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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 on the
general guidelines for the 1982 programme of
financial and technical cooperation with the
non-associated developing countries (Doc. 1-818/81)

and on
Community financial and technical aid to non-
associated developing countries

Rapporteur: Mr Derek ENRIGHT

By letter of 28 January 1980 the Committee on Development and Cooperation requested authorisation to draw up a report on Community financial and technical aid to non-associated developing countries.

Authorisation was given by the President of the European Parliament by letter of 13 February 1980. The Committee on Budgetary Control was asked for its opinion.

On 18 March 1980 the Committee on Development and Cooperation appointed Mr Enright rapporteur.

By letter of 20 October 1981 the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the proposal from the Commission of the European Communities to the Council on the general guidelines for the 1982 programme of financial and technical cooperation with the non-associated developing countries.

At its meeting of 10 November 1981 the Committee on Development and Cooperation decided to incorporate its opinion on this proposal from the Commission of the European Communities to the Council in the report of Mr Enright.

It considered the draft report at its meetings of 24 November 1980, 5 December 1980, 22 January 1981, 23 November 1981 and 30 November 1981.

On 30 November 1981 it adopted the motion for a resolution and explanatory statement with one abstention.

Present: Mr Poniatowski; chairman; Mr Bersani, vice-chairman; Mr Enright, rapporteur, Mrs Cassanmagnago-Cerretti (deputising for Mr Narducci); Mr Cohen, Mr Ferrero, Mrs Focke, Mr C. Jackson, Mr Kazakis (deputising for Mr Papageorgiou); Mr Michel, Mrs Poirier (deputising for Mr Vergès).

The opinion of the Committee on Budgetary Control is attached.

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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 proposal from the Commission of the European Communities to the Council on the general guidelines for the 1982 programme of financial and technical cooperation with the non-associated developing countries
and on
Community financial and technical aid to non-associated developing countries

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (COM(81) 536 final),
 - having been consulted by the Council (Doc. 1-818/81),
 - having regard to the report from the Committee on Development and Cooperation and the opinion of the Committee on Budgetary Control (Doc. 1-819/81),
 - having regard to the communications from the Commission of the European Communities (COM(79) 518 final, COM(79) 519 final, COM(80) 537 final, COM(80) 538 final, COM(80) 538 final/2),
 - having regard to Council Regulation (EEC) No. 442/81¹ on financial and technical aid to non-associated developing countries,
 - having regard to its resolutions
 - on the communication from the Commission to the Council on Community financial and technical aid to non-associated developing countries, 1976 to 1980²,
 - on a proposal for a regulation on financial and technical aid to non-associated developing countries³,
and, in particular, its resolution
 - on the European Community's contribution to the campaign against hunger in the world⁴,
1. Recognises the need for the EEC to move towards a more global development strategy that would benefit the poorest of the world's people as expressed in the regulation for aid to non-associated developing countries;
 2. Notes the increase in the number of projects supported in non-associated countries during the programme's period of operation, so that this programme now represents a growing proportion of EEC aid to the needs of the Third World;

¹OJ No. L48 of 21.2.1981, page 8

²Report of Mr Härzschel, Doc. 133/75, OJ No. C157 of 14.7.1975, page 30

³Report of Mr Nolan, Doc. 34/77, OJ No. C118 of 16.5.1977, page 60

⁴Report of Mr Ferrero, Doc. 1-341/80, OJ No. C265 of 13.10.1980, page 37

3. Agrees, in view of the increasing needs of the poorest of the least developed countries as emphasised in the public hearings on the problem of world hunger held by the European Parliament in February and April 1980, in the Brandt Report and in the United Nations Conference on the Least Developed Countries held in Paris in September 1981, that, **contrary to previous practice, aid in future must be concentrated on assistance to the poorest sectors of the population in the poorest countries;**
4. **Demands** that the programme for financial and technical cooperation with non-associated developing countries **constitute a useful element in** achieving the target of 0.15% of GDP in assistance to the least developed countries;
5. Draws attention to the special needs of the least developed areas within non-associated developing countries, which could be assisted through this programme;
6. Notes with alarm that, despite the repeated emphasis on the fact that the poorest are getting poorer, funds are still very limited in relation to needs, and calls, accordingly, for increased appropriations for this programme;
7. Believes it to be indispensable that commitment appropriations entered under Article 930 of the General Budget of the European Communities for the financial year 1982 amount to at least 200m ECU;
8. Recognises, in view of the **necessity of a constant financial flow, that it is essential for there to be a substantial percentage increase in real terms annually;**
9. Condemns the decision-making procedure provided for in the Council Regulation whereby a committee composed of representatives of the Member States is empowered to decide on each project to be assisted under this programme, and maintains that such a provision is detrimental to the powers of the Commission and the European Parliament;
10. Is aware of the operational difficulties in the execution of projects resulting from the absence of Commission delegates in most non-associated developing countries and encourages the Commission to continue its efforts towards better control over the implementation of projects;
11. Recalls, in this connection, the demand contained in the Ferrero Resolution¹ to link food aid to rural and agricultural development projects;
12. Hopes that cooperation with non-associated developing countries will in the future be orientated increasingly towards programmes rather than projects for the purpose of simplifying administration and for greater efficiency;

¹ OJ No. C 265 of 13.10.1980, page 37

13. Calls on the Commission to undertake an assessment of the effectiveness to date of the programme of financial and technical cooperation with non-associated developing countries;
14. Notes the programme's emphasis on integrated rural development as well as fisheries and aquaculture as important means of increasing food production and of achieving economic and social development, but calls for greater priority for this in practice;
15. Welcomes the greater emphasis on regional cooperation proposed in the 1982 general guidelines;
16. Notes with surprise that, though co-financing is increasing, direct co-financing with Member States is not sufficiently significant;
17. Recommends the Commission to continue its efforts to improve co-financing procedures and to choose the most effective procedures permitting optimum control;
18. Calls for more staff to be made available to D.G. VIII to administer aid to non-associated developing countries;
19. Feels that technical assistance for the preparation of projects and programmes, particularly in helping to formulate food security strategies, is a prerequisite for effective cooperation with the non-associated developing countries;
20. Notes in recent guidelines, a move towards a 'concentration of aid' and hopes that this will not jeopardise small-scale projects;
21. Calls for free access to Community markets for products originating in the least developed countries;
22. Approves, subject to the preceding comments and criticisms, the general guidelines for the 1982 programme proposed by the Commission.

EXPLANATORY STATEMENTI Introduction

1. Aid to non-associated developing countries was instituted on the initiative of the European Parliament and has been kept going by the determination of the European Parliament (e.g. by forcing allocation increases in successive budgets), but, unless Parliament remains seriously concerned about the welfare of the programme, both the scope and the effectiveness of this progressive Community policy, if not the principle itself, will be totally eroded. This form of aid was launched as an experiment in 1976. It is a genuine Community policy financed from the Community's budget and not by weighted contributions from Member States.
2. If Lomé is to stand as a model of the possible relations between the developed and undeveloped countries then the model itself must make more progress and continue policies specifically geared to the interests of the poorest developing countries. The intention of the programme of aid to non-associated developing countries is to provide a special package of measures covering the poorer least developed countries currently excluded from the Lomé convention.
3. Essentially the aid allocation to non-associated countries is to be a poverty-orientated programme. The principle itself would seem to have support - what is at stake is the development of the pace of the programme.
4. Of greater importance than the issue of aid allocation is the size of the aid budget itself - yet debate on aid had often side-stepped this issue. Though governments have all had the declared object of assisting developing countries it has in fact proved impossible to raise the net overseas development assistance (ODA) flow above half the Pearson target of 0.7% of GNP. It has always been objected that there is a balance of payments constraint which has now become a public expenditure constraint. In truth, the problem is not a technical but a political one. The priority given to development assistance is low, and the past 'commitments' of the industrialised countries have proved to be largely pious statements of interest.

II Increasing Programme

5. In terms of the total EEC aid programme, Africa receives almost half of the aid, even though only a quarter of the poor live there. This of course is due to the high proportion of African countries linked to the EEC through the Lomé Convention. However, to ensure that the poorest, least developed countries in the world are aid beneficiaries, a progressive attempt has been made under the policy for Community aid to non-associated countries. Though many of the poorest countries in the world are party to Lomé, other countries such as Afghanistan, Bhutan, Bangladesh, Maldives, Laos, Nepal, Sri Lanka, Haiti, North and South Yemen are not - and yet they are on the UN's list of least developed countries. Other poor LDCs not associated with the Community include Cambodia, Vietnam, Burma, India, Pakistan, Angola and Mozambique which are on the World Bank's list of poorest countries.

6. There has been a progressive increase in the number of projects assisted under the programme of aid to non-associated countries and in the number of recipient countries during the first four years of its existence. The four programmes from 1976 to 1979 included a total of 102 projects covering 21 different recipient countries and 13 recipient organisations. Each year the Parliament has pressed and managed to obtain an increase in the budget for aid to non-associated countries. In 1976 20m EUA was allocated to the programme. In 1977 - 45m EUA; in 1978 - 70m EUA; in 1979 - 110m EUA; in 1980 - 138.5m EUA; and the current figure of commitment appropriations for the 1981 programme is 150m EUA. The geographical scope of the programme has also been extended. In 1976, 8 projects were financed in 6 countries; India, Pakistan, Bangladesh, Sri Lanka, Indonesia and Bolivia, and through two organisations, including the Asian Development Bank. In 1977 this was increased to 20 projects, 2 in India and 2 in Sri Lanka, Vietnam, Indonesia, Thailand, Bolivia and Honduras. Six of the projects were co-financed with other organisations. In 1978 there were 34 projects set up in 13 countries and with 11 organisations (principally the Andean Pact). These countries included India, Bangladesh, Pakistan, Sri Lanka, Thailand, Laos, Nepal, Haiti, Honduras, Bolivia, Angola and Mozambique. The number of projects was increased to 36 in 1980 and Ecuador, Peru, Nicaragua and Burma were added to the list of countries replacing Laos and Nepal. These projects are carried out in 15 countries and with 9 international organisations.

7. Of the 102 projects financed during the first four years of the programme, 50 were co-financed, though only eight directly with Member States. Thirteen projects were co-financed with the Asian Development Bank, eight with the World Bank and seven with the Inter-American Development Bank. In particular, co-financing with the Asian Development Bank accounted for 17% of total Community resources provided under those four programmes.

8. In terms of global balance among the main geographical regions, in 1976 Asia received an allocation of 18m EUA (90% of the resources) and Latin America received 2m EUA (the remaining (10%). In 1977, Asia received 34.8m EUA (78%) and Latin America 10m EUA (22%). In 1978, for the first time, African countries received a proportion of the aid for non-associated countries - consisting of 3.5m EUA or 5%. In the same year Asia received 49.9m EUA (74%) and Latin America 14m EUA (21%). In 1979, Asia received 70m EUA (73%), Latin America 19.5m EUA and Africa 6.9m EUA (7%). In 1980 the figures were: Asia 91.4m EUA (73%), Latin America 24.4m EUA (20%) and Africa 8.5m EUA (7%) (figures exclusive of Disaster Aid).

9. Thus it can be clearly seen that the Indian sub-continent alone accounted for two-thirds of the financing under the 1976 programme, and approximately half in each of the subsequent programmes.

10. The general guidelines for the 1982 programme¹, on which the European Parliament has been consulted, propose the following geographical breakdown. Asia 75%, Latin America 20%, Africa 5%. This does not fundamentally change the established pattern. It should, however, be noted that Zimbabwe is in the process of acceding to the Convention of Lomé II, and consequently can no longer be considered eligible for aid under this programme.

11. The 1982 guidelines propose that countries which have already received assistance should continue to be eligible for aid under this programme. In addition the programme could be extended to include countries such as Bhutan, Colombia and, because of its current economic difficulties, Costa Rica. Regional bodies such as ASEAN and the Andean Pact would continue to receive assistance, while in Africa the 1982 guidelines state that "it will be necessary to find appropriate possibilities of intervention, notably for projects of a regional character, and particularly in the field of parts, communications and the improvement of access for landlocked ACP countries" (Section IV).

12. The possibility of assistance for China is mentioned in the 1982 guidelines. Up to now China has received no aid under this programme. Given the magnitude of its requirements, and the fact that the 1982 budget does not take account of this eventuality, it is evident that any meaningful aid to China would entail appropriate modification of the budget. The Committee on Development and Cooperation is, in principle, in favour of development cooperation with China, and encourages the Commission to investigate the means whereby such assistance could be granted.

13. In terms of sectors, 24% of the total programme resources went into integrated rural development - despite the fact that such projects are often the most difficult to implement. Food storage and irrigation and water supplies took up a progressively lower proportion of the resources as rural projects received increased priority.

¹COM(81) 536 final

14. Specifically regional projects got 18% of the 1976 funds; 21% of the 1977 allocation; 15% of the 1978; but only 8% of the allocation in 1979 and 1980 - a trend reflecting a decreasing concern about regional cooperation.

15. Administration expenses were included for the first time in the 1977 programme (taking up 0.9% of the total resources), to allow for recruitment of outside experts to undertake project evaluation, appraisal and supervision.

16. With regard to actual disbursements the programme is now well under way. Between August 1979 and July 1980 the proportion of committed funds which had been disbursed had risen from 60% to 72% (i.e. 14.4m EUA) for the 1976 programme; from 23% to 50% for the 1977 programme and from 2% to 23% for the 1978 programme. In other words, of the eight projects in the 1976 programme, three were completed last year and there has been steady progress in implementing the irrigation and agricultural projects in Pakistan, Sri Lanka and Bangladesh. The Indonesian project was temporarily held up due to administrative difficulties, and the project in Bolivia was started only after some delay, owing to the failure of the local development bank to present suitable sub-projects.

17. Of the 20 projects in the 1977 programme, seven projects have been fully disbursed (i.e. 22.3m EUA) including an important stage (system H) of the Mahaweli Ganga project in Sri Lanka. A grain storage project in India is well under way, as is the research project co-financed with the Andean Pact countries. The latest report on the four years of the programme notes how co-financing seems to take longer to get off the ground.

18. Disbursements to the 1978 programme have now risen to 15.5m EUA (amounting to almost 23% of total programme funds). Ten of the projects are practically completed. Notably, grants to agricultural research institutes show a much more rapid rate of disbursement and it is the co-financed projects which take much longer to set up. Co-financing projects are outstanding with the Inter American and Asia Development Banks. At the moment, Sri Lanka's Mahaweli project (system G) is being held up because of difficulty in agreeing on the size of the FAO's technical assistance component.

19. The Commission has also experienced difficulties and delays in its dealings with ASEAN and it has been suggested that this is a result of the rather complex administrative structure of this organisation. Apparently experience has been similar with the Andean Pact .

20. The execution of the 1979 programme has only recently commenced. There are 40 projects involved, though one has already been completed and four others (again research grants) are 50% completed. So far, a total of 4.6m EUA (4.2% of the budget) has been disbursed .

21. The 1980 programme includes 36 projects in 15 countries, including Nepal, the Maldives, Nicaragua and Zimbabwe, as well an increasing concentration of aid to Thailand, Sri Lanka and Honduras.

22. Given this range of projects both in terms of the variety of schemes and the international spectrum, the question arises as to what these projects have in common to qualify them for assistance from the Community. Is there any specifically geographical principle behind the choice of country, or historical link between the Community and the recipient? Is it a question of some intrinsic quality common to each project? Certainly, at first sight the projects listed seem to appear chosen at random or in an arbitrary manner. What needs to be sought is an underlying qualifying principle which will in turn reveal the basis of the Community policy towards non-associated developing countries.

III Historical Background

23. In order to understand why certain countries are classed as 'non-associated' developing countries, it is necessary to give a brief account of the Community's development and cooperation policy since the Treaty of Rome was signed in 1957. Initially, the Treaty gave the Community the right to contribute collectively to the development of its overseas territories; there was no overall policy towards other developing countries. Then in the early Sixties, eager to establish a working relationship with their former colonies, the Six negotiated the Yaoundé Convention with 18 former colonies, the "Associated African States and Madagascar." The provisions for cooperation and trade were put on a partnership basis by the signing of Yaoundé II in 1969.

24. Similarly, the Community negotiated trade agreements with two Maghreb countries, Morocco and Tunisia, as well as with Lebanon and Egypt. These developed into the Maghreb and Mashreq agreements.

25. When the Six became the Nine in 1973, the new members, Denmark and Ireland and particularly the UK brought their own colonial and Commonwealth ties with them. This expansion of former colonial associates led to the renegotiation of Yaoundé and the signing of a fuller treaty known as the Lomé Convention.

26. However, the Lomé Convention focused on African, Caribbean and Pacific associates. Former Asian colonies such as India, Bangladesh, Pakistan and Sri Lanka were, by mutual agreement, excluded. India had already signed a commercial cooperation agreement with the Community in 1973, and took the line that this provided an adequate framework for relations with the Community.

27. The ACP could be seen as a zone of special interest. The creation of a zone of special interest can lead, as a corollary, to the formation of zones of neglect, and unless zones of interest coincide with the poorest

regions, the spirit of helping the poorest under a joint policy of development is impaired. Hence some relatively rich countries, (such as the Bahamas) can be classed as ACP developing countries,

whereas a desperately poor country such as Bangladesh is left outside. The issue arises as to whether the Lomé Convention obtains benefits for its members by diverting trade and aid from other less developed countries, rather than by creating trade and generating new sources of concessional wealth? Could the Lomé Convention itself have created a situation in which some of the world's poorest countries operate under relatively disadvantaged conditions in terms of access to the EEC market and to Community aid? In other words, the Convention itself could be divisive. Indeed, it was generally felt that the banana protocol attached to the Lomé Convention was designed to favour Caribbean at the expense of Central American producers. Furthermore, the ACP countries actually opposed extension of the EEC's generalised system of preferences where this would erode ACP preferences.

28. Coincidental with these developments there were also a number of fundamental changes in the Third World in the early 1970's focusing on the organisation and grouping of developing countries into the Group of 77 nations who put forward specific demands for a new international economic order. Their single voice was beginning to be heard calling for better access to Western markets for their exports as well as facilities for industrialisation and diversification. At the same time the early seventies were the years of keen awareness of the impending world food crisis.

"Faced with these developments, the European Community, the leading economic entity in international relations, could not remain unmoved. Beginning (1968) with fragmented and isolated instruments such as food aid, the generalised system of preferences (1971) etc., the Community tried to contribute to the solution of some of the innumerable problems confronting the Third World".

(Europe Information, The EEC and the Developing Countries, June 1979)

29. Clearly the Community had to begin to work out a global development and cooperation policy. In 1974 the Commission published a "fresco" on development policies, stressing the diversity of situations and needs existing in the Third World. The central epigraph of the document was "To each according to his needs, bringing all our means to bear". It is with this principle in mind that the Commission noted:

"With certain countries it is a question of providing them for an unspecified period of time with the resources necessary for their survival, principally in the form of gifts ... for other countries, financial aid will have to be progressively supplemented by trade arrangements designed to facilitate the sale of their exportable products, and by industrial and technological cooperation".⁽¹⁾

(1) COM(74) 1728 final, p.20

30. It was this twin approach of aid and trade depending on need that characterised the "fresco". "Non-associated" developing countries could be divided into those with small exportable surpluses and a level of development requiring financial and technical assistance and those with relatively developing economies dependent on their exports and therefore requiring better market access. The GSP and trade promotion activities were developed as instruments to help the latter. An aid programme had to be worked out to help those countries least developed to provide them not only with food aid but also with vital financial and technical assistance.

31. On 16 July 1974 the Council adopted a resolution establishing the principle of implementing Community financial and technical aid to non-associated developing countries. The Commission proposed concentrating aid on those non-associated countries listed in the first three groups of developing countries identified in the "fresco" (cf Annex 1). These were 17 least developed countries mostly in Asia, whose GNP (by 1971 statistics) did not exceed \$220, namely Burma, Afghanistan, Nepal, Cambodia, Yemen Arab Republic, Yemen P.D. Republic, Laos, Sikkim, Bhutan, Haiti, India, Bangladesh, Pakistan, Indonesia, Thailand, Sri Lanka, South Vietnam and Bolivia.

32. The first aid allocation, on an experimental basis, consisted of 20m u.a. included in the 1976 budget. In theory, all developing countries not eligible for Community aid from the EDF could take it up and it was intended as a supplementary instrument in development and cooperation to the Lomé Convention, the GSP, food aid provisions, and the emergency relief ("Cheysson Fund"). In fact all the appropriations of the first 20m u.a. were utilised without a basic regulation having been drawn up beforehand to guide the choice of schemes to be carried out, the objectives to be attained, etc. On 8 December 1976 the Council adopted a formal decision of the utilisation of the 20m u.a. for non-associated developing countries and the allocations were as follows:

Bangladesh	2.5 m.u.a.
Bolivia	2.0 m.u.a.
India	6.0 m.u.a.
Indonesia	1.0 m.u.a.
Pakistan	3.0 m.u.a.
Sri Lanka	2.0 m.u.a.
Asian Development Bank	1.5 m.u.a.
Regional Research Programme	2.0 m.u.a.

33. As the Committee on Budgets stated in its opinion⁽¹⁾ on the Commission's proposal on financial and technical aid to non-associated developing countries:

"This allocation did not form part of any overall plan. It represented an ad hoc decision taken according to individual cases".

⁽¹⁾ Attached to Mr Nolan's Report, Doc. 34/77, page 15, paragraph 8.

IV. Random decisions or principles?

34. In March 1975 the Commission transmitted a Communication to the Council on Financial and Technical Aid to Non-Associated Developing Countries (Doc. 38/75). This Commission communication stated plainly the basic principle of the nature of the aid :

"The underlying principle of the "Fresco" - "to each according to his needs" - as applied to the specific field of financial and technical aid means that the latter must be accorded to the poorest developing countries. In taking needs - both structural and exceptional - as a criteria, it has not been the Commission's intention to propose a rigid system of mathematical criteria, nor to claim that the Community can meet all the needs of all countries, but rather to provide a framework of reference - to be applied with all due flexibility - which is essential for the distribution of scarce resources.

The application of these criteria will lead the Community to concentrate its aid initially (disregarding emergency measures) on the non-associated countries i.e. the first three groupings of developing countries identified in the "Fresco"... on the understanding that this list may be amended by reference to the criteria adopted." (Doc.38/75,P.5-rapporteur's italics)

35. The criteria here were clearly the needs of the poorest countries and this was spelt out in Article 2 of the Draft Council Regulation⁽¹⁾ resulting from the Council Meeting of 25 April 1978 at which a Common Council Position with regard to financial and technical aid to non-associated developing countries was formulated.

"The aid shall be directed as a general rule towards the poorest developing countries. In applying this principle a community presence should be ensured in the major regions of the developing world while aiming at a reasonable geographical balance between these regions" (rapporteur's italics)

The implication was that since the poorest and most populated developing

(1) Doc. 151/78

countries are in Asia, then Asia should receive the dominant share of the allocation.

36. Significantly, Article 3 of the Draft Council Regulation was even more specific :

"The aid shall be mainly directed towards improving the living conditions of the most needy sections of the population of these countries.

Special importance shall be attached to the development of the rural environment and to improving food production.

As a subsidiary form of action participation in regional projects may also be considered." (Rapporteur's italics)

37. There was a clear specification here that the aid should be directed towards the most needy sections, or the poorest of the poorest countries. With reference to the fields of application of the aid, the Commission proposal to the Council (Doc. 38/75) emphasised that :

"The basic principle is to meet as fully as possible the needs and priorities of the recipient countries." (Page 2)

It went on to state :

"special attention will have to be paid to measures to meet the internal requirements of the recipient country or region, in the widest sense of the term. The needs of the most underprivileged sections of the population will be partially taken into account." (Page 3)

The Commission's 1978 Guidelines⁽¹⁾ state:

"The main criteria for the allocation of resources is poverty. The application of this criteria means that the dominant share goes to Asia in which the largest number of the poorest are situated." (Page 3, para. 2,2)

It went on to make clear that with reference to "areas of activity",

"worthwhile national projects in the rural field (including socio-economic infrastructures and connected industries upstream and downstream of agriculture, stock farming, fisheries and forestry subsectors) which will benefit the needy sectors of the population in the poorest developing countries" (page 4, section 3)

were to be supported.

But having conceded this emphasis, the 1979⁽²⁾ Guidelines appeared to retract it later :

"Given the rather higher average level of development compared with Asia the necessity of selecting other countries should lead us to broaden our aid conditions

(1) Commission Doc. VIII/453/78 En.

(2) COM(78) 472 final, p.5, 3rd para.

for example in favour of those sectors of the population that are in the greatest need, and in the poorest regions of certain other countries, and in the framework of concrete and incontestable projects.

However, this line should only be followed in case of absolute necessity." (Rapporteur's italics)

Certainly the suggestion that the criteria of "the poorest in the poorest countries" should only be invoked "in cases of absolute necessity" indicated that other criteria for the allocation of aid to non-associated developing countries were operating.

38. Mr Härzschel's report on behalf of the Committee for Development and Cooperation on aid to non-associated Developing Countries (Doc. 133/75) stated (para.23) that Community aid must "contribute to democratisation of the social structures", but this paragraph was amended to read that "Community aid must contribute to the social well-being of the community as a whole"⁽¹⁾ It was further amended to read that

"the criteria used for distributing aid to non-associated countries should be readily apparent".⁽¹⁾

39. In other words, the question was whether structural and social reforms were to be regarded as performance criteria for obtaining aid with priority over financial and management criteria.

40. Certainly the Draft Council Regulation on which Council reached a common position on 28 April 1978 ⁽²⁾ emphasised the need for development assistance to take full account of a country's needs as perceived by itself.

".... the pursuit of a Community Development Cooperation policy postulates the carrying out of certain financial and technical aid operations for the benefit of non-associated developing countries, taking account of the economic principles and priorities established by those countries and having regard to the aspirations of the developing countries towards promoting their development on the basis of their own efforts and the resources available to them". (5th preamble)

Economic priorities of the recipients must be taken into account since the problem of hunger in the world is not simply a problem of increasing food production or of increasing food trade, but it is a problem of general economic and social development in developing countries.

41. Nevertheless the Commission's 1978 Guidelines stressed the value of identifying desirable operations before even a provisional list of aid

(1) OJ No. C157 of 14.7.1975, page 31, para, 23

(2) Doc. 151/78

recipients was drawn up (i.e. some element of planning ahead), and underlined that there was already a backlog of worthy projects.

42. This was taken up in the Commission's 1979 Guidelines (Com (78) 472fin) which said :

"the approach to be followed should be essentially a pragmatic one consistent with identifying as many valuable actions and projects as possible. The criteria to be followed in selecting projects will include in particular the degree of fitness between project objectives and our own principles, the technical possibility of achieving the desired goals, the manner in which earlier projects have been implemented, and the degree of collaboration established with the responsible authorities.

This pragmatic approach would appear to be preferable to conforming to a pre-established list of recipient countries and organisations". (page 4)

43. From 1976 to February 1981 the aid to non-associated developing countries programme was carried out under an ad hoc procedure, but in practice the Commission followed the general criteria set out in the draft Council regulation of 28 April 1978⁽¹⁾, amplified by the annual guidelines.

The general criteria of the draft are :

- aid should be in grant form
- it should be directed towards the poorest ldc's to help improve the living conditions of those sections of the population in greatest need
- its purpose should be to develop the rural **areas** (integrated rural development)
- It should have special emphasis on improving food supplies
- participation in regional projects would be encouraged
- allocations should be made so as "to ensure a community presence in the major regions of the developing world, while aiming at a reasonable geographical balance among these"
- a limited amount would be set aside as emergency resources for reconstruction and assistance after natural disasters
- the means of disbursement would be either directly or through cofinancing with Community Member States, with multi-lateral bodies, or with regional organisations.

Council Regulation (EEC) No. 442/81² of 17.2.1981, on financial and technical aid to non-associated developing countries, has maintained the general criteria listed above.

¹Doc. 151/78

²O.J. No. L48 of 21.2.1981, page 8

Article No. 2 of the Council Regulation (1), 'aid to the poorest', has already been discussed and an emphasis on the agricultural sector, 'integrated rural development' will already have been noted. The 1978 General Guidelines clearly stated that the agricultural sector would be given the largest contribution though this should not lead to the exclusion in cases where this appeared necessary, of socio-economic and industrial infrastructures upstream or downstream from the sub-sectors of agriculture, livestock, fisheries and forestry.

The implication was that a kind of PROGRAMME AID would be extended through the agricultural sector and into infrastructure development 'Agribusiness and marketing sectors would have great significance for developing countries in need of facilities to get their products on the market (of the fisheries industries). However this impression that "programme aid" rather than project aid would be forthcoming was not borne out by the 1977 Proposal from the Commission to the Council (Doc.11/77), which, despite stressing measures to increase food requirements in the agriculture, stockfarming and fishery sectors (including investments, the supply of equipment, seeds and fertilizers involving marketing and storage and extending to the development of craft industries), clearly stated that :

"Community aid will have to be used in so far as possible for financing specific projects (projects aid). In certain cases, however, in particular where the administration and planning capacity of the recipient country is adequate, programme aid may also be considered." (page 4)

A serial inter-link between sectors (typical of programme aid) is not to be regarded as the rule. Project aid is the standard practice with occasional programme aid as the exception. In practice, this favouring of project aid can only work against fully integrated rural development.

44. By 1979 the General Guidelines ⁽²⁾ reflected a sense of spreading few resources too thinly and suggest :

"in certain circumstances it may turn out preferable to 'concentrate' our aid, one year in one country, the next in the next, to give each a significant contribution rather than intervening each year in each country with relatively modest contributions which may not permit the implementation of sufficiently large projects." (page 5)

(1) OJ No. L48 of 21.2.1981, page 8

(2) Com (78)472/fin

45. But the priority with regard to the sectoral distribution of aid was still clear :

"The agricultural sector will be given the largest contribution, though this should not lead one to exclude, in cases, where this appears necessary, socio-economic and industrial infrastructures, upstream or downstream from the sub-sectors of agriculture, livestock, fisheries and forestry. A strong priority is to be given to projects concerned with food supplies." (1)

"However", it concluded "the identification of rural projects with a regional character is likely to be difficult." Certainly developments in the fishing and aquaculture sectors could provide examples of local projects that work towards regional cooperation for marketing etc. Clearly measures aimed directly at increasing and improving food production also involve setting up improved infrastructure, storage, marketing, training facilities and technical assistance which promote the rural population as a whole.

46. Mr Härschel's report (2) had been more precise and the resolution (3) adopted by the European Parliament (in June 1975) stated plainly that the Parliament "is convinced that no development programme can be successful unless the food needs of the populations in developing countries can be satisfied." Indeed, the resolution went on to urge "the Commission, in cooperation with those responsible organisations, to conduct a survey of the world food situation to draw up an internationally coordinated food plan." It considered aid for regional cooperation and integration as a significant item "contributing as it does to the economic and structural improvement of specific areas."

47. Furthermore, the Resolution requested "the Commission to compile figures showing how much financial aid the 17 poorest non-associated countries are already receiving from other industrial countries and organisations". It would be interesting to know whether this exercise has ever been carried out.

(1) COM(78) 472 final, page 6

(2) Doc.133/75

(3) O.J.No C 157 of 14.7.75, p.30, paras 2, 7, 8 and 14.

V. Needs of the poorest

48. Many recent public documents and statements have outlined the plight of the impoverished countries. The European Parliament held two public hearings in February and April this year on the problem of world hunger. These, as well as the Brandt Report and more recently the World Bank Development Report (August 1980) have all presented evidence outlining the lowness of average incomes, malnutrition, underemployment, illiteracy and the rest. Without reiterating the statistics, what must be emphasized is

"that the relative backsliding of these poorest countries already evident during the 1970's is under the best forecasts of probabilities under existing policies projected to continue to the end of the Century". (Development Cooperation 1979 Review OECD p.37)

49. The World Bank's 1980 World Development Report spells out the implications for the poorest countries of a world gripped by recession, inflation and rising energy prices. Prospects for the low-income oil importers are particularly bleak :

"Income per person in low-income sub-Sahara Africa would decline; and the number of people in absolute poverty in the developing world as a whole increase". (page 95)

For low-income developing countries, such as Bangladesh and Haiti, the Bank forecasts that growth could be between 3.5% and 4.4% during the next decade, and for the middle income countries, such as Brazil and the Philippines, between 4.4% and 5.3%. On average these figures are 10% lower than last year's forecasts while population in the Third World is growing at around 2.3% per year.

50. This markedly worsening outlook for the developing world is regarded by Mr Robert McNamara, President of World Bank, as a cause for deep concern, not least because of the impact of oil prices and the strong measures the industrialised countries are taking to curb inflation.

With reference to aid, the Report ⁽¹⁾ recommends that :

"In their own long-term interests, as well as those of the developing countries, both OECD and OPEC donors should make every effort to expand their aid relative to GNP, even in periods of domestic stringency. And they should concentrate their aid even more on low-income countries." (page 96)

⁽¹⁾ World Bank - World Development Report 1980

51. The resolution contained in the Ferrero report⁽¹⁾ on the Community's contribution to the campaign to eliminate hunger in the world, recently adopted by the Parliament, consisted of fifty seven paragraphs. It considered that the elimination of hunger is closely linked to the balanced and independent development of each country and region in the world and that such development requires effective international cooperation and as a priority, a massive transfer of resources from the richer countries to the less-favoured areas.

Notably, the Brandt Report also calls for this "massive transfer of resources." But this transfer of resources is not to be regarded as the total solution. The Ferrero resolution⁽²⁾ states

"Considers that, to eliminate mass hunger and undernourishment it is essential for as many of the developing countries as possible to achieve self-sufficiency in food; for this purpose it is necessary to strengthen the ability of those developing countries which import food products to satisfy their own food requirements by expanding their agricultural development; (para. 12)

Requests the Commission and Council to pay particular attention, in all sectors of development policy including the commercial aspects to the poorest developing countries and those most affected by the problem of hunger; (para. 13)

- include rural development cooperation (above all in connection with the programming of aid) in developing countries' food strategies;" (para. 17, 3rd indent)

52. The Commission's General Guidelines for the 1980 Programme for aid to non-associated developing countries⁽³⁾ were characterised by an emphasis on the needs of the poor. It suggested that the total population eligible for assistance is somewhere in the region of 1,250 million - i.e. 31% of the world's total population, of whom some 900 million live in countries with per capita GNP of below \$ 250. This is the first time that the needs of the poorest have been spelt out in the programme guidelines. This is reinforced by the Commission's suggestion that this form of aid be increased substantially :

"to allow the Community to confirm its commitment to helping the most needy." (page 1, 5th para.)

The concept of adopting an aid strategy addressed to the needs of the poorest countries is always a difficult one in practice. There is a hidden assumption that the poorest countries can be adequately assisted by concentrating on the so-called "least developed countries". The "least developed" category was formalised through multilateral negotiations some years ago and in terms

(1) Doc.1-341/80, O.J.No C 265 of 13.10.1980, P.37

(2) OJ No. C265 of 13.10.1980, pp.39,40

(3) COM(79) 519 final

of the number of countries included it is quite large. Thirty-one countries have been classed as "least-developed by the UN on the basis of their low per capita incomes, low degree of industrialisation and low literacy. Of the thirty-one, the following nine are not associated with the Community: Afghanistan, Bangladesh, Bhutan, Haiti, Laos, Maldives, Nepal, Yemen (Democracy) and Yemen (Arab Republic). However, though there is no real question about the urgency of their needs, whether they are the most needful is an issue of practical debate.

53. The L.L.D.C.s are mostly quite small countries; the addition of Bangladesh in 1975 increased the population of the whole category by nearly 50%. Collectively they account for only 19% or 20% of the population of the "low income countries" as defined in the World Development Report, 1977, 17% of population of countries eligible for IDA loans. Moreover, it is the larger low-income group, and not just the LLDCs whose performance has been lagging behind the generality of the developing countries.

54. In practice, as the "Development Cooperation 1979 Review" (OECD) explains

"When donors deploying scarce ODA concentrate heavily on the LLDCs they therefore tend to neglect the demographically larger part of the global poverty problem represented by such countries as India, Pakistan, Sri Lanka, Kenya, Burma and Indonesia. If the LLDCs are the hardest core of the poverty problem, the implication is not that the response to it has been excessive - or that DAC countries should hang back from implementing the undertaking they have now made at UNCTAD V to increase their aid to LLDCs. But the response to the second, large circle of surrounding need has been particularly weak and therefore especially invites attention." (p.39)

55. In the light of the needs of the least developed countries the meagre increase in budgetary appropriations for the programme of aid to non-associated developing countries (Article 930) from 22m EUA in payment and 138.5m EUA in commitment appropriations in 1980 to 23m EUA in payment and 150m EUA in commitment appropriations in 1981 is quite inadequate.

VI. Multi-annual Budget

54. Up to 1981 the budget had been structured on an ad hoc annual basis pending the adoption of a regulation putting the programme on a continuing multi-annual basis. The annual character of the programme meant that the processes of identifying projects, appraisal, programming and commitment have had to be telescoped into one year. It should be noted that rural sector development projects are the hardest to telescope. For example, in the 1978 programme, project identification started in January 1978. This was completed in September 1978 and the programme was agreed by the Commission and Council in October. Therefore, the first detailed project appraisal took place in October/November. Finally, financing agreements were prepared and signed in December 1978. Thus the first disbursement took place in January 1979.

57. Furthermore, the execution of aid to non associated developing countries is also subject to serious delays because of administrative constraints preventing the Commission from implementing the appropriations on the basis of budget entries alone, and the fact that agreements with the beneficiary countries are concluded at the very end of the year.

58. Article 9 of Council Regulation (EEC) No. 442/81 (1) of 17 February 1981 provides for projects and programmes to be carried out on a multiannual basis, the funds required being fixed by the general budget of the European Communities. This should remedy the unsatisfactory situation referred to in paragraph 55. Furthermore Article 9 also lays down that, acting on a proposal from the Commission and after consulting the European Parliament, the Council should determine, in good time before the end of the year, the general guidelines to be applied to aid for the following year. It is these guidelines for 1982 which are at present under consideration.

59. The 1980 Guidelines(2) suggested a 'pipeline' carry over of projects from one year's programme into the next, and it would seem that in practice this has in fact taken place. None of the funds allocated to the programme for aid to non-associated developing countries have been allowed to fall into annulation.

60. In practice, most of the projects adopted under the aid to non-associated developing countries programme usually have implementation periods of between five and six years. This is especially typical of rural development projects which would normally require considerably more than two years

(1) OJ No. L48 of 21.2.1981, page 8

(2) COM(79) 519 final

from the proposal stage to complete implementation. In particular, an integrated rural development programme (along the lines of the Flood I and Flood II food aid projects in India) needs to be established on a multi-annual basis.

61. With regard to the Commission itself, there is a need for a clearer outline of timing and schedules in order to get away from the present ad hoc practice. Firm dates of application could be fixed and the timing of credit allocations need to be tightened up. This accumulated timing factor is one of the reasons for the slowness of the decision-making procedure.

Furthermore, a medium-term programme could be drawn up, as in 1975 when the 1976-80 programme was outlined.

VII. The decision-making procedure provided for in Council Regulation (EEC) No. 442/81⁽¹⁾

62. It is fair to say that so small measure of the responsibility for the delay in decisions lies with the Council which is insisting on having the power of final decision with regard to each individual project allocation. This led to a long disagreement between the Council and Parliament which ended in February 1981 by the promulgation of a Council regulation⁽¹⁾ prejudicial to the powers of both the Commission and the European Parliament.

63. The usual Community procedure is that the Commission is responsible for the implementation of the programme once the Council has laid down the guidelines. In the case of aid to non-associated countries the Council, having accepted the General Guidelines in 1978, insisted on having a right to veto (through a special Management Committee of the Council) the Commission's programme decisions with regard to the selection of individual projects.

64. What is in contention is the precise power of this special Management Committee. The European Parliament and the Commission took the view that the Commission can execute the financial decisions of the programme, which would be subject to the usual checks of having its decisions overseen by the Court of Auditors and by the European Parliament's Committee on Budgetary Control. However, the Netherlands alone among the Council of Ministers supported this view.

65. The result of this legal log-jam was that, up to this year, the Commission had to seek financing decisions on individual projects having first obtained the opinion of Council on the general programme. The timing of project decisions was therefore constrained by the timing of Development Council meetings and this has led to delays in commencing project implementation.

⁽¹⁾ OJ No. L48 of 21.2.1981, page 8

66. Not that there had been no attempts by Parliament to insist on more equitable decision-making procedures. Mr Nolan pointed out the impracticality of the Council's position in his report (Doc. 34/77) in April 1977; noting

"A spectacle such as the one we witnessed last year by a Council of Ministers discussing for several meetings the utilisation of 20m EUA earmarked for non-associated countries is unworthy of the European Community. Nor is it practical - if the Council took as much trouble over the utilization of the fourth EDF (3,150m Ua) it would have to meet non-stop and would have no time left to do anything else." (Explanatory Statement, para. 5)

He went on to comment:

"By acting in this way the Council also gives the impression that the choice of the recipient countries is largely determined by the political mileage each Member State can make out of it instead of by the genuine needs of the country concerned." (Explanatory Statement, para. 6)

67. Since then Mr Spenale led a parliamentary delegation to meet the Council in the conciliation procedure over the issue, pointing out that the idea of a Management Committee being included in the regulation on aid to non-associated countries could be taken as a precedent. He asked the Council to consider applying the rules for the European Development Fund as a possible solution to the problem.

68. More recently (in September 1980) the conciliation procedure was reopened and a compromise proposal was again submitted by the parliamentary delegation. However, the Council of Ministers, with the exception of the Netherlands, decided to maintain its claim to have the final say, claiming that the policy governing aid to non-associated developing countries formed part of the Community's external policy and as such would fall exclusively within the competence of the Council.

69. What was at stake because of the Council's attitude was the very essence of any Community aid programme. The basic question was whether aid was a function of the requirements of the recipient countries or whether it should be primarily influenced by the existence of 'special links' between certain Member States and certain developing countries. The Council's insistence on the latter as evidenced in Council regulation (EEC) No. 442/81, makes a nonsense of the whole programme of aid to non-associated developing countries.

70. The regulation⁽¹⁾ adopted by the Council on 17 February 1981 made small concessions to the European Parliament, namely by providing for parliamentary consultation with regard to the formulation of the annual general guidelines, while retaining its control over each decision to provide aid under this programme. In a letter⁽²⁾ to the President of the European Parliament dated 20 February 1981, the President-in-Office of the Council, Mr van der MEI, justified this attitude by claiming that "the Council's attitude in this particular case is determined by the fact that decisions on aid to non-associated developing countries may entail fundamental implications for Member States' foreign policy". This letter went on to state that "the procedural provisions which Council intends to take in the Regulation under examination will not constitute a precedent for other regulations and in particular for draft financial regulations under the cooperation agreements with Mediterranean countries or for the draft framework Regulation on food aid." This remains to be seen.

71. The vital issue of contention between Parliament and Council during the conciliation procedure was the role of the "Committee for aid to non-associated developing countries", chaired by a Commission representative and composed of representatives of the Member States, set up under Article 11 of the Regulation. This Committee will consider each draft financing decision and, within a month, submit its opinion or, in the case of disagreement within the Committee, the result of the vote on each draft decision, to the Commission. Article 14(3) lays down the procedure to be followed in the case of the Committee failing to reach a favourable opinion;

- "14(3) In the absence of any favourable opinion of the Committee, the Commission may refer the matter to the Council.

If the Commission refers the matter to the Council, the latter, acting by a qualified majority, shall decide at the second meeting following such referral and at the latest within a period of two months.

If the Council approves the draft financing Decision, the Commission shall take decisions which shall be immediately applicable.

If, after its discussions, the Council has not decided by a qualified majority within a period of two months, the Commission may submit a new draft financing Decision to the Committee and shall inform the European Parliament thereof."

Thus the power of the Member States, through Council, prevails over the power of the Community. This represents a serious erosion of the powers of both the Commission and of the European Parliament and, despite the "assurances" in the letter of 20 February 1981 from the President-in-Office of the Council,

⁽¹⁾ OJ No. L48 of 21.2.1981, page 8

⁽²⁾ PE 72.262

will almost inevitably constitute a precedent, even though the ultimate decision-making power of Council over the detailed administration of further programmes may be exercised through differently-worded legal provisions.

VIII. Regional Cooperation

72. The idea of regional cooperation, present in the earlier general guidelines on aid to non-associated developing countries, has been maintained in the 1982 Guidelines ⁽¹⁾, ASEAN and the ANDEAN Pact being particularly named as recipients under this heading.

73. The original General Guidelines (Doc: 38/75, para. 1.3, page 3) recommended that:

"the objective of regional cooperation and integration among developing countries will be pursued mainly by measures involving other sectors in order to enable countries, with a small scale home market to achieve economies of scale which they are not normally able to enjoy."

The Ferrero Report ⁽²⁾ also stressed the need for cooperation between the Community and the associated and non-associated developing countries to be directed as a priority towards the preparation and implementation of national and regional food strategies. It is therefore surprising that the 1980 Guidelines ⁽³⁾ state that as a subsidiary form of action, particular regional projects may also be considered, relegating regional cooperation to an optional extra.

(1) COM(81) 536 final

(2) Doc. 1-341/80

(3) COM(79) 519 final

In the same context it is notable that the principle of promoting exports from non-associated developing countries, which appeared in the earlier general guidelines as a modest form of technical assistance, has also been dropped.

74. There has been a substantial increase in trade between least developed countries; over the 20 year period to 1976 manufactured exports from least developed countries to other least developed countries "not only grew faster than their total imports but also recorded similar growth rates to their total manufactured exports" (UNCTAD 1978). The significance of this increasing inter-least developed countries' trade for the future of economic cooperation among developing countries is considerable. Least developed countries' exporters have gained a widening range of commercial contacts, familiarity with trading procedures, goodwill and servicing capacity, the absence of which hitherto acted as a barrier to entry and favoured established, developed country traders. The existence of this inter-least developed country trade base will facilitate future attempts to integrate least developed countries' economies.

75. In 1975, of the \$47 bn of inter-least developed countries trade, \$10 bn was in food and agricultural raw materials, and \$22 bn in fuel; in 1970 (before oil prices inflated fuel values), the contribution made to the total value of inter-least developed countries trade (\$11 bn) was \$3.7 bn by fuel and \$3.3 bn by other raw materials.

76. Regional cooperation can be strengthened by major financial support - particularly for the Sahel programme; the Brahmaputra-Ganges programme (covering Nepal, Bhutan, Bangladesh, and parts of India); and the Mekong Committee project (covering Cambodia, Laos, Vietnam and Thailand). But for these large-scale regional projects to be properly implemented, aid needs to be assured over a longer period of time than the present procedures allow.

IX. Trade preferences

77. One of the main features of the strategy for economic cooperation among developing countries mapped out by UNCTAD is a system of trade preferences between the least-developed countries on a global scale, without a commitment to full trade liberalisation. The rationale behind this is that regional schemes, whatever their advantages, have the effect of diverting trade from other least-developed countries and fostering trade within regions rather than between least developed countries' regions. This potential is particularly important for products for which transport costs are not high in relation to unit value.

78. Furthermore, as well as stimulating inter-least developed countries' trade itself, more could be done to help equalise the terms on which the least developed countries have to compete in the supply of capital goods. Most industrialised countries have the advantage of being able to offer long term export credits and guarantees, often at below market rates. The Community has made helpful, tangible gestures such as treating inter-regional trade as of cumulative origin under rules of origin requirements for trade preferences. But much more could be done, particularly as a means of welding developing countries into a much tougher and more coherent negotiating unit by allowing free access to Community markets for the products of all least developed countries with less than \$320 GNP - which would allow the poorest non-associated countries at least to catch up with the ACP countries.

79. Mr Ferrero's report⁽¹⁾ requested the Commission and Council

"(a) gradually to reduce the administrative and tariff barriers which have a detrimental effect on the developing countries' agricultural exports and

(b) as a priority to open up the Community market to agricultural and processed products originating in the poorest associated and non-associated developing countries;"

Allowing access-free entry to the least developed countries not associated through Lomé would go a long way towards facilitating their development, and translating Mr Ferrero's recommendation into practical action.

80. The Community's aid policy as a whole is not sufficiently poverty-orientated and as a result the non-associated poorest countries are disadvantaged. At the eighty nation conference on the Generalised System of Tariff Preferences (G.S.P.) held in Geneva in June 1980 there was a call for a thorough review of the working of GSP and, in spite of the wide scope of concessions offered, the EEC was severely criticised by several poorer countries for giving better treatment to the ACP countries than to Asian and Latin American countries. By responding to their plea to extend the GSP the Community can demonstrate that its aid programme is genuinely poverty-orientated and not overridden by political associations.

X. Personnel

81. The Härzschel report⁽²⁾ drew the Commission's attention to the question of whether enough suitably trained personnel were available to implement the aid programme to non-associated countries. Since that time there have been

(1) OJ No. C265 of 13.10.1980, page 43, para. 46

(2) Doc. 133/75

frequent references to the virtual absence of in-field representation. Though staff concerned with development aid have been appointed to the Bangkok and Caracas delegations, the problem of dealing at a distance with weak or complex administrations remain serious. Unlike ACP countries, the Community does not send delegates to non-associated developing countries to monitor the use of funds. Contact is usually made through the ambassadors of recipient countries. Consequently, the Progress Report⁽¹⁾ on the administration of the programmes for 1976, 1977 and 1978 stated that:

"A frequently encountered problem in the poorest of developing countries is that while there exists a pressing need to alleviate the problems of rural poverty, the shortage of suitable projects is particularly acute in their field".

In other words, it is perhaps necessary to restructure the resources in the Commission made available to the programme of aid to non-associated developing countries so that the Commission's aid policy can address the needs of the poorest countries outside the ACP group.

XI. Monitoring and assessment

82. Related to the problem of on-the spot monitoring is the question of assessment. The Commission has an assessment section in D.G. VIII which has done valuable work in assessing the results of development programmes under the EDF.

83. The other Community body engaged in the monitoring and assessment of Community development aid is the Court of Auditors. In its annual report⁽²⁾ for the 1979 financial year (the most recent available) the Court notes that appropriations for the 1976-78 budgets have been committed in full. On the other hand, payments are lagging well behind.

84. The Commission, in its reply, justified this situation by pointing out that aid under this programme was mainly granted to rural development projects which were implemented over a long period, usually 5 to 6 years.

85. The Court also criticised the delays in the execution of projects, but admitted that these were carried out by the beneficiaries of Community aid, or the institutions co-financing the project, without Community supervision on the spot.

(1) COM(79) 518 final, page 6

(2) OJ No. C342 of 31.12.1980

86. Your rapporteur, while appreciating the difficulties facing the Commission, nevertheless takes the view that a more vigorous approach by the Commission, and more streamlined administrative procedures, could have improved the disbursement situation. It is to be hoped that the existence of a framework regulation, however unsatisfactory its decision-making procedures may be, will lead to a reduction in the delays experienced hitherto.

87. Furthermore your rapporteur sees the need for detailed assessment of the value of the programme of aid to non-associated developing countries on the economies of the recipient states or regions. The European taxpayer must be convinced of the value of a programme before endorsing its continuation and, possibly, its expansion. Without suitable on-the-spot inspection and assessment it is difficult to judge the utility of any such programme. The Committee on Development and Cooperation accordingly calls on the Commission to undertake, in the near future, an assessment of the programme, either through its own assessment service, or through an outside body, and to communicate the results to the European Parliament.

XII. Aid for the least developed countries

88. As has been mentioned in paragraph 52, 9 of the 31 classified as least developed by the United Nations are not associated with the Community. Your rapporteur, who strongly supports the principle of at least 0.15% of GNP being allocated to the least developed countries in ODA, feels that the programme of cooperation with the non-associated developing countries could be used as a means to reach the 0.15% target. This would obviously involve greatly increased budgetary appropriations, increased staff and expanded organisational infrastructure. Nevertheless, with the necessary political will, this is possible. The Commission is accordingly requested to investigate the means by which this could be done.

XIII. Conclusions

89. The 1982 Guidelines⁽¹⁾ are the first to be drawn up since the adoption by the Council of a framework regulation on financial and technical aid to non-associated developing countries. They do not differ fundamentally from their predecessors, though your rapporteur notes with approval what appears to be a return to the earlier recognition of the importance of regional projects, particularly in the rural sector.

90. As mentioned in paragraph 12, the committee would welcome, in principle, the extension of Community assistance to China, while recognising the budgetary difficulties that would arise if such aid were to be granted during the course of 1982.

⁽¹⁾ COM(81) 536 final

91. The Committee on Development and Cooperation endorses the proposed general guidelines for 1982, and supports the principle of augmenting Community aid to non-associated developing countries, subject to the comments and criticisms expressed in this report. Your rapporteur feels that this programme could be used as a catalyst to encourage intercooperation between developing countries, and more particularly trade between developing states. It is to be hoped that, in the long term, assistance to non-associated developing countries can gradually be transformed from "programme aid" to "project aid".

ANNEX

Non-associated developing countries with per capita GNP under \$220 on the basis of 1971
statistics (extract from second Table annexed to the "Fresco" (COM(74) 1728 final))

1. Countries with small exportable surplus				2. Highly populated countries with large domestic market				3. Countries with economy dependent on commodity exports			
Countries	Population ('000) 1971	Per cap GNP (\$) 1971	Exp. as % of GNP	Countries	Population ('000) 1971	Per cap GNP (\$) 1971	Exp. as % of GNP	Countries	Population ('000) 1971	Per cap GNP (\$) 1971	Exp. as % of GNP
Burma	29 600	80	6	India	551 123	110	5	Thailand	37 300	210	25
Afghanistan	14 600	80	-	Bangladesh	72 400	70	7	Sri Lanka	12 850	100	17
Nepal	11 300	90	-	Pakistan	62 700	130	5	(South Vietnam)	(18 800)	(230)	
Cambodia	7 700	130	1	Indonesia	120 000	100 ¹	15				
Yemen Arab Rep.	5 900	90	-								
Yemen PD Rep.	1 500	120	-								
Laos	3 030	120	2								
Sikkim Ehatan	1 100	80	-								
Asia-Middle East	74 730	90		Asia	805 223	106		Asia	50 150	182	
Haiti	4 300	120	7					Bolivia	5 100	190	24
Total	79 030	-	-	Total	806 223	106		Total	55 250	-	-
¹ 1974											

OPINION OF THE COMMITTEE ON BUDGETARY CONTROL

Draftsman : Mr U. IRMER

By letter of 3 October 1980, the Commission of the European Communities forwarded to the European Parliament the third implementation report on the financial and technical assistance programme for non-associated developing countries.

On 13.2.1980 the European Parliament authorized the Committee on Development and Cooperation to draft a report; the Committee on Budgetary Control was authorized to deliver an opinion on 10.3.1980.

The Committee on Budgetary Control appointed Mr IRMER draftsman of the opinion at its meeting of 24-25 November 1980 and unanimously adopted the opinion at its meeting of 26-27 January 1981.

Present: Mr Aigner, chairman; Mrs Boserup, vice-chairman; Mr Price, vice-chairman; Mr Irmer, draftsman; Mr Georgiadis, Mr Kellett-Bowman, Mr Key, Mr Mart and Mr Simonnet.

1. Parliament devotes much attention to the Community policy of financial and technical assistance to non-associated developing countries because it considers that the Community should step up its actions towards this group of countries, which are often among the poorest and least developed in the world, and diversify beyond the strict association framework. Parliament also sees itself as having a special responsibility towards a policy which it was instrumental in setting up. Therefore it has been actively involved in drawing up the framework regulation for this policy. Similarly, it works out its position on the appropriations in the annual budget on the basis of the Commission's proposals where they are communicated to it in good time.

Finally, in the course of the year, Parliament examines the financing programme presented by the Commission if it has a chance to do so.

2. The task of the Committee on Budgetary Control is to examine the management of appropriations and, if necessary, to report back to Parliament. It does this annually through the discharge procedure. However, the various implementation reports presented by the Commission also give Parliament an opportunity to have a closer look at certain aspects.
3. The Commission's third implementation report covers the programmes from 1976 to 1979 up to 31 July 1980 and gives a view of the features of the financing, budgetary management and implementation of the appropriations during the period of this policy.

A. FEATURES OF FINANCING

4. Although initially the amounts available for the non-associated developing countries were somewhat symbolic (20 million EUA in 1976), they increased rapidly (45 million EUA in 1977, 70 million EUA in 1978 and 110 million EUA in 1979). Although this growth continued in the budgets for 1980 (138.5 million EUA) and 1981 (150 million EUA)¹, the minimum threshold of effectiveness will not be crossed until annual appropriations reach 300 million EUA. The potential recipients of aid represent a population of the order of 1,300 million people in some 35 countries in Asia, Latin America and Africa, of whom 900 million have an annual per capita income of less than US\$200².

¹ Commitment appropriations

² See COM(80) 537 final, p. 2

5. In order to increase the effectiveness of the sums available, which are too small in relation to the needs, and in order to avoid finance being spread too thinly, the Commission has preferred to concentrate the aid on a limited number of countries and to devote a large proportion of the appropriations - on average 40% - to co-financing projects in conjunction with regional and international banks and also with the Member States. In 1979 14% of projects were regional projects.
6. Of the 35 countries potentially concerned, the Commission therefor limited aid between 1976 and 1979 to the national projects of 20 countries. It states that it used the following criteria in making its selection:
- the level of development of the countries, giving priority to the poorest countries,
 - the quality of the projects proposed, their effects with regard to the improvement on the standard of living of the most needy populations and, in particular, on the food situation,
 - a geographical distribution such as to provide a balanced Community presence in the major developing areas of the world.

7. In practice, application of these criteria has resulted in the following distribution.

	1976	1977	1978	1979
<u>Asia</u>				
1 India	6	12	17.4	32.5
2 Pakistan	3	4	4.8	6.7
3 Bangladesh	2.5	5	6.6	8
4 Sri Lanka	2	2	2	3.3
5 Nepal	-	-	3	2.1
6 Indonesia	1	2	5.5	9.9
7 Vietnam	-	2.4	-	-
8 Thailand	-	0.1	0.3	5.7
9 Laos	-	-	2	2.1
10 Burma	-	-	-	4.5
11 Philippines	-	-	-	4.5
12 North Yemen	-	2	-	1.1
Total	14.5	29.5	41.6	80.4
<u>Latin America</u>				
13 Bolivia	2	1.8	1.9	3
14 Honduras	-	1	2.4	3.2
15 Haiti	-	-	2.4	5
16 Ecuador	-	-	-	2.9
17 Peru	-	-	-	2
18 Nicaragua	-	-	-	2.5
Total	2	2.8	6.7	18.6
<u>Africa</u>				
19 Angola	-	-	1.9	3.5
20 Mozambique	-	-	3	3.4
Total	0	0	4.9	6.9
Total	16.5	32.3	53.2	105.9

This table shows the broad lines of the policy pursued during the four years considered by the report as far as aid to national projects is concerned:

- constant growth and extension of aid to countries on the Indian subcontinent (50% of aid)
 - special effort in favour of the non-aligned countries of South East Asia (25% of aid)
 - establishment of links with equatorial America and rapidly increasing aid to certain countries in that region (20%)
 - intermittent actions to aid countries which have experienced recent political upheavals.
8. In 1979 9% of co-financing projects were carried out with Member States, while 31% were co-financed with regional and international banks.

These co-financing projects have the advantage for the Community of both permitting support for a larger number of projects and of benefiting from the experience and knowledge of the Member States and specialized organizations. But they also have drawbacks. In the case of the Member States it has been difficult to coordinate Community programmes and national programmes, which explains the small number of such co-financing projects. In the case of regional and international organizations, co-financing has often resulted in substantial delays in implementation and payment for the following reasons:

- the difficulty of coordinating the procedures and payments of the different partners,
- the length of negotiations necessary for common actions.

B. FEATURES OF BUDGETARY MANAGEMENT

9. The Commission enters into commitments after the decisions on the financing of each project have been taken. Little time elapses between the financing decision and the accounting commitment. Therefore the rate at which commitment appropriations are taken up depends directly on the time at which the financing decisions are taken.
10. Although these appropriations are entered in the budget by the Budgetary Authority, and more particularly by Parliament generally by means of amendments, the Commission has found fit to implement these appropriations on the basis of an ad hoc procedure by which it submits projects informally for approval by the Council.
11. The Commission's report should therefore be corrected in relation to this point. It is not a question, as the Commission would have it in point II(1)(a) on page 8, of obtaining the opinion of the Council on the general programme

but of informal approval for each project. The Council does not give this opinion and the Commission does not take the decisions until all of the programme's projects have been approved; and it can happen, as in 1979, that only a part of the appropriations can be committed because the Council has not approved a certain number of projects.

12. Once this action ceased to be an isolated action and became a policy, the Council's opinion on the general programme became indispensable. But in proposing its ad hoc procedure, the Commission has in fact abdicated its responsibility for the implementation of the appropriations by allowing the Council to exert direct influence on the financing decisions and hence on commitments.
13. The first consequence of this situation is that the implementation of the appropriations entered in the budget by Parliament is supervised by the Council, which does not correspond to the division of powers laid down by the Treaty. But this debate is conducted by Parliament in another context.
14. Moreover the budget entry does not distinguish between the appropriations for the different programmes. The tables submitted by the Commission merely indicate that in July 1980 the proportion of payments was as follows:

- for the 1976 programme: 72%
- for the 1977 programme: 50%
- for the 1978 programme: 23%
- for the 1979 programme: 4.2%

In fact, although the commitment appropriations were fully utilized, very substantial payment appropriations were cancelled.

- in 1979: 18.9 million EUA
- in 1978: 34.3 million EUA.

The payment appropriations entered in the budget each year thus comprise a considerable proportion of reinstated appropriations.

15. The reasons for these delays are difficult to ascertain or at least their respective influence. The Commission gives no information on the seriousness of the consequences of delays in the taking of decisions at Community level: difficulties of synchronization with partners in the case of co-financing projects; difficulties affecting the implementation of projects in countries distant from the Community; and time gaps between agricultural projects. The entries in the budget therefore lack transparency and ultimately conceal substantial delays in the implementation of the programmes for previous years. The management of payment appropriations still presents serious anomalies which have not been reduced - quite the contrary - by the introduction of differentiated appropriations in this field. In any event the Budgetary Authority would be well advised to show prudence in fixing payment appropriations and to take into account the volume of appropriations carried forward until such

time as the Commission specifies the reason for the delays and cancellations and undertakes to make a special effort to accelerate the implementation of such appropriations.

16. The Commission's report says little about the arrangements for monitoring the implementation of projects, the regularity of operations and the effectiveness of financing. In other contexts the Committee on Budgetary Control has found that, despite some interesting initiatives from the Commission, monitoring arrangements are still inadequate.

CONCLUSION

17. The Committee on Budgetary Control

- draws attention to the lack of transparency in the presentation of the budget and in the utilization of the appropriations earmarked for aid to the non-associated developing countries and stresses the fact that the annual payment appropriations are artificially increased through the reinstatement of previous amounts;
- considers that Parliament should be better informed of the criteria used for the distribution of aid and the selection of recipient countries;
- recommends the Commission to continue its efforts to improve co-financing procedures and to choose the most effective co-financing procedures permitting optimum control;
- expresses once again its disagreement with the ad hoc procedure used by the Commission to implement appropriations insofar as this procedure enables the Council to supervise the implementation of appropriations entered in the budget by the Budgetary Authority, generally on the initiative of Parliament;
- holds the Commission responsible for the delays in the implementation of commitments and payments caused by this procedure;
- recommends Parliament to maintain its firm position in conciliation on the framework regulation on such aid;
- declares itself in favour of greater prudence in the fixing of annual payment appropriations until such time as the Commission states the exact reason for delays and undertakes to reduce them;
- encourages the Commission to continue its efforts towards better control over the implementation of projects.