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COMMUNITY DEVELOPMENT POLICY: A NEW LOOK

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Summary

Despite many good intentions, development aid over the last 20 years has failed to live up to the original high hopes placed upon it in bridging the gap between the world's rich and poor. Indeed, in the two decades, the poor have grown relatively poorer; the hungry have increased in number; fragile environments have deteriorated.

Within developing countries the rift between the new industrialised states (NICs) or those with oil resources and the less endowed has widened, while in almost the whole of the developing world the rural areas have suffered, so that countries that once fed themselves now increasingly depend on expensive imported foodstuffs, adding to debts incurred through unproductive industrial investment.

The European Community has been in the forefront of the industrialised nations in seeking to help the Third World through a network of preferential trade or direct aid agreements. So where and why have things gone wrong? In a recent Memorandum (1) the European Commission has sought to examine the reasons and suggest to the Council of Ministers a new framework to make Community aid more effective in future. The recommendations include: far greater concentration of aid on rural development and food strategies to assist the poorest populations; multiannual programmes, particularly those with a regional basis; a Lomé Convention of indefinite duration; and a Community commitment to a development aid target of 1 per cent of EC Gross Domestic Product (GDP) over a ten year period.

Present problems

While for a proportion of the Third World's population average incomes per head have increased, over 2,000 million people have experienced stagnation or, more often, decline in their living standards over the last 10 years. Several Third World governments are finding it increasingly difficult to repay the debts they have incurred since independence, and a recent World Bank report shows that the impact of development on sub-Saharan Africa in particular, where the Community has prided itself on being active, has been a great disappointment.

(1) COM (82) 640 of October 5, 1982

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*** **Note:** Background reports are intended as non copy-right ready-reference material on topics of current interest concerning the European Community. An index will be provided periodically so anyone receiving the reports can refer to each number more easily.

Though in part failure and disillusion with aid stem from the impact of high oil prices and economic recession of the last ten years, coupled with a fall in basic commodity prices that are often the staple of development country exports, the reasons are also more deep-seated.

In the 1960s, as former colonies became independent, there was a general belief that if only the industrialised countries could transfer their technologies and know-how to the new states, they would, in a short time, achieve economic comparability with the rich north. It was ignored or forgotten that history shows that normally agricultural revolution precedes successful industrialisation; in seeking to skip this preliminary phase, many developing countries now find themselves unable to feed themselves and for administrative, social, climatic and other reasons unable to benefit productively from earlier industrial investment. In parts of Asia and Latin America where NICs have begun to 'take-off' industrially, they are facing increasing protectionism from threatened Western markets; while even countries like Mexico, fortunate enough to have extensive oil reserves, have foundered financially through inability to repay the high cost of loans.

In almost every developing country, however, the rural areas have suffered from the flood of people to the towns. With the exception, perhaps, of Tanzania, the role of the peasant in the Third World has been underestimated or ignored. The main food providers, the women, have rarely been included in training or educational programmes, or invited with their families to comment upon or participate in often grandiose, and usually disastrous government agricultural plans.

The conventional wisdom of aid donors is now shifting from visions of quick industrialisation to the much slower process of rural development. It is not clear yet, however, as to the extent aid recipients are prepared to go along with the new ideas which, to be successful, according to men like René Dumont, the famous French agronomist and writer on Third World development, should include a reinstatement of status of the peasant farmer.

The Community contribution

The Paris summit of 1972 provided the impetus for establishing the framework of Community development policy for the ensuing ten years. The Community of the Six had already, in 1971, introduced the Generalised System of Preferences (GSP), later to be expanded several times, which within limits, allows imports of a large number of processed agricultural and industrial goods from developing countries to enter the Community at reduced tariffs or duty free.

In 1975 the first Lomé Convention between the EC and 46 (now over 60) ACP states was signed, providing preferential trade and aid facilities for former colonies of the member states. In 1976 cooperation agreements of unlimited duration were concluded with countries bordering the Mediterranean with the aim of establishing an overall Mediterranean approach; in addition, for the first time, financial aid programmes on a small scale were agreed with certain Asian and Latin American countries, and food aid allocations were stepped up. Over the period Community aid increased by an annual average of 7 per cent in real terms, and the Community has been able to claim that it is the world's largest donor of trade preferences to developing countries.

In 1980, imports of manufactured products from the developing countries accounted for 1.35 per cent of GNP, compared with 1.13 per cent for the USA and 0.58 per cent for Japan. For textiles the Community market is twice as open to imports as that of the USA and Japan, while for agricultural products the corresponding figures are 0.90 per cent, 0.45 per cent and 0.47 per cent respectively.

Yet, as the Commission admits, despite the effort, something has gone wrong. Although there has been a rise in life expectancy since 1960 from an average 53 to 61 years, and remarkable strides in adult literacy, the per capita income of 2 billion people (including India and China) has increased by no more than \$70 in twenty years, compared with industrialised countries where it went up on average by \$5,081. In the last ten years incomes per head in the poorest African countries have actually fallen by 0.4 per cent a year. Meanwhile grain imports have risen from 25m tonnes gross at the beginning of 1960s to 80m tonnes in 1978-79, and look set to top 200m tonnes by the year 2000, as countries increasingly depend on imported foodstuffs to keep their populations fed.

The situation is not only a reflection on Community aid policies but of aid policies world wide. Although Official Development Aid (ODA) - that is, from public bodies - has increased by 2.7 per cent a year over the last 20 years, it has barely stayed ahead of population growth rates and, ironically, does not go to those who need it most. In 1979, middle-income countries were receiving bilateral aid to the tune of \$12 per head against \$5 a head for the poorest countries.

The reason lies largely in development policies, generally approved by recipient governments, of channelling development finance into capital projects. These have been more easily absorbed by countries which already have a reasonably sound economic and administrative structure, and domestic policies conducive to the development of indigenous productive capacity. But, by concentrating on bricks and mortar, people's needs, according to the Commission, have often been overlooked. This is a view that women in the Third World would certainly echo.

It is against this background that the Commission, much influenced by the views of the European Parliament, is seeking to persuade the Council of Ministers that Community development policies should be amended to meet new needs.

A new framework

At present Community aid represents about 10 per cent of the total official development assistance disbursed by Community countries, amounting to an annual commitment rate of over 1,500m ECU (£825m) (1) in 1981. The Community development policy is, however, distinct from member countries' bilateral policies, and is seen as a separate entity by the countries benefitting. It is not, according to the Commission, an eleventh policy superimposed on ten others, but a collective expression of Community attitudes, without the ambitions of a state, but which nevertheless allows great room for innovation and experiment.

The Commission's proposals can be summarised under the following heads:

1. Priority for rural areas

Though for some time the Community has given the rural areas considerable financial priority, the Commission wishes to see the practice carried further by integrating this and food aid with

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defined agricultural and rural strategies approved, and adhered to, by the recipient countries. Such strategies would include food security, development of local resources, preservation of the ecological balance, and a general aim of encouraging self-reliance rather than dependence on external aid. Community representatives would play a more active part in helping further these strategies.

2. Regional development

A weakness in development aid is that it has tended to concentrate on national projects, and developing countries have been reluctant to engage on regional programmes that could help release them from their present dependence on northern trade and aid. The Commission believes that future aid should be seen much more in a regional context, and national strategies should be reviewed in this light.

3. Trade and aid agreements

Present trade and aid agreements tend to be compartmentalised or limited in duration which hinders introduction of long-term programmes. The Commission would like to see a better integrated approach which would include:-

- A Lomé Convention of unlimited duration: at present no sooner is one five year agreement reached than negotiations start on the next leading to distraction and sometimes confrontation. When negotiations start on Lomé III in 1983, the Commission hopes there can be agreement on abolishing the time limit.

- A Mediterranean policy: the prospect of Spanish and Portuguese membership of the Community raises difficulties with other Community trading partners in the Mediterranean. Although politics create difficulties, the Commission believes that all Mediterranean states should work towards common aid and trade policies for the Basin.

- "Non-Associated" States: The Commission considers that this nomenclature should be abolished and that the special needs of developing countries outside Lomé and the Mediterranean should be judged on their merits, with particular emphasis on assisting the least developed countries, mainly in Asia and Latin America.

4. Financial Resources

Total Community assistance, including that of member countries, accounts for half the aid flows provided by the OECD Development Assistance Committee (DAC), but in real terms this accounts for only 0.52 per cent of GNP compared with the UN target of 0.7 per cent. The Commission wants to see the figure raised to 1 per cent by the end of 10 years, with the Community contribution amounting to 0.1 per cent of total Community GNP instead of the present 0.05 per cent.

In addition the Commission proposes that all the Community's development aid funds should be brought together within the same budgetary framework, reflecting the unity and cohesion of EC development policy. This would bring all the funds under the same budgetary controls and make them subject to the same public discussion.

5. Trade and Commodities

Despite recession and problems arising from the advent of Spain and Portugal, the Commission urges that trade agreements with developing countries should be kept as open and liberal as possible. Nevertheless it admits that some restrictions are inevitable. The objective should be to ensure that trade agreements are predictable since this is more important to the partner countries than any limited progress which might be made towards liberalising trade.

The Commission would also like to see proper codes of conduct adopted by developing countries regarding private investment and, except in real emergencies, a phasing out of dependence on food aid which, originally unintentional, has too often become a permanent prop, hindering the development of indigenous food growing.

Remedying mistakes

Despite criticisms that can be levelled at it, Community development policy has been more generous and innovatory than that found in other major industrial countries, and Lomé is a genuine attempt to engender close cooperation and partnership between donor and recipients of aid.

Experience has shown that some original concepts were misplaced, but that can also be said of UN and other international aid. By seeking openly to admit mistakes and suggest new remedies the Commission hopes to spark off a better informed discussion about the direction of Community aid in future.
