, then only works out the financial consequences on the basis of the minimum appropriations for 1974-5. It justifies this by saying that the first year would be largely experimental. Yet it explains earlier that the upper limits are more realistic. And clearly the Budget Committee is also interested in the possible size of appropriations for the succeeding years.

16. In the case of cereals, the Commission states that the upper limit is justified by the exceptionally high import requirements of some developing countries and by their difficulties in meeting the diversity through commercial imports and by the need for these countries to build up their own food reserves.

17. For skimmed milk powder the Commission recognizes that the limits provided, even the upper one, are well below the estimated absorptive

capacity of the currently visible programme projects in developing countries and below the level of world food aid in the first half of the 1960's.

18. For butter oil the Commission says that the upper limit represents a conservative estimate of the absorptive consumption capacity of the developing countries and of Europe's own technical possibilities.

19. For sugar the Commission says 'the quantities suggested are very small in relation to the needs of the developing countries'.

20. So if the Community policies are to make a real impact here then it is the upper limits which would be of interest and that means the higher projections for financial appropriations. These projections are not provided in the financial schedule. If, however, we take the minimum Community participation we can see that there is a small but steady increase if national programmes continue at their same levels and if the increases in basic prices and transport costs keep to the level of 15% estimated by the Commission. This seems optimistic - particularly as regards transport costs. In the table (on page 3) your Draftsman presents not merely the minimum possible increases in appropriations based on the two hypotheses of the presence or absence of national actions, but also the maximum limits.

21. If the minimum hypothesis holds then there will be no major change in the emphasis of the Community's budget. This your Rapporteur feels is an unlikely eventuality. If the maximum hypothesis holds the Community will be spending, instead of about 230 million u.a. in 1974, approximately 750 million u.a. in 1977.

22. This represents a major shift in the Community's budgetary priorities. It transforms the food aid programme into the second most important aspect of the Community budget - after agriculture.

23. Your Rapporteur believes that such a transformation may well be justified by events but it is clearly such a profound change that serious consideration of the policy proposals is necessary. Your draftsman would like to hear from the Commission what they believe a realistic estimate is for the appropriations for 1976 and 1977 as well as for 1975. This is not asking too much since presumably work is already in progress for the 1975 Budget on this point and also on the multi-annual estimates 1975-7.

CONCLUSIONS

24. Your Draftsman believes that the proposals of the Commission are timely and can in general be welcomed. He accepts the need for a major increase in appropriations for the food aid policy and also an enlargement of the basis of the policy.

TABLE 1: ESTIMATED APPROPRIATIONS FOR YEARS 1974/5, 1975/6, 1976/7 ON BASIS OF MAXIMUM AND MINIMUM QUANTITIES PROVIDED BY THE COMMISSION

	1974 Appropriations (m.u.a.)	1975 Minimum (m.u.a.) (1)	1975 Minimum (m.u.a.) (2)	1975 Maximum (m.u.a.) (3)	1975 Maximum (m.u.a.) (4)
CEREALS					
(Wheat & Husked Rice)	113 (5)	133.4	228.8 (6)	241.4 (7)	330.4 (8)
SKIMMED MILK POWDER..	52	56.5	56.5	84.7	84.7
BUTTEROIL	51	52.0	52.0	75.1	75.1
SUGAR	2	3.7	3.7	14.8	14.8
OTHERS	5	20	20	30 (9)	30 (9)
+ 15% PRICE INCREASE.	-N/A-	39.8	54.2	66.9	80.3
TOTAL	223	305.4	415.2	512.9	615.3

Growth of appropriations for period 1975/7

(first 2 columns provided by Commission; second two based on conservative estimate rate of 10% increase - including inflationary factor)	1975/6	335.9m	452m	564.1m	676.8m
	1976/7	369m	487m	620.5m	744.5m

- (1) Assuming continuing national contributions and minimum quantities
- (2) Assuming no national contributions and minimum quantities
- (3) Assuming continuing national contributions and maximum quantities
- (4) Assuming no national contributions and maximum quantities
- (5) All figures include - value of goods - FAS - and transport and distribution costs
- (6) Of 1.7 mt - 0.1 mt Husked rice: 1.6 mt Wheat
- (7) Of 1.8 mt - 0.1 mt Husked rice: 1.7 mt Wheat
- (8) Of 2.5 mt - 0.1 mt Husked rice: 2.4 mt Wheat
- (9) Maximum figure - expressed only in value terms

25. Your Draftsman considers that the financial indications provided by the Commission, although more elaborate than usual, still do not present clearly the minimum and maximum hypotheses necessary for a full appreciation of the proposals.

26. The importance of the change proposed in the budgetary priorities of the Community seems to merit the most serious consideration by Parliament. This can only be achieved on the basis of a major extension of the justification provided in the financial schedule.

27. In view of the escalating importance of this policy your Rapporteur believes that more detailed proposals for financial control in the donor countries and also some end-use supervision in the recipient countries are necessary.

28. Finally, the Committee on Budgets believes that the consultation of Parliament at the expiry of the indicative programme is essential if the peoples of the Community are to be associated with the development of this increasingly important policy.