

EUROPEAN PARLIAMENT

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REPORT

drawn up on behalf of the Committee on Budgetary  
Control

on problems in the implementation of Community  
food aid policy in the light of the Court of  
Auditors' report

Rapporteur: Mr IRMER

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By letter of 18 April 1979 the President of the European Parliament forwarded to the Court of Auditors of the European Communities a request from the Subcommittee on Budgetary Control that the Court draw up an ad hoc report on problems in the implementation of Community food aid.

On 11 November 1980 the President of the Court of Auditors forwarded to Parliament the Court's special report on Community food aid.

On 10 March 1981 the Bureau of Parliament authorized the Committee on Budgetary Control to draw up a report on this subject. At its meeting of 4 May 1981 the committee confirmed Mr Irmer's appointment as rapporteur. It considered the special report of the Court of Auditors at its meetings of 26-27 January 1981, 22-23 April 1981, 4 May 1981, 26-27 October 1981, 23-25 November 1981, 23-24 February 1982, 15-17 March 1982 and 1-2 April 1982. At the last meeting the Committee on Budgetary Control unanimously adopted the draft report.

The following took part in the vote: Mr Aigner, chairman; Mr Cluskey and Mrs Boserup, vice-chairmen; Mr Irmer, rapporteur; Mr Battersby, Mr Früh, Mr Gabert, Mr Georgiadis (deputizing for Mr Orlandi), Mr Gontikas, Mr Gouthier, Mr Kellett-Bowman, Mr Patterson, Mr K. Schön, Mrs van Hemeldonck and Mr Wettig.

The opinion of the Committee on Development and Cooperation is attached to this report.

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The Committee on Budgetary Control hereby submits to the European Parliament the following motion for a resolution:

MOTION FOR A RESOLUTION

on problems in the implementation of Community food aid policy in the light of the report of the Court of Auditors

The European Parliament,

- having regard to the special report of the European Court of Auditors on Community food aid;
- having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Development and Cooperation (Doc. 1-98/82);
- having regard to the FERRERO report (Doc. 1/341/80) on hunger in the world and the plenary debate of September 1980;
- having regard to the report drawn up by Mrs FOCKE for the ACP-EEC Consultative Assembly (Doc. ACP/EEC 19/80) and the debate in the Consultative Assembly of September 1980;
- whereas the fight against hunger in the world has become one of the major political concerns of the European Parliament;
- whereas supervision of the implementation of Community food aid policy and final evaluation of the results obtained are of particular importance in view of the difficulties associated from the outset with the implementation of the policy, and whereas the European Parliament therefore requested the European Court of Auditors to draw up a special report on Community food aid policy;
- whereas the special report of the Court of Auditors gathers together extremely important information and conclusions drawn from past experience of food aid policy and provides the essential basis for ensuring that the European Parliament can exercise its supervisory role effectively;
- convinced that the special report of the Court of Auditors, in spite of its sometimes relentless criticism of abuses which have occurred in the past and which in certain cases still exist, is very positive in its effect because it enables constructive conclusions to be drawn in the light of the real situation and makes it possible to draw up proposals for the future, and because it provides all the institutions concerned with invaluable criteria for the definition of a better food aid policy; desiring, therefore, that the report of the Court of Auditors should be viewed not in isolation but only in conjunction with the conclusions drawn from it by the European Parliament;

- whereas in March 1979 the European Parliament delivered its opinion on the Commission proposals for regulations on food aid policy and management, and the Court of Auditors has also delivered an opinion, and whereas the regulation concerned has still not been adopted and is instead the subject of conciliation between the Council and Parliament;
- deeply concerned at the fact that it has not been possible in the past to relieve the North-South conflict and the inequality in the distribution of wealth between the poor and rich regions of the world;
- whereas the amount spent by the European Community on food aid accounts for more than half of the total appropriations used by the Community for development policy as a whole, but represents only 2.5% of the Community budget and only 0.02% of the Community's GNP;

#### General observations

1. Reiterates its conviction that for moral, political and economic reasons, the fight against hunger in the world is one of the most urgent tasks facing us today;
2. Considers that it is not possible to solve this problem in the long term on the basis of an overall division of labour in which the North, which produces surpluses, would assume the role of permanent supplier of food to the South;
3. Feels, moreover, that such a solution would not be possible for the following reasons:
  - (a) European surplus production, by its very nature, does not always correspond to the demand and dietary habits of the populations of the developing countries;
  - (b) European production could not always easily be adapted to these requirements;
  - (c) conversely, for technical and social reasons, demand and dietary habits in the countries of the Third World could not always be adapted to European surplus production;
  - (d) the problems of transport and distribution, together with the difficulty of ensuring that delivery dates coincide with demand, would make a system whereby the Third World is fed largely by the First World technically and economically untenable as a solution to the problem of hunger;
  - (e) the desire of the countries of the Third World to achieve and maintain political independence and to preserve their economic and cultural identity precludes the possibility of long-term dependence of these countries on food supplies from the industrialized nations;

4. Aims, therefore, wherever natural circumstances allow, to assist the developing countries to achieve a large measure of self-sufficiency in food supplies, not necessarily in terms of individual national self-sufficiency but rather on the basis of regional self-sufficiency;
5. Recognizes, however, that this goal cannot be achieved everywhere and that because of natural circumstances certain regions of the world will in all probability continue, for the foreseeable future, to be at least partly dependent on aid for their supplies of food although it is important for the degree of dependence on food aid to be reduced as far as possible in such regions;
6. Emphasizes that the aim of ensuring a large measure of self-sufficiency in food supplies in given countries or regions cannot be achieved through food aid measures alone and that any food aid measures (apart from emergency aid in the case of specific disasters) must form part of an overall development strategy and must, in particular, be adapted to appropriate agricultural policies in the recipient countries so that the food aid does not hamper or retard the development of local food production but instead promotes it as far as possible;
7. Draws attention to the observations of the Court of Auditors to the effect that no success has yet been achieved in incorporating the Community's food aid measures into an overall development strategy, with the result that a genuine Community food aid 'policy' cannot in any sense be said to exist;
8. Observes with much concern that the Community has, in consequence, so far been unable to make a decisive contribution to the fight against hunger in the world; aside from the lack of an effective overall development strategy, the individual reasons for this are as follows:
  - (a) at the outset, Community food aid was directed primarily towards the needs of the common agricultural market and not towards the needs of the recipient countries;
  - (b) even after this principle was relaxed and adjustments were made to take greater account of the needs of the recipient countries, a coherent food aid policy was still not developed, and instead up to now the marketing of the Community's agricultural surpluses has played a determining role, as shown by the fact that in the years 1969 to 1979 refunds accounted for 44.49% of the Community's total expenditure of 2,521.280 m EUA on food aid with the result that the actual value of the products on which food aid funds were spent was only 1,406.622 m EUA (55.1% of the total); in the case of milk products refunds took an even larger share (51.12%

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for milk powder, 59.63% for butteroil) and recently this ratio has tended even more to favour refunds (60.88% in the case of skimmed milk powder and 65.42% in the case of butteroil in 1978 and 1979).

(c) no effort has ever been made to define precisely the role and purpose of the Community's food aid measures, to specify methods and procedures clearly or to carry out adequate evaluation of results;

(d) all the measures have instead tended to be adopted and carried out in a haphazard fashion, without precise planning and on an individual and ad hoc basis, with the result that it has not been possible to make optimum use of the budgetary funds available and in a number of cases the Community's food aid has actually done more harm than good;

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9. Addresses therefore a renewed and urgent appeal to the Commission to take immediate steps to comply with Parliament's longstanding and constantly reiterated requests and to submit on the basis of the proposals drawn up by the Committee on Development and Cooperation a precise overall programme for food aid, which should specify in particular

(a) the products, quantities, date, nature (direct or indirect action, financial aid or material supplies, or a combination of any or all of these) and country of destination of the deliveries,

(b) the manner in which collection, transportation and distribution are to be organized and financed;

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10. Considers that precise, advance planning of this type within the framework of an overall development strategy requires that as a general rule multiannual programmes should be drawn up for each of the recipient countries concerned; these programmes must, however, be sufficiently flexible to allow appropriate action to be taken at short notice in the event of changes in circumstances during the period covered by a programme;

11. Observes also that a precise overall programme for Community food aid policy must be regularly and carefully coordinated not only with other development activities of the Community institutions (Commission, European Investment Bank) but also with the food aid programmes and development policies of other donors, particularly the Member States;



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12. Believes that the Member States should gradually transfer responsibility for all development policy, including food aid policy, to the European Community in order to prevent wasted effort, lack of coordination, counterproductive competitiveness and one-upmanship and the pursuit of private interests which do not assist development, and in order thereby to save a considerable amount of public money and to ensure optimum use of the funds available;
  13. Stresses that this transfer of responsibilities must be accompanied by an appropriate transfer of funds to the Community, and points out that the Member States would at the same time be relieved of a corresponding burden on their budgets;

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Food aid granted in exceptional circumstances to deal with specific emergencies

14. Points out that, in addition to medium and long-term aid to help overcome structural food shortages, the Community must also in exceptional circumstances grant ad hoc aid to deal with specific emergencies, and draws attention to the following points:
  - (a) Wherever there is a danger of an acute food shortage as a result not of the permanent situation but of extraordinary circumstances (natural disasters, political events, etc.) the Community should, on humanitarian grounds, act quickly and effectively to help alleviate the crisis.
  - (b) It is vital in the case of such aid that sufficient quantities of the supplies needed in the affected region should reach their destination as soon as possible and be used effectively to deal with the emergency.
  - (c) Whether the European Community prepares and implements the aid measures itself or supports the action of other organizations and whether it provides material supplies or financial aid, or a combination of any or all of these, are decisions which cannot be taken on the basis of general rules laid down in advance, but which must be arrived at on an individual basis and in the light of the specific situation.
  - (d) The Commission must be allowed a largely free hand in taking these decisions. It is intolerable that, as a result of the laborious procedures involved, emergency aid should take on average three to four months to reach the port of unloading, as it has up until now.

- (e) The Commission should notify the European Parliament immediately of the measures it intends to take and, if appropriate, of the powers it must be granted to prevent such situations recurring in the future.
- (f) It should also give its comments on the Court of Auditors' view that one possible solution might be to build up permanent Community stocks of available supplies, the collection and transport of which would be organized directly by the Commission.
- (g) The Commission should propose ways of improving on-the-spot supervision by the Community in order to ensure that emergency aid is used for its intended purpose and does not represent a total waste of public money. The cases described by the Court of Auditors by way of example (storage in the port of unloading for a further two months because no means of transport were available, three months having already elapsed between the time when the decision to grant emergency aid was taken, and the arrival of the ship; disappearance during transport or decomposition in warehouses of 44 % of an emergency delivery of 1000 tonnes of cereals, of which a further 5 % was sold at a reduced price to the country's armed forces with some of the proceeds being used to pay bills for vehicle maintenance; appropriation of aid for the personal gain of politicians and high officials in the country of destination) are quite scandalous and must not be allowed to occur again.
- (h) Emergency aid granted on humanitarian grounds in the event of a disaster should as a matter of principle be made available free of charge not only to the country concerned but also to the afflicted population; The Community should as a general rule also bear the costs of transport and distribution.
- (i) notwithstanding the Community's commitment to promote respect for human rights, food aid should not be made dependent on the political situation in the recipient country; strict attention must be paid, however, to ensure that the food aid actually reaches those sections of the population for whom it is intended.

Medium and long-term aid to help overcome structural food shortages

15. Is concerned to note from the special report of the Court of Auditors that, aside from the absence of any basic plan for a food aid policy incorporated into the general development strategy, there have been and still are numerous problems associated with the various stages of implementation of Community food aid, which have seriously reduced the effectiveness of the aid and prevented the optimum use of budgetary funds;

- I. Confusing presentation of funds in the budget and 'tricks' in the execution of the budget
16. Considers that difficulties are caused by the fact that expenditure on export refunds continues to be entered under Title 6 of the budget (EAGGF - Guarantee Section), while all other expenditure concerning food aid is entered under Title 9;
17. Emphasizes that the inclusion of all these appropriations under a single title of the budget would undoubtedly improve the transparency of financial management and permit a more accurate evaluation of Community food aid policy, and therefore calls on the Commission, its Committee on Budgets, as the relevant committee of one arm of the budgetary authority, and the Council of Ministers, as the other arm of the budgetary authority, to submit appropriate proposals during the procedure for the adoption of the 1983 budget or to give a detailed explanation, before the beginning of the budgetary procedure, of the reasons preventing the introduction of such an arrangement;
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18. Points out that the food aid programmes of Member States are also indirectly co-financed by the Community budget inasmuch as products exported in the form of aid to third countries by the Member States as part of their own food aid programmes, are eligible for export refunds under Title VI of the Community budget;
19. Observes with concern that time and again actual expenditure has fallen well below budgetary estimates in the past:
- large percentages of final appropriations have been carried over from one financial year to another (e.g. in the case of skimmed milk powder 90% of the appropriations for 1977, 81.1% of those for 1978 and 70.4% of those for 1979);
  - in spite of this, large amounts of appropriations have lapsed after the second year, because it was not possible to spend them in time (e.g. 49.3% of the appropriations carried over from 1976 to 1977 under the skimmed milk programmes, 20.2% of those carried over from 1977 to 1978);
  - 'budgetary tricks' were used, such as the carrying-over of appropriations for the programmes of a current financial year to those of the previous financial year, producing situations where, in 1981, for instance, the rate of utilisation of the appropriations originally entered under Title VI of the budget for food aid under the previous programmes was 403.3%, but a mere 12.9% for the 1980 programmes and in Title IX was 111.7% in the case of the previous programmes but only 37.1% in the 1980 programmes; another example is the carrying-over of appropriations

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set aside for food aid to finance agricultural measures totally unrelated to food aid (17.7% of the appropriations set aside for refunds in 1979);

- even though the rate of utilisation remained disappointingly low overall, in 1980 it was only 65.7% for Title VI and as low as 46.0% for Title IX of the appropriations entered in the budget;
- 20. Sees a great danger of the budget degenerating as a result of such methods into a completely unrealistic exercise of juggling with figures, which can be manipulated at will and are not binding in any way, and that as a result the political resolve of Parliament which it expresses through its decisions in the framework of the budgetary procedure will be completely undermined;
- 21. Urges all the institutions, therefore, to refrain from such practices in the current 1982 financial year and instead to implement in full the budgetary estimates for 1982 and to effect carry-overs to the following financial year and from current to earlier programmes within the current financial year as sparingly as possible and only in imperative cases and to provide Parliament beforehand with the detailed reasons for such carry-overs;
- 22. Appeals to all the institutions involved in the budgetary procedure to base their budgetary estimates for the 1983 financial year, solely on what they can reasonably expect to be able to spend in the course of the year including allowance for anticipated carry-overs from 1982;
- 23. Trusts that in this way the expansion which has occurred in this sector in the past at the expense of other parts of the budget will be avoided in future and that the Commission can be prevailed upon to actually spend the appropriations entered in the budget in the course of the financial year;
- 24. Is of the opinion, however, that the only definitive solution to the fundamental problem of the lack of budgetary transparency and budgetary discipline in this area lies in the planning and implementation of coherent multiannual programmes as part of an overall development strategy;

II. Fragmentation of powers and time-consuming procedures

- 25. Disapproves of the fact that responsibility for the planning and management of food aid is split, on the one hand, between Council and Commission and, on the other, between two Directorates-General within the Commission, without good reason or logical explanation and that extremely unwieldy and bureaucratic methods are used to implement the aid (22 administrative steps for normal aid, 18 for emergency aid);

26. Notes that, as a result, it is common for considerable time to elapse between the submission of programme proposals by the Commission to the Council and the arrival of the aid at its destination, and hence the aid can no longer serve its purpose and quite frequently a consignment which arrives too late gives rise to serious difficulties for the agricultural development and the markets of the recipient countries;

27. Urges therefore that a fundamental reallocation of responsibilities be carried out on the following lines:

- the Council, which after consulting Parliament acts by a qualified majority on a proposal from the Commission (Article 148(2) of the EEC Treaty), should be responsible for laying down the general guidelines of a multiannual food aid policy, which must be an integral part of the general development aid policy;
- authorization of appropriations in the form of non-compulsory expenditure from year to year (possibly with a differentiation between compulsory and non-compulsory expenditure in this area) by the budgetary authority on the basis of the Commission's preliminary draft;
- implementation of the aid by the Commission within the framework of the guidelines adopted by the Council and the funds approved by the budgetary authority; within these parameters the Commission should act independently and on its own responsibility;
- control by the European Court of Auditors and Parliament;

28. Emphasizes that only through a clear reallocation of responsibilities and powers along these lines will it be possible to remedy the serious shortcomings of the existing procedure identified by the Court of Auditors;

29. Is convinced in particular that this is the only way to ensure that supplies are geared to the demand and capacity of the recipient countries in a reasonable and flexible manner and that at the same time the attendant risks of food aid for the recipient country (neglect of its own resources, destruction of existing structures and economic circuits and disruption of the natural balance, proletarianisation of the agricultural population, exodus from the land and so on) are avoided;

30. Doubts whether a committee consisting of representatives of the Member States could be useful or even necessary, but fears that such a committee would instead merely serve to lengthen the procedures further and considers, should the Council deem such a committee essential, that it is totally unacceptable to confer on it anything but advisory powers;

### III. Problems of quality, transport, distribution and control

31. Insists that, save in exceptional cases in specific disaster situations, as a general principle only products which correspond as far as possible to the consumption habits of the recipient countries, should be supplied as food aid;
32. Notes with alarm that in many cases products supplied as food aid have been found to be impaired or even completely spoiled on arrival at their destination and considers it unacceptable that it has been impossible in cases of deterioration in the quality of the goods supplied to determine at what stage in the delivery process (preparation in the Community, transport, storage and distribution in the recipient countries) the deterioration occurred and that it has therefore been impossible to seek financial redress from those responsible;
33. Considers it essential for the Commission to have a greater say in future in the choice of undertakings responsible for transport and in transport arrangements and rates, so as to avoid a recurrence of the breakdowns and scandals discovered by the Court of Auditors and feels that the common practice of placing the burden of responsibility for transport and transport risk on the recipient countries is extremely problematic;
34. Views the total or partial failure in many cases to comply with the contractual conditions agreed between the Community and the recipient countries, including arrangements for the use of counterpart funds by the recipient countries, as a further symptom of the absence of a coherent food aid policy and demands that in future
  - the conditions negotiated must be conducive to the optimum use of the aid within the agreed development strategy for the country concerned, which must also be actually able to comply with them;
  - the conditions should not be negotiated and applied on a general basis across the board but instead should be geared to the individual case and administered with flexibility;
  - the observance of such conditions adapted to development policy objectives must also, however, be strictly monitored;

35. Considers it scandalous that because of avoidable delays (particularly delays in adopting the programmes), because of the lack of influence on transport arrangements and the lack of information on the time and place of arrival of the goods, these goods are continually arriving late at their destination; consequently consignments can no longer be used for their original purpose and in many cases tend to have a damaging effect on the situation in the recipient country, because they incur high storage costs and tend to deteriorate;
36. Insists, therefore, in particular that at long last an effective and rational system be introduced to coordinate the individual stages of the delivery process, which is an essential prerequisite if goods in the form of food aid are to be used for their intended purpose;
37. Urges the Commission to introduce an effective system of control and in so doing to take account of the relevant comments of the Court of Auditors; is convinced, however, that this cannot succeed unless the intolerable fragmentation of responsibilities and the consequent undermining of the responsibility of intervention agencies, undertakings awarded contracts, recipient countries, Council and Commission and their various services is abolished and replaced by clear and straightforward allocation of powers and responsibilities;

#### CONCLUSIONS

38. Notes that the relentless criticism by the Court of Auditors of the Community's record in the field of food aid is regrettably fully justified, both in the detailed complaints and also in the analysis of the underlying deficiencies of the existing system;
39. Is convinced that it is impossible to justify continuing with the existing method of granting food aid either vis-à-vis the population in the recipient countries, in other words the poorest of the world's poor, or vis-à-vis the European taxpayer;
40. Acknowledges unreservedly, however, the major commitment that the Community must undertake vis-à-vis the poorest countries with regard to hunger in the world;
41. Calls therefore on the Council and the Commission for the last time to take immediate action to introduce the measures which have long been recognized as imperative, and in particular to amend the legal basis for the implementation of appropriations entered in Chapter 92 of the Budget, in order to achieve a sound Community policy on food aid;

42. Is firmly resolved, should the Council and Commission fail once again, to use all the institutional and political resources available to it to bring about the change in this area which has been recognized as long overdue;
43. Is convinced that, should its efforts succeed, it will be possible to develop food aid, alongside the Second Convention of Lomé and its continuation in conventions, yet to be concluded, as a second pillar of a common development policy which can make a decisive and possibly exemplary contribution to the campaign against hunger in the world and to bridging the gap between North and South;
44. Decides to publish the special report by the European Court of Auditors on Community food aid and its resolution on this subject, so as to provide the peoples of the Community, who pay for food aid through their taxes, a clear picture of the existing situation but also of the need and scope for a coherent food aid policy;
45. Instructs its President to forward this resolution and committee report to the Court of Auditors, Council and Commission.



OPINION

of the Committee on Development and Cooperation  
Draftsman: Mr Vergeer

On 23 April 1981 the Committee on Development and Cooperation appointed Mr Vergeer draftsman.

It considered the draft opinion at its meetings of 24 February and 18 March 1982 and adopted it unanimously at its meeting on 18 March 1982.

Present: Mr Poniatowski, chairman; Mr Bersani and Mr Kühn, vice-chairmen; Mr Vergeer, draftsman; Mr Ferrermaier, Mr Ferrero, Mrs Focke, Mr G. Fuchs, Mr Howell, Mr Irmer, Mr Michel, Mr Pannella, Mr Penders (deputizing for Mr Luster), Mrs Rabbathge, Mr J.D. Taylor (deputizing for Mr Sherlock), Mr Wawrzik, Mr Wedekind.

1. The nature of this opinion

- 1.1 The Committee on Development and Cooperation is pleased that this 'special report on Community food aid' is being given careful examination by the Committee on Budgetary Control.

Although, not more than approximately one half of the aid in cereals granted by the Community and the Member States together comes directly from the Community and total Community food aid only makes up approximately 1.5% of the developing countries' food imports, one should not conclude that careful examination of this document is something which can easily be deferred.

It should be remembered:

- that, in one way or another (and partly because of the structure of the common agricultural policy), considerable amounts of money are involved;
- and that this type of aid may have considerable long-term effects, both good and bad, on the recipient populations.

Furthermore, it may be useful to keep in mind the criteria of efficiency and effectiveness when looking at a form of aid which is so closely bound up with the pure sense of human solidarity which is one of the factors motivating development cooperation.

- 1.2 The Committee on Development and Cooperation considers it part of its duty to draw attention to these aspects. It can quote as examples its opinions on the annual EEC budget, Title 9, and particularly the discharge which Parliament has to give. One might also recall the FERRERO report on 'Hunger in the World' as well as the reports by Mrs RABBETHGE and Sir Fred WARNER on various aspects of food aid supply. The MICHEL report on the assessment of Community development policies is undoubtedly also of importance in this context.

The Committee on Development and Cooperation is at the moment preparing follow-up reports to both the 'Hunger in the World' and 'Assessment' reports.

The Committee wishes to draw attention to the qualitative criteria which have been developed in these parliamentary reports. It would seem that once development policies are being conducted more along these lines, less cause for criticism might be found to exist by the controlling body, the Court of Auditors.