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EUROPEAN PARLIAMENT

Working Documents

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Report

drawn up on behalf of
the Committee on Development and Cooperation

on the proposals from the Commission of the
European Communities to the Council (Doc. 28/79)
concerning food aid regulations for 1979

Rapporteur: Mr J. BROEKSZ

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By letter of 26.3.1979 the President of the Council of the European Communities consulted the European Parliament on the proposals from the Commission to the Council concerning food aid regulations for 1979 (Doc. 28/79).

On 6 April 1979 the President of the European Parliament referred these proposals to the Committee on Development and Cooperation as the committee responsible and to the Committee on Budgets and the Committee on Agriculture for their opinions.

On 5 April 1979 the Committee on Development and Cooperation appointed Mr BROEKSZ rapporteur.

The draft report was discussed at the meetings of 5 April 1979 and 24 April 1979. The motion for a resolution was unanimously adopted at the latter meeting after a wide-ranging exchange of views.

Present: Miss Flesch, chairman; Mr Broeks, rapporteur, Lord Castle, Mr Croze, Mr Dewulf, Mr Dondelinger, Lord Murray of Gravesend (deputizing for Mr Cunningham), Lord Reay and Mr Würtz.

The opinions of the Committee on Budgets and the Committee on Agriculture are 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 proposals from the Commission of the European Communities to the Council concerning food aid regulations for 1979

The European Parliament,

- having regard to the proposals from the Commission of the European Communities to the Council (COM(79) 107 final),
 - having been consulted by the Council (Doc. 28/79),
 - having regard to its resolution of 20 January 1978 on the food aid programmes for 1978 submitted by the Commission¹,
 - having regard to the report of the Committee on Development and Cooperation and the opinions of the Committee on Budgets and Committee on Agriculture (Doc. 121/79),
1. Welcomes the fact that, as in 1978, the Commission has again dealt with the three common food aid programmes (cereals, skimmed milk powder, butter oil) in a single communication;
 2. Considers that, in view of the worldwide increase in demand, the appropriations entered by the Council in the 1979 budget for the supply of 720,500 tonnes of cereals are totally inadequate;
 3. Supports, therefore, the Commission's proposal that, in view of the failure to conclude a new international cereals agreement, the food aid programme by way of cereals should be increased to 1,135,000 tonnes and accordingly requests the Council to approve the appropriations required for this purpose in a supplementary budget for 1979;
 4. Regrets the breakdown of the negotiations on a new food aid convention in Geneva; would like to be more fully informed of the difficulties and conflicts of opinion which led to the suspension of these negotiations and calls upon the Commission to take all necessary steps to ensure that the Geneva negotiations are resumed as soon as possible and brought to a successful conclusion;

¹ OJ No. C36, 13 February 1978, p.54

5. Is astonished that the Commission's proposal provides for the supply of only 150,000 tonnes of milk powder; reiterates its repeated request for the skimmed milk powder programme to be stepped up to 200,000 tonnes and draws attention in this connection to the corresponding promises made by the Council and the Commission;
6. Calls upon the Commission therefore to provide in its proposal for the supply of 200,000 tonnes and hopes that the Council will make the necessary financial resources available for 1979;
7. Considers an increase in skimmed milk powder deliveries to be important because skimmed milk powder has a very high nutritive value and is urgently needed in the developing countries and also because the Community is to all intents and purposes the sole supplier of this product;
8. Draws attention to possible health damage which may result from the incorrect use of milk powder in the developing countries and therefore requests the Commission to establish the necessary contacts with the competent authorities and to make such technical equipment as may be required available; is of the opinion that skimmed milk powder should not be delivered without an assurance that it will be properly used in the developing countries;
9. Supports the Commission's proposal to increase the butter oil programme from 45,000 tonnes to 55,000 tonnes, primarily so as not to endanger the implementation of various milk industry projects, such as Flood II in India, and therefore calls upon the Council to make the corresponding appropriations available in a supplementary budget;
10. Agrees with the Commission's criteria for distribution since some 90% of the aid is to be concentrated on the poorest countries but would like these criteria to be applied as flexibly as possible since demand far exceeds the available quantities;
11. Considers the financing of transport to the recipient countries to be important but calls in addition for the creation of local marketing and distribution structures which will ensure that the food which is supplied actually reaches the most needy sections of the population; is of the opinion that no deliveries should be made without a prior guarantee that the food aid will actually reach the poorest population groups;
12. Considers existing checks on the use of financial resources for food aid, in particular transport costs, to be inadequate and therefore calls upon the Commission to improve transparency and auditing procedures; hopes, moreover, that adoption of the new procedures for the administration of food aid will lead to an improvement;

13. Draws attention also to the opinion of the Court of Auditors on the proposals concerning the administration of food aid which states that the agreements reached hitherto with international organizations do not allow satisfactory control over the use of Community aid; therefore calls upon the Commission, acting in agreement with the Court of Auditors, to issue a Community regulation requiring future agreements with international organizations to include a clause to the effect that the Community authorities shall be authorised to make comprehensive checks on implementation of the aid agreements in accordance with the provisions of the Community Financial Regulation;
14. Stresses once again that food aid can only be effective if its underlying principles and methods of control are embodied in a long-term development strategy and policy;
15. Reiterates its request to the Council to enter at long last into multi-annual commitments in the context of Community food aid so as to enable development programmes to be carried out using food aid; points out that the appropriate budgetary solution for this purpose would be to enter commitment appropriations on the corresponding budget line and to distribute the payment appropriations over several financial years;
16. Supports the view that food aid must be determined without reference to agricultural policy and in particular to agricultural surpluses;
17. Points out that food aid is only a transitional solution of an ancillary nature and that it should contribute to the agricultural development of the recipient countries;
18. Calls upon the Community therefore to make rational use of all the instruments available to it for the development of the agricultural sector, giving particular attention to the needs of small farmers;
19. Draws the attention of the Council and Commission to the World Conference on Agrarian Reform and Rural Areas convened by the FAO for July 1979 and calls upon both institutions to draw up appropriate Community proposals in good time.

EXPLANATORY STATEMENT

1. The communication from the Commission to the Council sets out the proposals for regulations concerning food aid for 1979 together with the requisite implementing regulations. Until the procedures are altered so as to enable the Commission to take its own decisions on the distribution of this aid after consulting the Member States¹, the food aid programme for 1979 still has to be adopted by the Council.
2. The Parliament welcomes the fact that, as in 1978, the Commission has again set out the programme for Community food aid (cereals and milk products) in a single communication. The quantities provided for in the proposals correspond to the appropriations entered at present in the 1979 budget, i.e. 720,500 tonnes of cereals, 150,000 tonnes of milk powder and 45,000 tonnes of butter oil. The cost of the entire programme is set at 540 million EUA of which some 57 million are accounted for by distribution and transport.
3. The following observations may be made on the detailed provisions of the programme: measured against the demand from the developing countries the planned cereals programme must be considered totally inadequate, especially as the applications for aid have risen considerably since last year. A total of 52 requests from governments and 8 from international organizations have so far been received. Demand has risen from 2,680,000 tonnes in 1978 to 3,226,000 tonnes this year.
4. In the cereals sector the Commission initially asked for appropriations to be entered in the 1979 budget to cover the provision of 1,135,000 tonnes by way of aid. However, on the first reading of the proposals for the 1979 budget on 20 November 1978, the Council was unwilling to enter the necessary appropriations in the 1979 budget. The Council simply entered an appropriation sufficient for 720,500 tonnes as in the previous year; it was strongly criticized by Parliament for doing so. In this way the Council drew the financial conclusions from participation in the new food aid convention which was in principle to be signed in 1979. However, the Council undertook to increase to this level the Community's direct contribution - the overall contribution of the Community and Member States being raised to 1,650,000 tonnes from the present figure of 1,287,000 tonnes - on the occasion of the renewal of the food aid convention in conjunction with the negotiation of the international cereals agreement.

¹ See in this connection the Lezzi report on the administration of food aid, Doc. 669/78, adopted on 16 March 1979.

5. The Community's commitments by way of cereals aid are laid down in the Food Aid Convention signed in 1971. That Convention entered into force on 1 July 1971 and was in principle to run until 30 June 1974. After three subsequent prolongations, its validity has now been extended for a fourth time for the period 1 July 1978 - 30 June 1979. Under this 1971 Convention the Community undertook to supply 1,035,000 tonnes of cereals annually to the developing countries, representing 26% of the total aid of 3,974,000 tonnes from all donor countries.

On the occasion of the first extension of the Convention in 1974 and following the accession of three new countries to the Community, its contribution to the overall total of 4,226,000 tonnes was raised to 1,287,000 tonnes amounting to a 4% increase in its share of the total provision of aid to 30%. The Convention has subsequently been renewed under identical conditions; the quantity supplied by the Community in the years 1975, 1976, 1977 and 1978 thus totalled 1,287,000 tonnes. This overall contribution can be divided up into Community aid and individual national measures taken bilaterally by the Member States under the Convention. In 1975 strictly Community aid amounted to 50% of the total, rising to 55.1% in 1976 and to 55.98% in 1977 and 1978.

6. At world level, the developing countries received relatively large deliveries of cereals from certain important donors outside the context of the commitments entered into under the Food Aid Convention. In the years concerned (1975/76, 1976/77, 1977/78) total food aid amounted to 6,850,000 tonnes, 9,121,000 tonnes and 9,307,000 tonnes.

7. The Geneva negotiations on a new Food Aid Convention which was due to replace the old 1971 text on 1 July 1979 unfortunately ended in breakdown. Further negotiations are unlikely to take place this year. The Geneva Conference failed largely because of conflicts of interest between the great wheat producing industrialized nations and the developing countries. There are also reported to have been considerable differences of opinion between the USA and the European Community in the matter of the desirable scale of wheat reserves. In addition Japan has apparently so far failed to approve the price compromise arrived at between the Europeans and the other leading producer countries. It would therefore be desirable if Mr Gundelach, the Vice-President of the European Commission, could explain the precise problems to Parliament on the occasion of the debate on the 1979 programme. Since there is at present little prospect of further successful negotiations, the existing international wheat agreement and the related Food Aid Convention should be extended for one, or preferably two, years to enable the supply of food aid in the form of cereals to continue smoothly and without serious delays.

A disturbing factor here is that the deadlocked negotiations on the new cereals agreement are continuing to hold up the introduction of a food safeguards system.

8. The Community has signified its willingness to step up its own contributions substantially in the context of a general increase. For this purpose the Commission proposed in its preliminary draft budget for 1979 the entry of a total of 1,650,000 tonnes of cereals aid from the Community for the financial year 1979 broken down into strictly Community actions (1,135,000 or 68.8% of the total quantity) and national actions (515,000 tonnes or 31.2% of the total).

9. Since negotiations on the conclusion of a new international cereals agreement have now been suspended, the Council's argument for approving appropriations sufficient to cover cereals aid of only 720,500 tonnes under the 1979 food aid programme has become redundant. Given the suspension of the Geneva negotiations, the Parliament welcomes the Commission's intention of proposing to the Council that the planned increase should go ahead - the total contribution from the Community and the Member States would then be increased to 1,650,000 tonnes as against the present figure of 1,287,000 tonnes, 1,135,000 tonnes or 68.8% of the new total being accounted for by purely Community actions; the appropriations needed for this purpose would be entered in a supplementary budget. Parliament therefore urges the Council of the European Communities to approve the appropriations provided for by the Commission in a supplementary budget, since this increase is essential in order to do more to cover the growing requirements especially of the poorest developing countries. It should also be noted that the international community is still well short of the target of 10 million tonnes of cereals proposed by the World Food Conference in 1974.

10. In its resolution of 20 January 1978 (Aigner report - Doc. 492/77) on the food aid programme submitted by the Commission for 1978, the European Parliament expressed the view that Community food aid could only be effective if its basic principles were defined in the context of a long-term development strategy and policy. It called upon the Council to enter into multiannual commitments in order to enable food aid action to be incorporated into development programmes (project aid). At the budgetary level these requirements can only be met by entering the necessary commitment appropriations. Commitment appropriations of 512 million EUA would correspond to the total amount of payment appropriations for 1979, 1980 and 1981 required for the delivery of 1,135,000 tonnes, 1,240,000 tonnes and 1,400,000 tonnes, i.e. quantities corresponding to the Commission's three-year forecast drawn up on the basis of the Food Aid Convention (annexed to the world cereals agreement) which provides for the annual supply of 1,650,000 tonnes of cereals by the Community and the Member States.

11. A decisive factor necessitating an increase in Community food aid in the form of cereals is the growing deficit in most recipient countries, i.e. the constant deterioration of the nutritional basis in a number of developing countries essentially in Africa (Sahel) and in the Far East where the needs are becoming even more acute because of the persistent population growth. Harvest failures in the two principal importing countries, Pakistan and Vietnam, are exerting additional pressure on the programme while other importing countries such as Bangladesh and Egypt have reported a higher demand than in previous years. At the same time it is generally agreed that more aid should be channelled through multi-lateral organizations and that international immediate aid reserves must be increased.

12. Because of the poor nutritional situation, the World Food Council meeting in Manila in June 1977, already expressed the view that the total annual contribution by the donor countries of cereals aid should under no circumstances be less than 10 million tonnes, a target which was again put forward by the World Food Council at its fourth meeting in Mexico in January 1978. Opening the proceedings of the Policies and Programmes Committee on food aid of the World Food Programme in Rome on 10 April 1978, the Director-General of the FAO, Mr Saouma, stated that current levels of food aid were far from satisfactory. According to latest reports the FAO is even asking for the supply of cereals to be stepped up from 10 million tonnes to 13 million tonnes.

Commissioner Cheysson who is responsible for development aid at Community level, stated early in March 1979 at a study meeting organized by the AFDI (Agriculteurs Français de Développement International) on the theme of 'French agriculture and the developing countries' that although Community food aid was considerable it was nevertheless insufficient when measured against the needs of the developing countries. Mr Cheysson recalled that the degree of self-sufficiency in cereals in Africa had fallen from 94 to 86% in the space of 10 years while imports of cereals by the developing countries had risen from 50 million tonnes in 1976 to 71 million tonnes in 1978.

In view of the persistent population growth in the developing countries, the World Food Conference expects the annual food deficit in cereals to rise from 85 million tonnes to 100 million tonnes by 1985. Recent studies by the International Food Policy Research Institute in Washington go so far as to state that a cereals deficit of the order of 200 million tonnes in the developing countries in 1985 cannot be ruled out.

Despite the speculative nature of these and other forecasts, they cannot be dismissed out of hand since failure to respond to forecasts of this kind might easily lead to a disastrous situation. For this reason it would be a grave omission if the European Community and the other principal wheat producing industrialized nations failed to make every effort to increase their deliveries of cereals to the most needy countries,

13. Since cereals are the foodstuff for which demand is greatest, the Commission proposes - as in previous years - that Community aid should be concentrated on the poorest countries. According to the Commission studies, food aid by way of cereals should be increased to the following countries in 1979: Ethiopia (15,000 tonnes), Lesotho (3,000 tonnes), Mozambique (16,500 tonnes), Pakistan (50,000 tonnes), Vietnam (86,000 tonnes), Zambia (10,000 tonnes) and Madagascar (14,000 tonnes). Bangladesh is to receive the largest amount of aid, i.e. 100,000 tonnes, followed by Egypt with 90,000 tonnes. Since these main recipient countries are unlikely to find alternative sources of supply, Parliament approves the Commission's intention of undertaking a systematic study of the food requirements of these countries in the course of the year.

Since the distribution of aid is governed by certain criteria (level of food requirements, per capita income, balance of payments deficit), while the available appropriations are limited and the applications for aid deliveries have risen, certain countries such as Jordan, Syria and Lebanon would receive no food aid if the criteria were applied strictly. That would be all the more unacceptable as these countries have to contend with serious refugee and resettlement problems. If the criteria were applied too strictly, Djibouti, Somalia and Zambia which do receive some aid would find it impossible to implement their resettlement programmes. The populations of the People's Republic of the Congo, Chad and the two Guineas are also facing extreme food shortages as a result of drought so that here too exceptional cereals aid seems appropriate. The Commission should therefore apply the criteria as flexibly as possible to ensure that the worst affected sections of the population are genuinely aided, especially as there is at present little likelihood of a substantial increase in cereals aid from other countries. Parliament is nevertheless able to approve the Commission's distribution criteria. These criteria have been slightly amended and now correspond largely to international norms with some 90% of all aid going to the poorest countries.

Parliament also supports the Commission's proposal that the same quantity of foodstuffs should be supplied to international organizations as in previous years (140,000 tonnes) as these organizations have extensive experience in this area. UNICEF is an exception: its regular food aid programmes have been taken over by the UN World Food Programme (+ 20,000 tonnes, total 65,000 tonnes). The reserve will amount to 56,200 tonnes (48,200 tonnes in 1978) which is a reasonable proposal since the

food situation of some countries may deteriorate in the course of the year while disaster situations may also occur.

14. Outside the framework of the Food Aid Convention and other agreed international commitments, the Community also supplies substantial quantities of skimmed milk powder and butter oil to the developing countries; these products are an indispensable source of additional nourishment for children and the weakest members of the population. The annual programmes drawn up for these products - entirely on a Community basis, unlike the situation for cereals - at present constitute quantitatively the largest source of aid. The skimmed milk powder programmes adopted in 1975, 1976, 1977 and 1978 amounted to 55,000 tonnes, 150,000 tonnes, 105,000 tonnes and 150,000 tonnes respectively.

As the Commission rightly points out, greater flexibility is possible in the case of milk products than for cereals. This is due essentially to the nature of the products concerned. Skimmed milk powder has to be used under precisely defined conditions while butter oil is not accepted by every country; additionally not every country has an adequate capacity to absorb these products. In the case of milk products it is also easier to provide aid for specific targets.

15. Under its food aid programme in the form of skimmed milk powder, the Commission provides for the supply of 150,000 tonnes and the appropriations entered for this purpose in the 1979 budget correspond to that quantity. Unfortunately the Commission has thus completely disregarded the resolution adopted by Parliament on 20 January 1978 calling for milk powder deliveries to be fixed at 200,000 tonnes. Parliament therefore calls upon the Commission to enter 200,000 tonnes in its proposals and hopes that the Council will make the corresponding appropriations available in the 1979 budget. In budgetary terms, this requirement must of course be met by entering the necessary commitment appropriations. Since Parliament would like the Council to give multi-annual undertakings, the commitment appropriations of 387,392,000 EUA must correspond to the total payment appropriations for 1979, 1980 and 1981, allowing annual deliveries of 200,000 tonnes of skimmed milk powder of which 31,000 tonnes per annum are intended for India under the Flood II programme.

16. Parliament also recalls that in its communication to the Council of 10 December 1975¹ on the fixing of prices for certain agricultural products, the Commission, ~~accepting~~ to the repeated requests and proposals of the European Parliament, proposed that the Community's skimmed milk powder programme should be increased to 200,000 tonnes. The Commission repeated this proposal in its communication to the Council² on the 1976 food aid programme. At its meeting of 2 - 3 March 1976 the Council of Ministers of

¹ COM(75) 600 final/2

² COM(76) 55 final/2

Agriculture took a decision of principle to increase deliveries of skimmed milk powder to 200,000 tonnes. The 1978 annual report on agriculture published by the Commission in January 1979 indicates that in 1977/78 a total of 779,200 tonnes of skimmed milk powder, representing 39% of total production, were held in public storage. The Commission should therefore increase its skimmed milk powder programme by 50,000 tonnes to 200,000 tonnes and the Council should make the necessary financial resources available for this purpose.

The distribution scale for skimmed milk powder is at present as follows: organizations 66,800 tonnes (of which 30,000 tonnes to the World Food Programme and 25,000 tonnes to non-governmental organizations), direct allocations 78,500 tonnes, of which 31,000 tonnes to the Flood II programme in India.

17. Parliament considers an increase in the skimmed milk powder programme to be important primarily because the Community would then be in a position to meet existing applications from countries and institutions (World Food Programme, Red Cross, UNICEF and UNRWA - applications totalling 292,940 tonnes). Since food aid is a matter of quality as well as quantity and since skimmed milk powder has a high nutrient value, an increase would be more than justified. It should also be stressed that the Community is practically the sole supplier of this product.

In view of the hunger prevailing in the world and the existence of a skimmed milk powder mountain in the Community, it would indeed be difficult to understand how regulations can be adopted providing for skimmed milk powder stocks to be reduced by compounding them with animal feeds while at the same time adopting a restrictive attitude to food aid programmes. For ethical reasons Parliament therefore considers it essential for a substantial part of the milk powder mountain to be made available to the developing countries concurrently with the use of a part of the existing stocks for animal feed purposes.

18. Parliament also wishes to draw attention to the possible damage to health which may occur through the incorrect use of skimmed milk powder in the developing countries. The following problems must be noted:

- the absence of vitamin A in milk powder may lead to serious disorders of eyesight in infants; the milk powder must therefore be enriched with vitamins A and D in order to preclude possible harmful effects;
- the incorrect use of milk powder, e.g. a wrong mixture ratio with water or mixing with contaminated water, may also cause damage to health. It is therefore desirable for the conversion of the skimmed milk powder to be effected by the milk and food industry of the recipient countries. Since the capacity of the developing countries is not always sufficient

in this area it would be desirable to supply the requisite technical equipment when food aid is given in the form of milk products (milk powder and butter oil);

- the use of skimmed milk powder as baby food entails the risk that breast-feeding will be increasingly replaced by bottle-feeding. When the Commission agrees the conditions for the supply of skimmed milk powder as food aid it should draw the attention of all the countries concerned to the resolution¹ of the 27th World Health Conference in which breast-feeding of infants is recommended².

To avoid possible health damage the Commission should establish contacts with the FAO, the World Food Programme, the Red Cross and representatives of the recipient countries. This appears all the more appropriate as the Commission points out in its proposal that previous experience has shown that many countries do not have the necessary resources for the distribution of skimmed milk powder to the final consumer.

19. Over the entire period under review, the Community has supplied some 50% of all international aid in the form of milk products while its butter oil deliveries have represented close on 95% of all international aid. In the preliminary draft budget for 1979, the Commission proposed that butter oil deliveries should be increased from 45,000 tonnes to 55,000 tonnes; this accorded with the budgetary concepts of the European Parliament. Unfortunately the Council has only entered appropriations for 45,000 tonnes in the 1979 budget, representing a shortfall of 10,000 tonnes on the Commission's proposals. This is all the more difficult to understand as the figure of 55,000 tonnes is itself a minimum in view of the increased demand (148,740 tonnes) and of the importance of butter oil in the production of liquid milk in milk industry development projects; India alone, for example, is receiving 12,700 tonnes for implementation of the Flood II programme.

In addition butter oil deliveries from the Community play an important role in the attainment of economic development targets; the Commission indicates that they represent 44%. If the butter oil programme is not increased there is even a risk that the Flood II programme will not be carried out according to plan. Parliament therefore calls upon the Council to accept the Commission's proposal and enter appropriations for 55,000 tonnes of butter oil in the 1979 budget.

20. It is not sufficient to finance the transport of foodstuffs to the recipient countries; in addition steps must be taken to ensure that supplies actually reach the most needy sections of the population³.

¹ WHO Resolution 27.43 of 23.5.1974 'Infant nutrition and breast-feeding'.

² See also Written Question by Mr LABAN No. 117/75 to the Commission, Official Journal C 192, 22 August 1975, page 12/13.

³ In this connection see Written Question No. 194/77 by Mr BROEKSZ on control of the use of food aid, OJ No. C 233/2-3 of 29.9.1977.

It is imperative for a distribution system to function locally since many cases have been reported in which aid products were spoiled because of inadequate infrastructural arrangements. It is therefore essential to establish marketing and distribution structures in the developing countries to avoid losses in transport and storage and to ensure that the most needy sections of the population do in fact receive the aid intended for them. The serious gaps in transport infrastructure and the well-known shortcomings in control over the implementing agencies at national, regional and local level are further negative factors which cannot easily be influenced even where the political will to do so exists.

Improvement of marketing structures covering the rural regions therefore assumes a key function in the further development process not only as a means of guaranteeing the distribution of foodstuffs from international deliveries. Even more important is the incentive which such measures can provide to increase agricultural production in the areas of developing countries which are remote from the main markets. Because of the continuing population growth and the accompanying physical need for basic foodstuffs it is easy enough to conclude that a decisive contribution to the improvement of the world food situation can only come from an increase in agricultural production in the developing countries themselves.

21. Malawi is a particularly interesting example in this respect. According to a report published by the World Bank in 1978 the gross domestic product of that country rose by 6% per annum in real terms between 1964 and 1977. This expansion enabled an annual increase of 8% in productive employment to be achieved with a concomitant reduction in unemployment among the 5.6 million population. President Banda was quite right to place the emphasis from the outset on the promotion of agriculture as a contributory factor to the development of his country which has only limited natural resources. Today exports of agricultural products account for no less than 90% of the country's currency earnings. The national rural development programme has set itself the main aim of increasing the productivity of the 800,000 peasant farmers.

Since between 70 and 90% of the population live in rural areas in the developing countries, the example of Malawi should be a model for others to follow. In this context the Community should give absolute priority to the development of the agricultural sector in its development policy, with particular attention to the situation of peasant farmers.

22. Parliament continues to attach great importance to improved control of financing of food aid with particular reference to transport costs. This is a delicate political problem but since field representatives are present in all the associated countries of the Lomé Convention, it should be possible to improve existing control methods. Unfortunately the precise methods of control used by the Commission are not always clear. It is vital for the necessary steps to be taken to improve the transparency of transport costs. An improvement might be achieved if the Council were to adopt the Commission's proposals on the administration of food aid since they provide for all expenditure on food aid to be grouped under Chapter 92 of the budget.

The opinion of the Court of Auditors on the Commission's proposals on the administration of food aid is particularly revealing in this connection. The Court points out that the aid agreements concluded so far with international organizations do not allow satisfactory control over the use of Community aid. This observation is of great importance since the Community channels a substantial proportion of its food aid programme through international organizations - especially in the case of skimmed milk powder. Parliament therefore agrees to the request by the Court of Auditors that the Commission should be required by a Community regulation to include in all future agreements with international organizations, a clause authorizing the Community authorities to exercise comprehensive control over the implementation of aid agreements pursuant to the provisions of the EC Financial Regulation.

Parliament agrees to the Commission's proposal that payment of transport costs should be confined to deliveries to the poorest countries since such payment is a direct contribution to the balance of payments and therefore equivalent to economic aid.

23. Attention is once again drawn to the need to enter into multiannual commitments for all deliveries by way of food aid to enable such aid to be incorporated into development programmes (project aid). Food aid can only be fully effective if its basic principles are laid down in the context of a long term development strategy and policy; only in this way can the long term economic and social development of the recipient country be promoted. As Parliament has repeatedly stated there is no difficulty in finding a budgetary solution to this problem. The solution consists in entering commitment appropriations on the corresponding budget line and spreading payment appropriations over more than one financial year.

Through its participation in the Flood I and Flood II programmes in India, the Community has taken a step in the right direction. Such a policy is however only possible on the basis of multiannual commitments and should be strengthened in future.

24. Parliament wishes to draw attention once again to the observation that food aid should be granted solely for humanitarian reasons. This form of aid must not be left to the vagaries of the common agricultural market but must form a permanent and integrated component of the European Community's overall development policy. There is no objection to a substantial increase in aid in certain areas in the event of surplus situations arising, but in principle Community food aid must not in any way be determined by the prevailing surplus situation in the EEC. Food aid cannot and must not be an alibi for agricultural over-production.

25. However important food aid may be for the present, the Community should give priority to agricultural aid as against food aid. Food aid must be understood as having a complementary and ancillary function to perform; it must serve to improve the economic situation of the recipient countries, enabling them to develop their agriculture through their own efforts. Certain aspects of agricultural development therefore require particularly close attention, e.g. training farmers to use improved production methods, farm management courses and the transfer of appropriate technologies from the industrialized nations. The purpose of food aid must therefore be to assist the countries of the third world in acting responsibly in the agricultural and food sectors. The Community should therefore use the instruments available to it rationally in order to develop the whole sector of agriculture; this must also include the improvement of transport and social infrastructures.

26. The Food and Agriculture Organization of the UN has announced a world conference on agrarian reform and rural development in July 1979. The FAO has arranged this conference because of increasingly frequent indications that while national and international development efforts have succeeded in accelerating the overall economic growth rates in the developing countries, they have failed to prevent the spread of poverty and deterioration of the environment in the rural areas. The FAO estimates that more than 1,000 million persons in the rural areas of the developing countries are living below the absolute poverty limit represented by a per capita income of 200 dollars per year. The conference is expected to draw up an action plan to improve the retarded situation of the rural areas.

Parliament considers this conference to be an important event and therefore calls upon the Commission to draw up appropriate proposals on behalf of the Community with a view to improving the nutritional base in the developing countries.

The Community should also give special attention to the action plan announced by FAO Director-General Saouma to safeguard world food supplies. This action plan may well assume great importance as a means of closing the gap in the security of world food supplies which has resulted from the failure of the negotiations on a new cereals agreement.

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr P. CROZE

On 4 April 1979 the Committee on Budgets appointed Mr Croze draftsman of an opinion.

At its meeting of 24 April 1979 it considered the draft opinion and adopted it by 12 votes to 0 with 1 abstention.

Present: Mr Lange, chairman; Mr Bangemann, vice-chairman; Mr Croze, draftsman; Mr van Aerssen, Lord Bessborough, Lord Bruce of Donington, Mrs Dahlerup, Mr Dankert, Mr Nielsen, Mr Notenboom, Mr Ripamonti, Mr Schreiber and Mr Spinelli.

INTRODUCTION

The Committee on Budgets has been asked for an opinion on the food aid programme for 1979.

This programme entails the delivery of three types of food products to the most deprived countries : cereals, skimmed milk powder and butteroil ; the Community also provides aid in the form of sugar, but this does not form part of this proposal.

It should be noted that although it concerns the year 1979, this programme cannot be adopted by the Council before May 1979; the Commission's proposal is dated 13 March 1979.

It should be also borne in mind that this is probably the last time that the annual volume of food aid from the Community will be decided on the basis of this formula.

More precisely, the Council has received from the Commission a proposal for a regulation accompanied by amendments proposed by Parliament aimed at changing - and above all rationalizing - the Community decision-making process with regard to food aid.

Before considering the Commission's proposals for the 1979 programme from the financial and budgetary angles, we would first call to mind Parliament's position on the manner in which the Community's food aid policy should be planned and decided.

THE EUROPEAN PARLIAMENT'S POSITION ON THE DECISION-MAKING PROCESS WITH REGARD TO FOOD AID

When the Commission submitted its proposals concerning food aid management procedures¹, the Committee on Budgets and Parliament set out, in two successive reports², their views on the budgetary principles which should govern the Communities' food aid policy as well as the manner in which the policy should be decided.

¹ Doc. 237/78

² Doc. 320/78 and Doc. 414/78

(a) Budgetary principles

The annual volume of aid must be decided by the budgetary authority and within the framework of the budgetary procedure. In effect, the scale of the financial effort the Community is prepared to make in respect of this policy must be determined. It is the size of the appropriations allocated to this effort which determines the volume of food products actually supplied. Clearly, the decisions of the budgetary authority do take account of any international commitments that exist. However, since the latter constitute only a minimum level of aid, the Community is always free to exceed them.

Food aid expenditure must be classed as non-compulsory, since it does not automatically result from the Treaty, an international agreement or a previous Community decision.

The food aid policy should be guided by genuine multiannual estimates, full account of which should be taken by the budgetary authority when it determines appropriations. The budgetary technique of commitment appropriations should be applied.

(b) Decision-making process

According to Parliament, the food aid policy should be designed and implemented as follows:

- (1) The Council should define the commodities which may be granted as food aid;
- (2) Every year, on a proposal from the Commission and after consulting Parliament, the Council should adopt the general guidelines for aid to be granted the following financial year;
- (3) The budgetary authority should decide on the food aid appropriations and the quantity of products to be supplied;
- (4) The Commission should be free to implement on its own responsibility the decision of the budgetary authority, i.e. it should manage food aid. It should act on the basis of the opinions it receives from the Consultative Committee on Food Aid and under the supervision of the Court of Auditors and the authority responsible for the granting of a discharge.

The Committee on Budgets therefore hopes that the food aid proposal for 1979 will be the last to be made on the basis of the old procedure, the disadvantages and chaotic character of which have been denounced by all the institutions - and by the beneficiary States.

It also hopes that the Council will make the appropriate contacts with Parliament as soon as possible in order to ensure that the new procedure can be put into effect in time for the 1980 financial year.

PROGRAMME PROPOSED BY THE COMMISSION FOR 1979

This programme provides for the delivery of the following quantities of food products :

cereals	720,500 tonnes
skimmed milk powder	150,000 tonnes
butteroil	45,000 tonnes

Contrary to appearances, these proposals do not come from the Commission but from the Council. In fact, in its preliminary draft budget for 1979, the Commission proposed the entry of higher appropriations for supplies of food products, but the Council reduced these proposed appropriations considerably and Parliament did not amend them. As a result, the Commission was forced to align its proposals with the appropriations entered in the budget.

By way of illustration, the quantities proposed by the Commission in the preliminary draft budget for 1979 were as follows :

cereals	1,135,000 tonnes ¹
skimmed milk powder	150,000 tonnes
butteroil	55,000 tonnes

It is therefore interesting to note that the Commission considers that the decision of the budgetary authority is binding on the legislative authority ; it thus endorses Parliament's position, which is that the annual volume of Community food aid must be decided by the budgetary authority. Two further points should be made :

- on butteroil : the Commission has added to the agricultural package for 1979/80 a separate proposal for an increase in food aid for this product from 45,000 to 55,000;
- on sugar : in the preliminary draft budget, the Commission proposed 10,000 tonnes of aid ; in the draft budget, the Council accepted only 6,153 tonnes, which represents the Community's minimum annual commitment to UNRWA. The Commission feels that in these circumstances it was not necessary to include sugar aid in its proposals for the 1979 programme at all.

¹ Note that in its indicative three-year food aid programme for 1977-1979, the Commission proposed a minimum quantity of cereals supply estimated at 1,280,000 tonnes for 1979.

BUDGETARY IMPLICATIONS OF THE COMMISSION PROPOSAL

The appropriations required for implementing this programme are already included in the 1979 budget. Hence they have already been scrutinized by Parliament, which did not consider it appropriate to change them.

The Commission backs up its proposed programme with extremely clear and detailed financial statements, which greatly facilitate the task of scrutiny. They may be summarized in the following table :

m EUA¹

	Cost of products	as % of total cost	Expenditure on			total
			dual rate	refunds	transport	
Cereals	62.6	41.7	8.6	53.2	25.3	149.9
Milk powder	51.2	24	33.6	103.5	24.4	212.9
Butteroil	44.1	25	29.5	94.5	8.1	176.3
TOTAL	157.9	29.2	71.7	251.2	57.8	539.1

¹ In round figures

COMMENTS OF THE COMMITTEE ON BUDGETS

Once again the Committee on Budgets is compelled to draw attention to the wayward and irrational nature of the decision-making process used by the Community in its food aid policy. It therefore advises Parliament to press the Council with the utmost vigour to adopt at an early date the requisite documents¹ for restoring order to the decision-making process.

In view of the fact that these documents must be adopted in conciliation with Parliament, the latter should require the Council to initiate the conciliation procedure as soon as possible, so that the new arrangements for food aid may be operational by 1 January 1980.

The Committee on Budgets must also draw attention to the large financial commitment on food aid agreed upon by the Community : more than 500 million EUA will be spent on this policy in 1979, i.e. more than on the Social Fund or on the Community's administrative expenses.

¹ In particular, the Commission's proposal on management procedures for food aid (Doc. 237/78).

Nevertheless it must be remembered that only 29% of the 540m EUA of food aid is strictly operational, representing the cost of the products supplied. Nearly half of the appropriations are earmarked for refund expenditure ; transport costs represent over 10% of the total cost, and monetary expenditure more than 13%.

CONCLUSIONS

The Committee on Budgets asks the committee responsible to take the following conclusions into account :

1. It is essential that the Council initiate the planned conciliation procedure as speedily as possible so as to rationalize the decision-making and management processes for food aid ; the President of Parliament should ask the Council to open this procedure by 30 April 1979.
2. The Assembly can do no more than note the proposed volume for the 1979 food aid programme, since it is the result of the decisions adopted at the same time as the 1979 budget, on 15 December 1978.
3. Parliament should stress the importance of the financial commitment agreed upon to finance this policy (a commitment which exceeds that entered into for the Social Fund of the Communities) but should express regret that too large a part of the appropriations will never reach the recipient States but will be used to finance export subsidies on the products concerned, as well as purely monetary expenditure.

OPINION OF THE COMMITTEE ON AGRICULTURE

Letter from the chairman of the committee to Miss C. FLESCH, chairman of the Committee on Development and Cooperation

Strasbourg, 24 April 1979

Dear Miss Flesch,

At its meeting of 24 April 1979, the Committee on Agriculture¹ considered the proposal from the Commission to the Council concerning food aid regulations for 1979.

The food aid programme adopted by the Council under the 1979 budget provides for the following quantities:

- cereals:	720,500 tonnes
- skimmed milk:	150,000 tonnes
- butteroil:	45,000 tonnes

The total cost is 540 m u.a., including 57 m u.a. for transport and distribution costs.

The Committee on Agriculture regrets that the Council did not take account of the European Parliament's opinion proposing 1,135,000 tonnes of cereals, 200,000 tonnes of skimmed milk and 55,000 tonnes of butteroil.

In 1974 for instance the World Food Conference recommended that a total of 10,000,000 tonnes should be granted in international aid. But nothing like this amount has been granted although the Community alone has been asked for 3,226,000 tonnes of cereals in 1979 compared with 2,680,000 tonnes last year.

Butteroil requirements are increasing as dairy industry development projects in developing countries get under way, for instance in India as part of Operation Flood II. In its price proposals for the 1979/80 marketing year, therefore, the Commission suggested that the quantity of butteroil proposed in its preliminary draft budget for the 1979 financial year (55,000 tonnes) should be reinstated in order to fulfil the undertaking to supply 12,700 tonnes to India.

¹ Present: Mr Caillavet, chairman; Mr Albertini, Mr Brégégère, Mr Dewulf, Mr Durand, Mr Früh, Mr Inchauspé, Mr Klinker, Mr Lemp, Mr W. Müller, Mr B. Nielsen and Mr Pisoni

The proposed allocation is based on a combination of three criteria: basic food needs, a per capita income below US\$295, and a balance of payments deficit. However, these criteria have been relaxed to take account of the special situation of some countries and the difficulties they are faced with as a result of war, an influx of refugees or natural disasters.

Food aid will be allocated as follows:

- 140,000 tonnes of cereals will be allocated to international bodies or institutions and 524,300 tonnes to countries (particularly South-East Asia and Egypt) and 56,200 tonnes will be held in reserve;
- 66,800 tonnes of skimmed milk powder will go to organizations (including 30,000 tonnes to the WFP and 25,000 tonnes to non-governmental organizations) and 78,500 tonnes will be allocated direct (31,000 tonnes going to India);
- 13,200 tonnes of butteroil will be allocated to organizations and 31,300 tonnes will go direct to the countries concerned, mainly in South-East Asia and the Middle East.

The Committee on Agriculture approves the Commission's proposals, which represent a genuine effort by the Community to help the poorest countries, and calls on the Council to increase the quantities of food aid to the level recommended by the European Parliament.

Yours sincerely,

(sgd) Henri Caillavet