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FOURTH REPORT FROM THE COMMISSION TO THE COUNCIL

on the implementation of the programme of financial
and technical assistance to non-associated
developing countries
(as of 31 July 1981)

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I. INTRODUCTION

The Regulation governing the Community's programme of financial¹ and technical assistance to non-associated developing countries calls for the Commission to provide Parliament and Council, each year, with information on the administration of this programme. The present document represents the fourth such implementation report², and covers the implementation of all non-associates programmes from 1976 on, during the year ending 31 July 1981.

This will however be the last report to follow this precise pattern. Given the procedural changes resulting from the adoption of the above-mentioned Regulation in February of this year, future reports will necessarily be slightly different in timing and content. Firstly, they will be presented rather earlier in the year than has been the practice up till now, and they will cover the year ending in December of the previous year (rather than July of the current year, as at present). Secondly, they will also contain, in addition to the normal survey of project execution, a general review of the preceding year's programme. This will replace the annual programme review presented to Council under the ad hoc procedure applied before 1981.

It is intended that the first of these modified reports be presented during the second quarter of 1982, covering the year ending 31 December 1981, and including detailed comments on the 1981 programme. Consequently, there will be a certain degree of overlap with the present report.

II. CHARACTERISTICS OF THE PROGRAMME

II.a. General

The non-associates programme began in 1976, after an earlier decision by the Community to expand the geographical scope of its development cooperation activities, and to increase its efforts in favour of the poorest developing countries.

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1) Council Regulation 442/81

2) Previous reports were presented in 1978, 1979 and 1980, in each case covering the period ending 31 July of that year.

The programme's basic policy guidelines are laid down in Regulation 442/81, and these are amplified in the general guidelines formulated by the Commission for each successive annual programme¹. Briefly, these policy guidelines may be summarised as follows :

- the aid shall be directed to the poorest developing countries and to the poorest sections of their populations;
- it shall be aimed essentially at developing the rural sector, with particular emphasis on the improvement of food supplies;
- a subsidiary part of the funds shall be directed towards regional projects (in which case projects outside the rural sector may be considered);
- a limited proportion of the funds shall be set aside for exceptional measures, particularly post-catastrophe reconstruction projects;
- the aid shall be in grant form, and may be used to cover both foreign and local costs;
- projects may be funded directly (autonomously), or in cofinancement with Member States or international organizations;
- the allocation of funds should help maintain a Community presence in the major regions of the developing world.

Each annual programme has been prepared on the basis of project ideas gathered by the Commission from the eligible recipient countries, from Member States aid agencies, and from international aid organizations. The selection and preparation of projects has been made in accordance with the basic policy objectives outlined above, while taking account not only of the technical and economic viability of individual projects, but also of the need to construct a balanced overall programme in keeping with the relative needs of the different recipients.

Full attention is given to the preferences expressed by the governments of the recipient countries, and to the fit between individual projects and the overall development needs and priorities of the countries concerned. An increasing effort has in fact been made to ensure a greater coherence among the actions financed by the Community in individual recipient countries over successive years. For example, particular regions or sectors have on occasion been selected as priority areas for Community funding with certain recipients.

Once a project has been fully appraised, the final financing decision is taken by the Commission after having consulted the Member States. Up till 1980, this consultation was carried out once a year, in the form of a presentation to Council of the annual programme taken as a whole. From the 1981 programme onwards, however, the Commission has been able to seek an opinion on individual projects from the financing committee set up under the new Regulation. This committee, comprising Member State representatives and chaired by the Commission, meets several times a year, and projects can thus be processed as and when

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1) Although the Regulation was only formally adopted in February 1981, its basic policy guidelines had in fact been strictly applied from the 1978 programme onwards.

they are ready, rather than being delayed until the entire programme has been prepared.

II.b. The 1976-1980 programmes

II.b.1. Funding available

The total funding available under the non-associates programme has grown fairly rapidly since its inception in 1976 (though not as rapidly as the Commission itself would have wished, taking account of the pressing needs which it is intended to meet).

From 20.0 M ECU in 1976, the programme's annual budget grew to 138.5 M ECU in 1980¹. The pattern of growth has been as follows (in M ECU).

1976	1977	1978	1979	1980	Total 1976-80	1981
20.0	45.0	70.0	110.0	138.5	383.5	150.0

These funds are provided under the general budget of the EEC, with separate annual provisions for commitments and payments. The commitment credits are "dissociated" so that under the Community's financial regulations there is a two-year period in which the available credits must be committed (i.e., the relevant budget year plus the following year). If credits are not committed within this period, by financing decisions for specific individual projects, the funds are cancelled.

The Commission's practice is to commit the entire funding required for a particular project at the commencement of that project. Naturally, however, payments arising from that commitment will be spread over the entire execution period of the project concerned. For the kind of rural-development project financed under this programme, this execution period is generally of the order of 5 years, though it may on occasion be as little as 1 year or as much as 7 years.

II.b.2. The annual programmes, 1976-80

Once the annual budget (commitment credits) is known, a small proportion of the available funding is set aside for post-catastrophe projects (introduced in 1977) and for the provisions for administrative costs and for small-scale studies and technical assistance (introduced in 1977 and 1979 respectively). The remaining funds are divided among the three

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1) For simplicity, the term ECU (European Currency Unit) is used throughout this report. The actual unit used has however changed slightly in both title and character over the life of the programme, from the UA (Unit of Account) in 1976 and 1977, through the EJA (European Unit of Account) from 1978 to 1980, to the ECU from 1981 onwards.

main geographical regions (Asia, Latin America and Africa) according to the indicative proportions set out each year in the general guidelines proposed by the Commission for approval by Council. Within these broad geographical allocations, individual projects are selected and approved following the criteria and procedures outlined above.

The basic allocation of funding under the 1976-1980 programmes is shown in the following table (M ECU) :

	1976	1977	1978	1979	1980	Total
Commitment credits						
- Annual budget	20.0	45.0	70.0	110.0	138.5	383.5
- Brought forward	-	-	-	6.9	11.0	-
Total I	20.0	45.0	70.0	116.9	149.5	383.5
Special provisions						
- Catastrophe reserve	-	-	2.0	11.1	13.9	27.0
- Admin. costs	-	0.2	0.6	1.0	1.7	3.5
- Small-scale studies/TA	-	-	-	1.5	1.0	2.5
Total II	-	0.2	2.6	13.6	16.6	33.0
Geographical allocations						
- Asia	18.0	34.8	43.0	71.9	89.85	257.55
- Latin America	2.0	10.0	14.0	19.5	24.35	69.85
- Africa	-	-	3.5	0.9	14.50	18.90
Total III	20.0	44.8	60.5	92.3	128.7	346.3
Total programme funding (II + III)	20.0	45.0	63.1	105.9	145.3	379.3
Credits carried forward	-	-	6.9	11.0	4.2	4.2

One point arising out of the above table which perhaps requires special comment is the occasional carrying-forward of funds from one programme to another, and the consequent slight discrepancy between annual programme funding and the volume of budgetary credits available for that particular year. For example, the 1978 budget provided a total of 70.0 M ECU in commitment credits, for commitment in 1978 or 1979. Of this, 63.1 M ECU was committed during these two years for projects in the 1978 programme, while 6.9 M ECU was carried forward to the 1979 programme and committed during 1979.

Such a carry-forward of funds from one programme to another is necessary when, for one reason or another, a project has to be cancelled at the last minute (i.e., shortly before the end of the two-year commitment period). In these circumstances, it is normally impossible to propose immediately a new project for that programme, and the funds are instead transferred to an existing project in the following year's programme, already fully-appraised and ready for immediate commitment. An equivalent amount is of course liberated under the budget applying to that second programme, but a full year remains before these funds need to be committed, and this provides sufficient time to identify a replacement project.

This procedure has in fact been used only in a very few cases, where a project has been cancelled due to a policy-change on the part of the recipient, or where it becomes evident that a project cannot meet the Commission's appraisal criteria. However, a degree of flexibility is necessary to cope with such cases, and the procedure described here serves the important purpose of preventing the cancellation of credits, while being fully in keeping with the financial regulations of the Community. It must be stressed that this procedure involves only a transfer of funds between programmes, not a transfer between budgets. All budget funds are still necessarily committed before the end of the relevant two-year period.

II.b.3. Basic characteristics of the 1976-80 programmes

II.b.3.i. General

Detailed comments on various aspects of these programmes are given in the following sections. To put the programme in perspective, however, some basic statistics may be of value.

Under the five programmes executed between 1976 and 1980, a total of 379.3 M ECU has been committed for specific projects or programmes (representing 99% of the budgetary credits available)¹. These funds were allocated to a total of 150 separate actions², in 24 different recipient countries (plus 15 recipient organizations).

The average per capita income in those countries receiving aid under this programme is \$240, with a range from \$90 in the case of Bangladesh, to \$910 in the case of the Dominican Republic (catastrophe reserve only). The total population of these recipient countries is of the order of 1250 million, or approximately 60% of the total population of the developing world³. Making a very crude calculation, the funding provided under the non-associates programme represents a total per capita contribution of 0.3 ECU over the period 1976-80. This is of course still very far below the 8.3 ECU per capita made available to the ACP grouping as financial and technical assistance under EDF IV over the same period.

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- 1) The remaining 1% is accounted for by the small amount carried forward to the 1981 programme.
 - 2) The smaller actions financed under the TA provision have not been counted separately here; instead, each annual TA or administrative costs provision has been counted as one action.
 - 3) Population and income data used here have been taken from the World Bank's Annual Report for 1980, and generally represent estimates for the year 1978.

Of the 150 separate actions financed under these programmes, a total of 70 (representing 44% of total programme funding) have been cofinanced with other donors. 45 projects (11% of funding) have been regional in character, while 11 projects (7%) have been funded under the catastrophe reserve. 36 actions (7% of funding) have taken the form of project preparation studies or technical assistance. (Naturally, these various categories are not exclusive).

The average size of project, taking all five programmes together, has been of the order of 3.1 M ECU for investment projects, and 0.7 M ECU for studies and technical assistance (not including the smaller studies financed under the TA provision). Crude averages of this type are naturally rather misleading, however, since they mask a very wide range of variation. Studies have ranged from 100,000 to 800,000 ECU¹, while investment projects have ranged from 0.5 M ECU (for a water supplies project in the Maldives) to 18.0 M ECU (for a rural credit project in India).

(ii) Geographical allocation and major recipients

As shown in the preceding table, 74% of available programme resources has been allocated to Asia over the 1976-80 period. Latin America accounted for 20%, and the non-associated African countries for 6%. This general allocation is in keeping with the indicative breakdown proposed each year in the annual guidelines.

A full list of the various recipient countries and organizations, showing the total funding allocated to each between 1976 and 1980, is attached as Annex 1. One might note, however, that the bulk of programme funding has naturally been allocated to a relatively small group of major recipients. The five largest recipients (India, Bangladesh, Indonesia, Sri Lanka and Pakistan) accounted together for 54% of total programme funding, while the ten largest recipients (the above countries plus Thailand, Zimbabwe, Honduras, Haiti and Bolivia) accounted for 73% of total funding.

The largest single recipient has been India, with total funding (taking normal and post-catastrophe projects together) of 97.3 M ECU, or 25% of total programme funding. Other major recipients have been Bangladesh (9%), Indonesia (7%), Sri Lanka (6%), Pakistan (6%) and Thailand (5%).

The concentration of funding on these larger recipients is of course a simple reflection of their size and relative need, and does not imply that smaller eligible recipients have been neglected. A total of 11 countries each received between 5% and 1% of total programme funding, while a further 7 countries each received between 1% and 0.1% of total funding.

1) Studies financed under the TA provision have been even smaller, frequently of the order of 30,000 to 50,000 ECU.

Turning to consider the programme's basic objective of assisting the poorest developing countries, one might note that over the period from 1976 to 1980, a total of 78% of programme funds was allocated to countries with per capita GNP below \$500. Countries within the World Bank's "low-income" group (per capita GNP below \$360) accounted for 63% of total funding, while countries on the UN list of least-developed countries (LLDCs) accounted for 16% of total funding.¹

In interpreting these figures, one should note first of all that no allowance has been made for regional projects (accounting for a further 11% of total programme funding). A considerable proportion of this, including such actions as the TA programme financed through the Asian Development Bank and the support for agricultural research through the CGIAR institutes, was also particularly directed towards the problems of the poorest developing countries.

Also, it should be noted that the apparently low share of total funding going to the LLDC group simply reflects the small aggregate size of this group. With the exception of Bangladesh, all the eligible countries on the LLDC list are small countries with a relatively low absorptive capacity. Bangladesh alone in fact accounted for 55% of total non-associates funding for this group, with Haiti, Nepal and Laos as the other major recipients.

Finally, though, it must also be noted that while the non-associates programme is basically directed towards the poorest developing countries, this is not its only objective. The programme's Regulation also notes that attention should be given to ensuring a Community presence in the major regions of the developing world, while aiming at a reasonable geographical balance among these regions. In addition, the Regulation and the successive annual guidelines have also noted that attention should be paid to the promotion of regional cooperation.

The clearest expression of these subsidiary objectives in the actual structure of the programme is of course the 20% of total programme funding devoted to the Latin American region, along with the significant allocations to the countries of ASEAN and of the Andean Pact (taking national and regional projects together, these two groupings have accounted for 14.8% and 6.5% of programme funding respectively).

¹ Countries in the LLDC group which are eligible for non-associates funding are Afghanistan, Bangladesh, Bhutan, Haiti, Laos, the Maldives, Nepal, North Yemen and South Yemen. The World Bank's low-income group includes the above countries (with the exception of the two Yemens) plus Angola, Burma, India, Indonesia, Kampuchea, Mozambique, Pakistan, Sri Lanka and Vietnam. The group of countries with per capita GNP below \$500 includes all those in the low-income group, plus Honduras, Thailand, South Yemen and Zimbabwe.

The countries of these regions are not generally among the poorest in the world. In Latin America, only Haiti falls within the LLDC or even low-income groups, while Honduras is the only other eligible country with per capita GNP below \$ 500. Among the ASEAN grouping, only Indonesia comes within the low-income group, while Thailand and the Philippines are respectively just below and just above the \$ 500 threshold.

While not among the poorest, these regions are of considerable economic and political significance to the Community, and any consideration of balance in the non-associates programme must necessarily lead to a significant minor proportion of funding being devoted to these areas. It should also be noted, of course, that particular care is taken to ensure that projects financed in these relatively more advanced countries are directed toward the needs of the poorest groups in their population.

(iii) Allocation by type of project

Projects included in the non-associates programme may be of several different types: national or regional in character, autonomous or cofinanced, post-catastrophe, studies and technical assistance. The following table outlines the overall breakdown of funding among these principal categories over the period 1976-1980.

Regional actions have accounted for roughly 11% of total programme funding over the 1976-80 period. This category includes not only specific regional cooperation projects, in favour of groupings such as ASEAN or the Andean Pact, but also various actions with a broader regional interest, such as the CGIAR research institutes.

The proportion of funding devoted to regional projects has fallen quite significantly since 1978, but is likely to rise again in the next few years, as earlier project-preparation work in this field (particularly in favour of ASEAN) begins to bear fruit. Generally, however, it is more difficult to identify valuable regional projects than it is for national projects, particularly since many developing countries are understandably more concerned with the pressing needs visible in their national economies than they are with the potential benefits that might be offered by regional cooperation.

Post-catastrophe projects, involving long-term reconstruction or prevention activities not generally covered by normal emergency aid, have accounted for 9% of total programme funding since 1978 (when such projects were first introduced). This figure is in keeping with the proportions suggested in the Commission's annual guidelines. Naturally, however, the share of funding devoted to such projects in any one year may vary considerably, depending on the needs arising in that year and on the possibility of identifying valuable actions relating to these needs.

	1976	1977	1978	1979	1980	Total
Number of projects	8	23	35	39	45	150
Total programme funding (M ECU)	20.0	45.0	63.1	105.9	145.3	379.3
Regional projects						
Number	2	7	16	11	9	45
Share of funding (%)	17.5	21.3	17.0	7.7	6.3	10.9
Catastrophe projects						
Number	-	-	1	5	5	11
Share of funding (%)	-	-	3.2	10.5	9.6	7.1
Cofinanced projects						
Number	4	14	15	16	21	70
Share of funding (%)	45.0	53.8	52.1	38.3	40.3	43.6
Studies and general TA						
Number	1	4	14	9	8	36
Share of funding (%)	7.5	5.1	8.7	6.3	7.0	6.9

Note : Only certain specific categories of project have been distinguished in this table. The studies and general TA category includes the special provisions for TA and for administrative costs, but excludes TA directed towards the implementation of specific projects.

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The two remaining types of project distinguished in the above table, cofinanced projects and studies, are discussed in more detail in a later part of this report. In summary, however, cofinanced projects accounted for 44% of total programme funding over the period as a whole. This figure has varied to some extent from year to year, depending on the projects becoming available, but in general terms it is clear that a substantial part of the whole programme has been devoted to projects cofinanced with other donors.

Studies and general technical assistance, finally, accounted for 7% of total programme funding. This figure is relatively small, seen in itself, but these actions are in fact of crucial importance for the programme as a whole, given their role in helping to circumvent the bottlenecks arising in many developing countries in relation to the preparation and implementation of effective projects.

(iv) Sectoral breakdown

The following table shows the general breakdown of past non-associates funding among the main economic sectors. (The classification used here has been slightly modified in comparison with earlier reports, in order to be more in line with the overall breakdown used by the OECD). A more detailed breakdown, showing the main sub-sectors, is given in Annex 2.

	1976	1977	1978	1979	1980	Total 1976-80
Total programme funding (M ECU)	20.0	45.0	63.1	105.9	145.3	379.3
of which	%	%	%	%	%	%
Agricultural production	90.0	82.4	79.0	65.3	72.9	73.8
Agricultural services	10.0	17.1	12.4	24.0	9.6	15.0
Utilities	-	-	3.5	3.0	4.7	3.2
Social development	-	-	3.8	5.3	10.9	6.3
Industry	-	-	0.3	-	-	0.1
Administrative and TA provisions	-	0.4	1.0	2.4	1.9	1.6
	100.0	100.0	100.0	100.0	100.0	100.0

Note : Larger studies have been allocated to the appropriate sector.

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In keeping with the policy objectives set out in the Regulation, the programme's emphasis has been overwhelmingly on the rural sector, and on food production in particular. Over the five programmes reviewed here, agricultural production and services together accounted for 88.8% of total programme funding. The utilities and social development sectors (also covering essentially rural activities) accounted for a further 9.5% of total funding. The industrial sector, on the other hand (only covered in the case of regional projects), has accounted for only 0.1% of total funding. The remaining 1.6% of programme funding was accounted for by the special provisions for administrative costs and small-scale TA and studies.

Within the agricultural sector, production-related activities accounted for 73.8% of total funding, with service-related activities (credit, research, extension and training, etc.) accounting for 15.0%. The principal sub-sectors were general agricultural production (18.1% of total funding), irrigation (16.2%), integrated area development (11.5%), and crop and input storage (10.1%). Livestock, fisheries and forestry accounted for 8.0%, and processing and marketing activities for 5.4%. On the services side, the two most important sub-sectors were rural credit (6.4%), and agricultural and food research (6.0%).

Other important sub-sectors were emergency facilities (such as cyclone and flood shelters financed under the catastrophe reserve), with 4.2% of total funding, water supplies and sanitation (2.5%), and health, education and housing (2.1%).

The balance among these different sectors and sub-sectors naturally varies somewhat from year to year, depending on the individual projects that become available. But with the exception of the first two annual programmes (when the total amounts involved were too small to show any clear pattern), there has in fact been relatively little change in the overall balance. The main sectors of activity have remained broadly the same, and the emphasis on food production, in the poorest developing countries, has remained the central element of the programme.

II.c. 1981 programme (preliminary remarks)

The 1981 non-associates programme is currently being formulated, and it would be premature at this stage to comment in detail on the character and coverage of the programme. Some general indications can already be given, however, and the final programme will be presented in full in the next Implementation Report.

The total funding available for commitment under the 1981 programme amounts to 154.2 M ECU, representing 150.0 M ECU voted as new credits under the 1981 budget, and 4.2 M ECU brought forward from the 1980 programme.

The guidelines for the 1981 programme were formulated by the Commission in September 1980 and approved by the Development Council of November 1980. These guidelines reconfirmed the basic policy objectives followed in previous years, while setting the geographical allocation of funding at 73% for Asia, 20% for Latin America, and 7% for Africa (as under the 1980 programme). The reserve for post-catastrophe projects was set at between 5% and 10%, while the provisions for administrative costs and small-scale studies and technical assistance were set at indicative levels of 2% and 1% respectively.

Following the approval of the non-associates Regulation in February 1981, individual projects are now examined by the Financing Committee set up under this Regulation before they are proposed for decision by the Commission. This Committee has in fact already met on two occasions (in June and July), and two batches of projects have subsequently been approved by the Commission.

A total of 20.55 M ECU (representing 13% of total programme funding) has already been committed in this fashion, spread over the following five projects :

- ASEAN : Scientific and technological cooperation programme (2.8 M ECU)
- Nicaragua : ENABAS training assistance (0.85 M ECU)
- Pakistan : Drinking water programme, NWFP (2.7 M ECU)
- Pakistan : Karachi fishing port (12.0 M ECU)
- Thailand : Seed centre, Southern region (2.2 M ECU)

Further batches of projects are currently at an advanced stage of processing, and it is foreseen that the great bulk of programme resources (at least 75%) will be committed before the end of this year. Necessarily, however, a small number of projects requiring more detailed examination will only be finalized during the early part of 1982. As noted earlier, a full list of projects financed under the 1981 programme will be presented with the 5th Implementation Report.

III. PROGRAMME IMPLEMENTATION

III.a. General

In assessing the implementation of the non-associates programme, there are a number of general points which should be borne in mind. These have been raised in previous reports, but they are of such central importance (as well as still being misunderstood, on occasion), that they deserve to be repeated here.

First, it must be stressed that the absorptive capacity of many developing countries is seriously limited. Shortages of trained staff (particularly at the lower and intermediate levels), unwieldy administrative structures, and bottlenecks and shortages in important economic sectors give rise to serious constraints in the preparation and implementation of development actions, and make it very difficult for some countries to effectively absorb the aid funds available to them. This problem is of course particularly serious for the poorest of the developing countries.

In these circumstances, any donor agency must be prepared to devote substantial time and effort to advising and assisting the recipient authorities with the preparation of sound development projects. Only by preparing a pipeline of such projects, to be considered for financing as and when an individual project becomes ready for implementation, can a regular and effective flow of development assistance be ensured.

Further, donors must be prepared to give substantial assistance to recipient authorities with the technical aspects of project implementation, and more generally to supervise and control the whole process of implementation with great care. (It should be noted, however, that the final responsibility for implementation necessarily remains with the recipient).

The degree of support and supervision required naturally varies considerably from project to project and country to country. But in many of the poorest countries, the closest attention to these points is required if one is to be reasonably certain that a project is being effectively implemented, that procedural and other delays are kept to a minimum, and that any changes required to cope with unforeseen circumstances are made promptly and effectively.

Since the non-associates programme began in 1976, the Commission has made substantial and increasing efforts to deal with these problems. On the one hand, a significant proportion of total funding has been devoted to studies and technical assistance relating to project preparation. These essential activities have been carried out both through small-scale studies and technical assistance aimed at the initial formulation and verification of project ideas, and through the larger and more detailed studies required for final feasibility and design work.

On the other hand, considerable attention has also been paid to the problems of project supervision and control. Aside from the work carried out by Commission staff based in Brussels, increasing use has been made of regular, short-term supervision and advisory missions by outside experts. Also, development advisers have been established in two of the regional delegations of the Commission (Bangkok and Caracas); these officials are responsible for reviewing project implementation in their regions.

The Commission recognizes, however, that this work should be further strengthened, particularly in terms of assistance to the recipient authorities responsible for project implementation, and the supervision and control of these projects. For some recipient countries at least, it is clear that the permanent presence of a donor representative is necessary if aid programmes are to be executed without serious difficulties and delays¹.

Another matter worth emphasizing again is the basic point that the implementation of rural development projects, in the poorest developing countries, is necessarily a lengthy process. As has been noted in previous reports, a typical medium-sized agricultural development project may require up to two years of preparatory work (from the initial project idea, through feasibility, appraisal and detailed design to the point where it is ready for funding), followed by five or more years in the implementation phase (including in many cases an initial period of perhaps one year for the preparation of tenders and award of contracts, during which little visible progress will be made).

A time-schedule of this order is wholly normal for rural development programmes, and it should not be thought that such a programme is ineffective or slow simply because individual projects take more than one year to implement. Regrettably, such a misunderstanding of the nature of rural development cooperation is still seen from time to time.

Finally, it might be useful to consider the criteria by which the effectiveness of an aid programme can be judged. Here, effectiveness must necessarily be considered in several dimensions; three aspects which are particularly important are whether aid funds are spent quickly (particularly important in times of rapid inflation), whether they are spent properly (i.e., in line with the technical and administrative provisions of a project) and whether they are spent well (in terms of achieving the economic and social benefits expected when the project was first formulated).

The last of these questions is certainly the most important; rapid disbursement and correct implementation count for little if the project was badly conceived or if for some other reason it does not benefit the

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1) This point has been brought out clearly in several recent reports, most notably the 1980 report of the Court of Audit of the European Communities.

people for whom it was intended. However, this particular question can only be properly answered some time after a project has been completed, when its comprehensive impact can be seen and its effectiveness fully evaluated.

Having commenced only in 1976, the non-associates programme is still too young to permit any significant post-evaluation of completed projects. This will certainly be commenced as soon as is practically possible, using the services of the Commission department set up for this purpose. For the moment, however, this is not feasible, and the present report must therefore concentrate on the first two aspects mentioned above.

III.b. Rate of programme implementation

III.b.1. Commitment

The implementation of individual projects can only commence after a formal commitment decision is taken by the Commission, and a financing agreement signed with the recipient. As noted earlier, the Community's financial regulations permit commitments under a particular annual budget to be made either in the year of the budget or in the year following; this gives the degree of flexibility necessary to allow for the proper preparation and appraisal of projects¹. The rate of commitments under the first five non-associates programmes (along with initial commitments under the 1981 programme) is shown in the following table.

Non-associates commitments, 1976-1981

Year	Budget credits (M ECU)	Commitments (all programmes) (M ECU)	Commitment rates (cumulative % of relevant budget)			
			Budget year		Following year	
			July	Dec	July	Dec
1976	20.0	20.0	-	100		
1977	45.0	45.0	-	100		
1978	70.0	63.1	-	90	90	100
1979	110.0	86.9	1	73	81	100
1980	138.5	133.9	8	75	93	
1981	150.0	45.95	14			

Note : The commitment rates shown here may differ very slightly from those given in previous reports, since the Commission decision (rather than the accounting inscription) has been taken as the date of final commitment, in order to reflect more accurately the real nature of the commitment process.

1) Under the 1976 and 1977 programmes, commitment credits were not dissociated and funds had to be committed within the relevant budget year. This was not very practical, however, and the system was changed from 1978 with the move to dissociated credits.

As shown in the above table, a total of 394.85 M ECU has been committed to individual development projects during the period up to 31 July 1981, representing approximately 74% of total budgetary credits made available since 1976. The apparent gap between credits and commitments will be largely closed during the second half of 1981, as the bulk of 1981 budgetary credits are committed.

One point which might be noted here is that at no time have any credits been lost through cancellation. The available budgetary credits have always been committed within the period allowed (one year for 1976 and 1977, two years from 1978 on). For the 1980 programme, a small amount of funding remains to be committed, for two projects which are still being finalized, but these funds will certainly be committed before the end of 1981.

It might also be noted that since 1979, an increasing proportion of funds have been committed during the first six months of the budget year (1% in 1979, 14% in 1981). This trend will certainly continue, given that the new committee procedure allows project-processing to be spread more evenly over the year. It will necessarily take some time, however, before these possibilities can be exploited to the full, since this will require a gradual acceleration and expansion of the project pipeline.

III.b.2. Disbursements

As noted earlier, the rate of disbursement is by no means the only indicator of aid effectiveness, but it does have the advantage of being easily measured. It is of course of considerable significance in its own right, since, other things being equal, it is evident that faster spending will quicken the impact of aid funding and ensure that its real value is not eroded by inflation.

The following table shows the total disbursements made to date under the 1976-80 programmes. (Since the first projects under the 1981 programme were decided upon only in July of this year, there has naturally been no disbursement under this programme as yet).

Total funds disbursed, as of 31.7.81 (M ECU)

Programme	Funds committed	Funds disbursed							Proportion disbursed %
		1976	1977	1978	1979	1980	1981 ¹	Total ²	
1976	20.0	-	6.1	3.3	4.3	1.3	1.3	16.2	81.1
1977	45.0	-	-	5.0	6.9	11.8	2.7	26.3	58.5
1978	63.1	-	-	-	9.0	7.8	6.9	23.7	37.5
1979	105.9	-	-	-	0.2	18.9	20.8	39.9	37.7
1980	145.3	-	-	-	-	1.2	10.8	12.1	8.3
Total ²	379.3	-	6.1	8.3	20.4	41.0	42.5	118.2	31.2

1) First seven months only.

2) Annual figures may not add to totals due to rounding.

By the end of July 1981, total disbursements under the 1976-1980 non-associates programmes amounted to 118.2 M ECU, or just over 30% of the total funding committed under these programmes. The proportion of programme funding disbursed varied from 81% for the 1976 programme, already in operation for some 4¹/₂ years, to 8% for the 1980 programme.

As one might expect, the level of disbursement has in fact increased steadily over recent years, reflecting the increasing maturity of the programme and the growing number of projects coming fully on-stream. A total of 34.8 M ECU was disbursed between 1976 and 1979, while 41.0 M ECU was spent in 1980 alone, and a further 42.5 M ECU in the first half of 1981.

The rates of disbursement are more clearly shown in the next table, which indicates the cumulative proportion of each programme's funding disbursed in successive 12-monthly periods (beginning 6 months after the end of the relevant budget year).

Cumulative disbursement rates, to 31.7.81

Programme	Funds committed	Percentage disbursed (months after end of relevant budget year)				
		6	18	30	42	54
1976	20.0	-	31.5	64.9	71.9	81.1
1977	45.0	2.4	23.5	49.5	58.5	
1978	63.1	3.9	25.0	37.5		
1979	105.9	4.5	37.7			
1980	145.3	8.3				

The view given by this table is naturally a simplified one, since no account is taken of the fact that different projects may be committed at different times during the budget year or (since 1978) the year following. Also, it should be remembered that one large payment for a major project can significantly influence the rate shown for any one period.

Making due allowance for these factors, however, the figures give a clear picture of the typical pattern of spending under any programme of this type. During the first year or so, disbursements are necessarily very small, given the time required for a project to be established, for consultant recruitment and for the issuing of tenders and award of contracts. Over the next two or three years, disbursements tend to rise quite quickly, as more and more projects come fully on stream. After four or five years, however, the rate of disbursement tends to fall off again, given that faster-spending projects have already been completed, and that the remaining projects are nearing the end of their implementation period.

In line with this pattern, the 1976 programme showed zero disbursement during the first 6 months, but 32% after 18 months and 65% after 30 months. Thereafter the rate has fallen off slightly, reaching 72% after 42 months and 81% after 54 months. The 1977 programme has shown a slightly slower overall rate of disbursement, reaching 59% after 42 months (compared to the 72% recorded for the 1976 programme at the same period). However, this is still broadly in line with the overall rate of disbursement to be expected with projects having a normal average life of 5 years or so. The 1978 programme is again slightly slower, with 38% after 30 months.

With the 1979 programme, however, a marked acceleration in disbursement can be seen, with 38% of programme funding spent after only 18 months. The 1980 programme continues this rising trend, with 8% disbursed after only 6 months. This acceleration should not be over-emphasized, since to some extent it simply reflects the rapid disbursement achieved with one particular project (the Indian fertilizer programme, first funded in 1979). However, it is apparent that the acceleration in commitment rates referred to earlier, along with an increasing attention being given to disbursement planning in the selection and preparation of projects, is beginning to bear fruit.

Further evidence of this can be seen in the figures for the first 6 months of programme implementation. The proportion of total programme funding spent during this period has risen from 2.4% under the 1977 programme, to 4.5% for 1979 and 8.3% for 1980. It might also be mentioned that this final figure would have been even higher (11%) had it not been for the recent problem with payment credits, discussed in the following section of this report.

Individual programmes and projects are commented on in more detail later in this report. It should be stressed, however, that the overall disbursement rates cited here are generally very creditable, given the basic orientation of the non-associates programme, its stress on slow-spending rural development projects, and its concentration on the poorest developing countries. Also, these rates are certainly no slower than those generally achieved by other major donors operating in the same field.

III.b.3 Payment credits

One specific problem which has arisen recently in connection with disbursements under the non-associates programme requires special mention. Following a major cut-back in the volume of payment credits made available for this programme in 1981, the Commission has, since May of this year, been unable to meet requests for payment arising under any of the various projects financed under this programme since 1976.

As noted earlier in this report, commitment and payment credits for the non-associates programme are voted separately each year. The amount made available as commitment credits determines the volume of new projects which can be decided upon in that year, while the amount provided as payment credits determines how much can actually be disbursed in that year for all ongoing projects from 1976 on.

For 1981, the Commission had proposed 200.0 M ECU in commitment credits, and 65.0 M ECU in payment credits. However, the budgetary authorities of the Community reduced these figures to 150.0 M ECU and 23.0 M ECU respectively, giving a 25% cut in commitment credits, and a 65% cut in payment credits.

The reduction in commitment funding will necessarily be felt in future years, with a reduced volume of projects to be financed under the 1981 programme. The impact of the reduction in payment credits was however much more immediate and more concrete. By May of 1981 all the available payment credits had been exhausted (including both the 1981 credits and a smaller amount remaining available under the 1980 budget), and no further payments could be authorized. By 31 July, payments outstanding had risen to 10.4 M ECU, and this figure has of course been rising steadily since then¹.

During the month of July, the Commission was in fact able to make a small, temporary, transfer from another budget article, providing an additional 1.4 M ECU to meet some of the most urgent bills (without this, the figure for outstanding payments would have been correspondingly higher). However, the scale of the problem was such that no internal transfer could possibly provide more than a very small and partial solution, and it has been necessary for the Commission to include a much more substantial proposal for additional non-associates payments credits in the supplementary budget which was approved by the budgetary authorities during September.

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1) Had it been possible to make payment on these outstanding bills as they became due, the disbursement rates noted earlier would of course have been somewhat higher. Disbursements under the 1976 programme by 31 July would have risen to 84.1% of total programme funding, while the figure for the 1977 programme would have been 60.3%, for 1978 42.0%, for 1979 40.0%, and for 1980 11.0%.

These new funds became available towards the end of September, and the Commission took great pains to ensure that all outstanding bills were paid as rapidly as possible thereafter. However, the problems arising out of this enforced delay in payments have been extremely serious.

The preparation of the project pipeline for future programmes has been set back, since it has been impossible to recruit outside expertise for the short-term identification and appraisal missions which are necessary here. The commencement of newly-approved projects has also been delayed, due to the impossibility of signing contracts or, in some cases, of providing the necessary advance payments to enable local work to be started. Finally, the reimbursement of recipient governments and contractors for work or services already carried out has had to be stopped.

Fortunately, the problem is of a temporary nature, and should have been resolved by the time this report is published. However, the problems which have arisen here serve to underline the importance of making realistic estimates of the volume of funding required for payment in any one year, and of accepting these estimates in terms of making sufficient budgetary credits available to meet the foreseen requirements.

It must not be forgotten that payment flows under an aid programme of this type are not capable of modification in line with the prevailing budgetary constraints of the Community. Rather, the volume of payments arising in any one year is a reflection of the commitments undertaken in previous years, and represents a legal obligation arising out of these commitments. It is hardly in keeping with the stature of the Community that it cannot make available, when required, the funding necessary to meet these legal obligations.

III.c. Progress with individual programmes and projects (1976-80)

Given the large number of projects financed under past non-associates programmes, it is no longer practical, in a general report of this kind, to examine the progress of individual projects in any detailed fashion. Rather, one can at best single out certain projects which have shown particular problems (or successes), and try to draw from this some more general indication of the typical difficulties encountered in implementing an aid programme of this type. The following comments deal in turn with the individual annual programmes, and the principal conclusions are summarised in the final section.

III.c.1. 1976 programme

Funds committed under this programme totalled 20.0 M ECU, of which 16.2 M ECU, or 81%, had been disbursed by July 1981.

Of the 8 projects included in this programme, 3 have already been completed, while 4 others are very nearly complete. In two cases, substantial savings have in fact been made, and consideration is now being given to how these funds can best be used within the framework of the projects concerned.

The remaining project (Pakistan, Khaipur tile drainage) is now progressing satisfactorily after some delays in the earliest years of project implementation, and 65% of the project grant has now been disbursed.

III.c.2. 1977 programme

Total commitments under this programme amounted to 45.0 M ECU. Disbursements, as of 31 July 1981, amounted to 26.3 M ECU, or 59% of programme funding.

A total of 23 projects were financed under this programme, of which ten have been effectively completed. Two other projects show disbursements between 60% and 80%, while for the eleven remaining projects disbursements are less than 50% (including two projects for which no disbursements have yet been made).

Most of these projects are in fact now running fairly smoothly, after various delays in the start-up phase. The delays which have arisen have generally been in connection with the preparation of final design specifications, or the recruitment of consultants. These problems have been particularly significant in the case of the Muhuri irrigation project in Bangladesh (cofinanced with IBRD), the SE Sulawesi project in Indonesia, and the aquaculture projects in Burma and Thailand (all three cofinanced with ADB).

The two projects for which no funds have yet been spent are both cofinanced with the Inter-American Development Bank (IDB): a fisheries project in Honduras, and a regional grain storage project with BCIE (Banco Centro-Americano por la Integracion Economica). In both these cases, delays have arisen mainly in relation to the establishment of detailed workplans and implementation arrangements between the Bank and the recipients, as well as in the preparation of tenders.

Finally, it might be noted that the implementation of one project (Afghanistan, grain and fertiliser storage) has been suspended by the ADB as a result of the conditions currently prevailing in that country.

III.c.3. 1978 programme

Total programme funding for 1978 amounted to 63.1 M ECU, of which 23.7 M ECU (38%) has now been disbursed.

Of the 35 projects financed under this programme, 15 have now been completed or are close to completion (with disbursement rates over 90%). This includes 3 project preparation studies which have given rise to projects for subsequent programmes¹.

A further ten projects show disbursement rates of 40% or over, which can be considered as normal for projects at this stage of implementation.

The remaining ten projects show disbursements of less than 40%, including four projects for which no funds have yet been spent. Here, the main problems have again occurred during the start-up phase of these projects, and in most cases project implementation is now progressing satisfactorily after these initial problems have been resolved.

Thus, a number of projects had been delayed due to difficulties with consultant recruitment, including the Muhaweli Ganga integrated area development project in Sri Lanka (implemented in cooperation with FAO), the tea-estates rehabilitation project in Bangladesh (cofinanced with UK), the second grant to the SE Sulawesi project in Indonesia (ADB), and a timber study with ASEAN. Three other projects (all cofinanced with IDB) have seen serious delays in the finalization of implementation arrangements between the Bank and the recipient (Honduras, agricultural research and extension; Haiti, rural water supplies; CFAD, regional rural credit programme).

III.c.4. 1979 programme

Total commitments under this programme amounted to 105.9 M ECU, of which 39.9 M ECU, or 38% of programme funding) had been disbursed by July 1981.

A total of 39 projects were included in this programme, and eight of these have now been completed, including one preparatory study for a project subsequently cofinanced with Belgium under the 1980 programme (Thailand, Huai Mong pump irrigation).

The figure for completed projects also includes the fertilizer programme for India, which with a total grant of 25.0 M ECU has obviously had a major influence on the average disbursement rate for the programme as a whole.

1) Thailand, crop diversification, funded under the 1979 programme; Indonesia, Baturaden livestock, 1980; ASEAN post-harvest programme now under consideration for the 1981 programme).

This particular project (since repeated under the 1980 programme and now being considered again for 1981) deserves special mention as one very successful type of project funding. Under the arrangement used here, the Community grant is used to purchase fertilizers for import into India; the local funds generated by the domestic sale of this fertilizer are subsequently used for financing specific rural-development projects selected by the Indian authorities in collaboration with the Commission. The implementation of these projects is carried out by the Indian authorities, but with appropriate review by the Commission.

This procedure allows the initial grant to be spent rapidly (maintaining its full value as far as the recipient is concerned), while still allowing the funds to be directed, in their final use, towards rural development projects in the poorest provinces of India. It must be stressed, however, that an arrangement of this type can only be effective in certain specific circumstances, and could not easily be extended to many other developing countries.

Of the remaining projects, 15 show disbursement rates in excess of 20%, which can be considered as normal for projects at this stage of implementation. A further 15 projects show rates below 20%, including 10 for which no disbursements have yet been made.

In many cases, these projects have only recently commenced or are just on the point of commencement, and disbursements are likely to grow quite rapidly over the next twelve months. Again, however, delays have often been encountered during the early stages of project implementation, and in some cases these have been fairly serious.

Where delays have arisen, the principal bottleneck has tended to be in the preparation and approval of final design specifications and work plans. Projects in this category include two emergency shelter projects in India, a rural water supplies project in Honduras, and the Chambo irrigation project in Ecuador (all financed autonomously), as well as a palm-oil project in Burma (ADB), feeder-roads in Haiti (IDB), and a seed-centre project in Laos (in cooperation with the Mekong Committee). In other cases, delays have arisen in relation to the recruitment of consultants (Bangladesh, grain storage and ASEAN, aquaculture), or from the slow finalization of administrative arrangements by the recipient (Thailand, rubber development and BCIE, TA programme).

Finally, the implementation of two projects in Bolivia (agricultural census and Cochabamba irrigation) has been suspended by the Commission in the light of current conditions there. The second of these projects is cofinanced with Germany, who has also suspended her activities.

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III.c.5. 1980 programme

Total commitments under this programme amount to 145.3 M ECU, of which 12.1 M ECU, or 8.3%, had been disbursed by July 1981. Naturally, the programme is still in the earliest stages of implementation, and most projects are still in the start-up phase, having not yet given rise to any requests for payment.

However, a number of projects have already shown substantial progress, most notably a major irrigation project in Sri Lanka (50% disbursement), a rural infrastructure project in Zimbabwe (68% disbursement), and a livestock project in Nepal (23% disbursement; cofinanced with ADB).

Several of the agricultural research projects financed through CGIAR have also given rise to significant disbursements (though this is only to be expected given the nature of these projects). One of these, the grant to CIAT (Centro Internacional de Agricultura Tropical), would in fact have been fully disbursed if funding had been available to make payment when requested.

III.c.6. Summary remarks

As has already been noted elsewhere in this report, the overall disbursement rates achieved under the non-associates programme are very creditable, given the slow-spending character of the rural-development projects on which the programme is concentrated.

However, the more detailed comments made above make it clear that where problems do arise, this is very frequently in connection with the earliest stages of project implementation. In almost all the cases cited above, the problems which have arisen are those relating to the start-up phase, and are connected with such tasks as the preparation of final designs and work-plans, the issuing of tenders and award of contracts, the recruitment and installation of consultants, or the elaboration of detailed administrative arrangements by the recipient. In some cases, problems have also arisen in connection with the timely availability of counterpart funding to be provided by the recipient, or in the negotiation of cofinancing arrangements, but these have been less frequent.

This is not to say that problems do not also arise at later stages of implementation. This does of course happen, and in some cases these problems, connected with unforeseen technical or political factors, are in fact rather more serious for the eventual outcome of the project. Such cases have been rare, however, and generally the process of implementation tends to run fairly smoothly once the start-up phase has been completed.

This general observation serves to emphasize the central importance of close donor involvement and supervision, particularly during the early stages of implementation. It is in fact during these early stages that the bulk of the donor agency's work is concentrated; the regular supervision required thereafter is no less important, but tends to be more routine and less time-consuming.

This problem, and its implications for the Commission, has in fact been specifically noted in a recent report by the Audit Court of the European Communities¹. Referring to two projects in Bangladesh financed under the non-associates programme (1978 tea-estate rehabilitation and 1979 emergency grain storage), the report noted that both of these projects might have commenced much earlier if the Commission had had a permanent field representative, able to coordinate with the recipient authorities during the start-up phase.

Generally,
however, it is apparent that the Commission must be able to give much closer attention to the early stages of project implementation than has hitherto been possible. This can only take place if the staff resources available to the Commission (both in Brussels and in the field) are appropriately strengthened.

1) Annual Report for 1980.

IV. SPECIAL TOPICS

IV.a. COFINANCING

(i) General

Article 4 of the non-associates Regulation indicates that a "substantial share" of aid granted under this programme should be devoted to projects cofinanced with Member-States or with multilateral or regional bodies.

In setting out this objective, account was taken of the various advantages which cofinancing can offer. In general terms, it provides an individual donor with access to a larger pipeline of projects than would otherwise have been available. This can be particularly important in the case of recipient countries where a donor has limited experience. More specifically, a mixture of different sources of funding with different terms and conditions can in some cases be of considerable value to the recipient. In the Community context, finally, cofinancing between EEC and Member-States can strengthen the overall "Community presence" in the recipient country concerned.

However, cofinancing is not without its difficulties. The need for coordination among donors and recipients can be time-consuming, and may on occasion place a serious burden on the recipient administration. In some cases (depending on the type of cofinancing followed), it may be necessary to make a certain compromise between the rules and procedures of the different donors, in order to ensure efficient implementation.

Generally, three different types of cofinancing are possible. The first and most common type is parallel cofinancing, where each donor finances a specific project-component in accordance with its own procedures. A second type is joint cofinancing, where all donors' funds are combined and administered according to one agreed procedure (this is more common in the case of very large engineering projects, where distinct components cannot easily be separated). The third possibility is channel financing, where one donor has no direct relationship with the recipient, but channels its funds through another agency. Each of these different types of cofinancing has its own advantages, and one type may be more appropriate than another for a specific project.

(ii) Cofinancing in the 1976-80 programmes

The number of cofinanced projects funded under the non-associates programme has grown steadily, from 4 in 1976 to 21 in 1980. Out of 379.3 M ECU committed under these 5 programmes, 165.3 M ECU, or 44% of total programme funding, has been devoted to cofinanced projects.

Of the 150 separate projects funded under these programmes, a total of 70 have been cofinanced. The average size of these projects has been 2.4 M ECU (compared to 2.7 M ECU for autonomous projects), and the average share of total project costs funded by EEC in cofinanced actions has been of the order of 12%.

Some basic statistics relating to cofinanced projects are shown in the following table. Other more detailed tables have been included in Annex 3.

It might be noted here that the EEC contribution to projects cofinanced with Member-States has been roughly half that made by the Member States. This is a relatively high figure, given that total Member-States bilateral aid to the non-associated countries is at least 5 times the funding available to the EEC.

As regards the geographical pattern of cofinanced actions, this has been broadly similar to that of the non-associates programme as a whole, with Asia accounting for 70% of cofinanced funding, Latin America 23%, and Africa 7%.

The sectoral breakdown of cofinanced projects has also been broadly similar to that pertaining to the programme as a whole (Annex Table V), with 77% of EEC cofinancing funding being devoted to agricultural production, 15% to agricultural services, and 8% to utilities. (Annex Table V). Within these broad sectoral groups, however, there was a particular emphasis on irrigation (31% of the total, compared to 16% of total programme funding).

Finally, it might be useful to examine the disbursement rates achieved with cofinanced projects. The following table sets out the average disbursement rates for autonomous and cofinanced projects under the 1976-1979 programmes, distinguishing among several different categories of cofinanced projects. No figures have been given for the 1980 programme, since only a few projects included in this programme have so far reached the stage of full implementation.

Average disbursement rates, as of 31.7.81

Programme	1976	1977	1978	1979
Autonomous projects	78%	54%	54%	20%
Cofinanced projects	63%	79%	33%	21%
Investment projects cofinanced with Member-States	-	-	15%	0%
Investment projects cofinanced with international or regional institutions ¹	59%	28%	24%	17%
Cofinanced TA projects	100%	100%	79%	0%
Cofinanced research projects	100%	100%	90%	100%

¹ IBRD, ADB, IDB, BCIE

From the above table, there would seem to be no very striking difference in disbursement patterns between autonomous projects and cofinanced projects, taken as a whole. There are certainly some differences in individual years, but it is difficult to trace any clear pattern among the annual variations.

However, it is clear that certain types of cofinanced project are certainly much slower-disbursing than the average. In particular, the larger investment projects cofinanced with international and regional institutions have been markedly slower-spending; total disbursements for such projects by July 1981 stood at 28% for the 1977 programme, and 24% for the 1978 programme, compared to 54% for autonomous projects under both programmes. Disbursements have also been relatively slow for the investment projects cofinanced with Member-States under the 1978 and 1979 programmes.

On the other hand, cofinanced technical assistance and research projects have been considerably faster-spending, with 100% disbursement in several cases. This is only to be expected, however, given the different character of these projects.

The slower disbursement rates experienced with certain types of cofinanced project should not perhaps be over-emphasized. Many of the projects cofinanced with international or regional institutions have been large irrigation or integrated area development actions, which may naturally be more complex and slower to implement.

Also, certain agencies often leave a significant part of project preparation work to be carried out only after the formal commitment of funds, thus lengthening the "normal" lead-time between commitment and disbursement. The ADB, for example, generally leaves detailed design work to be carried out within the final project (in contrast to normal Commission practice), while IDB may make its formal commitment even before detailed loan negotiations have taken place¹.

However, it still seems that a significant number of cofinanced projects have experienced delays beyond the normal lead-time that might be expected; several such cases have been noted in the review of individual programmes and projects given above (pp 21-25). As with autonomous projects, such delays have been concentrated in the early stages of project implementation (notably in such areas as consultant recruitment, approval of final design, and tendering), and it will be important to give special attention in future to this particularly sensitive phase of implementation.

IV.a.3. Summary remarks

During the earliest years of the non-associates programme, cofinancing was frequently a necessary means of finding valuable projects in countries which were then relatively unfamiliar to the Commission. In more recent years, however, this aspect has become less important, and cofinancing is sought more in specific circumstances where it can bring specific benefits. Here, however, it must be borne in mind that other donors, both bilateral and multilateral, often face problems in establishing a sufficiently large

1) The IBRD, on the other hand, frequently invites tenders even before a formal commitment decision has been made.

pipeline of effective projects, and thus that the scope for cofinancing is not unlimited.

Some other potential problems with cofinancing have to be recognized. On the one hand, certain types of cofinanced projects seem to be relatively slow-disbursing and subject to delays in the early stages of implementation. This may to some extent be a reflection of the type of project involved, or of the procedures of the cofinancing partner.

On the other hand, many recipient countries have a somewhat reserved position as regards cofinancing. Dealing with several donors for one project, each with their own procedures and requirements, can place a significant extra burden on the recipient administration.

As long as these problems are recognized, and appropriate steps taken to meet them, cofinancing can still be of particular value both to donors and recipients.

However, it should be borne in mind that cofinancing is only one aspect of the regular cooperation and coordination which must take place among donors. Within the Community context, contacts between the Commission's services and the Member-State aid authorities have been steadily increased, and a regular exchange of views also takes place with the principal multilateral cofinancing partners. These regular contacts may not always lead to specific cofinanced projects, but are no less important in that they ensure a better coordination among individual projects and programmes.

IV.b. STUDIES AND TECHNICAL ASSISTANCE

As noted earlier in this report, studies and general technical assistance actions are a crucial element of the non-associates programme, in terms of their importance in assisting recipient countries with project preparation and generally in helping to overcome constraints associated with limited absorptive capacity.

Between 1976 and 1980, such actions accounted for 7% of total programme funding. This figure includes not only those actions funded directly by the Community (as separate projects, or under the special provisions for studies and technical assistance and for administrative costs), but also includes the study packages financed indirectly through such organizations as the ADB and the BCIE. However, it does not include more specific technical assistance and support actions directed towards assisting with the implementation of particular programmes or projects, and funded either as separate actions or as components of individual projects.

For information, a full list of these studies and general technical assistance actions has been given in Annex 4. Generally, one might note that these actions have followed broadly the same geographical and sectoral pattern as the programme as a whole. However, for certain recipients or in certain sectors the need for preparatory studies or technical assistance actions has been somewhat greater, and this has in fact led to a somewhat higher proportion of studies in the Latin American region.

As one would expect, individual technical assistance or studies actions tend to be relatively small and quick-disbursing, though their size obviously varies according to the objectives of the study¹, and on a few occasions problems relating to consultant recruitment have given rise to some delays in implementation (as with full-scale projects).

Finally, it might be useful to comment briefly on the distinction between the special provisions for administrative costs and control (introduced in 1977), and for studies and technical assistance (introduced in 1979). The first of these is intended essentially to help the Commission to carry out its own responsibilities in the field of on-the-spot evaluation, appraisal and control of projects, and has been used to finance the shortterm recruitment of specialized outside experts to carry out specific evaluation or appraisal missions, or to make regular supervisory visits to projects which are already underway. This provision has also been used to establish development advisors in the Commission's regional delegations in Bangkok and Caracas.

The special provision for studies and technical assistance, on the other hand, is more directly for the benefit of the recipient countries themselves, in the sense of providing an accelerated procedure for carrying out smaller project-preparation or technical assistance exercises requested by the recipient. Previously, all such actions had to be approved individually in the same way as full-scale projects, and this obviously led to considerable delays in preparing a project pipeline. It might be noted, however, that the use of this accelerated procedure has been limited to actions costing less than 300,000 ECU; larger studies or technical assistance inputs have followed the normal procedure applicable to full-scale projects.

1) In the field of project preparation, studies can be required at any point from initial reconnaissance and evaluation, through prefeasibility and feasibility work, to the preparation of detailed designs for engineering or works. The cost of such studies can thus range from 50,000 ECU or less, up to 1,000,000 ECU or more for a major design exercise.

V. CONCLUSIONS

The programme of financial and technical assistance to non-associated developing countries is now in its sixth year, and has clearly become an established component of the Community's overall development cooperation policy. From the internal point of view, a major step forward came in February 1981, when the Regulation setting out the programme's basic objectives and procedures was formally adopted by Council.

Externally, the programme is certainly well received by the various recipient countries and organizations, despite the relatively limited funding available. The fact that programme funds are provided on a grant basis, with the possibility of covering local expenditures where appropriate, is of particular importance to the poorest developing countries who are the main recipients under the programme.

Since its commencement in 1976, the non-associates programme has grown quite rapidly, with commitment funding rising from 20 M ECU in 1976 to 150 M ECU in 1981. In line with the central objectives of the programme, funding has been concentrated on rural-sector development projects in the poorest developing countries, while paying due attention to the need to ensure a certain overall balance in the geographical allocation of funds.

Programme implementation has been proceeding smoothly, with a total of 394.9 M ECU committed, and 118.2 M ECU disbursed, by July 1981. The level of disbursement has in fact accelerated rapidly in recent years, as the programme has become established and more projects have come fully on-stream.

Naturally, a variety of problems have been experienced in the implementation of individual projects, but this is inevitable in any aid programme of this kind, and the experience of the non-associates programme has been no different from that of other donors working in the field of rural development.

Some of these problems have however been given special attention in this report. Most notably, it has been necessary to stress the central problem of absorptive capacity, particularly in the poorer developing countries. Following from this is the need for a donor to give substantial assistance with project preparation and implementation, and also to maintain a close supervision of project progress.

Given these problems, a significant part of total programme funding has been allocated to studies and technical assistance for project preparation. Technical assistance on the implementation side has been included within individual projects as appropriate. In addition, the Commission has put a major effort into strengthening its supervisory capacity, both in Brussels and in the field. However, it has again been necessary to draw attention to the difficulties imposed here by staffing constraints.

ANNEXES

- (1) Allocation of funding by recipient, 1976-80
- (2) Detailed sectoral breakdown of funding, 1976-80
- (3) Cofinancing statistics
- (4) List of studies financed under the non-associates programme.

Allocation of funding by recipient, 1976-80 (M ECU)

	1976	1977	1978	1979	1980	Total 1976-80
I NORMAL PROJECTS						
Afghanistan	-	1.00	-	-	-	1.00
Bangladesh	2.50	5.00	6.60	8.00	10.60	32.70
Burma	-	1.00	-	4.90	-	5.90
India	6.00	12.00	15.40	25.00	28.00	86.40
Indonesia	1.00	2.00	5.50	9.90	8.20	26.60
Laos	-	-	2.00	2.10	-	4.10
Maldives	-	-	-	-	0.50	0.50
Nepal	-	-	3.00	-	2.20	5.20
Pakistan	3.00	4.00	4.80	6.70	5.80	24.30
Philippines	-	-	-	4.50	3.50	8.00
Sri Lanka	2.00	2.00	2.00	0.30	15.40	21.70
Thailand	-	1.00	0.30	5.70	13.50	20.50
Vietnam	-	2.40	-	-	-	2.40
Yemen (North)	-	2.00	-	1.10	-	3.10
ADB	1.50	0.40	1.20	1.20	-	4.30
ASEAN	-	-	0.60	0.30	-	0.90
ICRISAT	2.00	1.00	0.80	0.80	0.95	5.55
IRRI	-	1.00	0.80	1.00	1.20	4.00
Mekong Committee	-	-	-	0.40	-	0.40
TOTAL ASIA	18.00	34.80	43.00	71.90	89.85	257.55
Bolivia	2.00	1.80	1.90	3.00	-	8.70
Ecuador	-	-	-	2.90	-	2.90
Haiti	-	-	2.40	5.00	5.50	12.90
Honduras	-	1.00	2.40	3.20	8.00	14.60
Nicaragua	-	-	-	-	2.80	2.80
Peru	-	-	-	2.00	1.00	3.00
Andean Pact	-	3.60	2.70	0.30	2.00	8.60
BCIE	-	1.80	0.43	0.50	0.50	3.23
CATIE	-	-	0.57	1.10	0.20	1.87
CFAD	-	-	1.80	-	-	1.80
CIAT	-	-	0.80	1.00	1.15	2.95
CIP	-	-	0.40	0.50	0.60	1.50
IDB	-	-	-	-	2.00	2.00
INCAP	-	1.80	-	-	-	1.80
OLADE	-	-	0.60	-	0.60	1.20
TOTAL LATIN AMERICA	2.00	10.00	14.00	19.50	24.35	69.65
Angola	-	-	0.50	0.90	-	1.40
Mozambique	-	-	3.00	-	-	3.00
Zimbabwe	-	-	-	-	14.50	14.50
TOTAL AFRICA	-	-	3.50	0.90	14.50	18.90

	1976	1977	1978	1979	1980	Total 1976-80
II POST CATASTROPHE PROJECTS						
Dominican Republic	-	-	-	-	4.00	4.00
India	-	-	2.00	4.50	4.40	10.90
Nicaragua	-	-	-	2.50	-	2.50
Peru	-	-	-	-	1.50	1.50
Sri Lanka	-	-	-	3.00	-	3.00
Zimbabwe	-	-	-	-	4.00	4.00
Central America (PAHO)	-	-	-	1.10	-	1.10
TOTAL POST-CATASTROPHE	-	-	2.00	11.10	13.90	27.00
III OTHER PROVISIONS						
Small-scale studies and technical assistance	-	-	-	1.50	1.00	2.50
Administrative costs	-	0.20	0.60	1.00	1.70	3.50
TOTAL OTHER	-	0.20	0.60	2.50	2.70	6.00
TOTAL PROGRAMME FUNDING (I + II + III)	20.00	45.00	63.10	105.90	145.30	379.30

STATISTICS RELATING TO COFINANCINGI. Type of cofinancing, 1976-80

	Parallel	Joint	Channel	Total
No. of projects	47	11	12	70
EEC contribution (M ECU)	122.5	27.6	15.2	165.3
Share of total	74%	17%	9%	100%

II. Principal cofinancing partners, 1976-80

	Member States	ADB	IBRD	IDB	CGIAR	Others	Total
No. of projects	17	17	9	7	14	6	70
EEC contribution (M ECU)	58.8	47.4	23.5	15.7	12.0	7.9	165.3
Share of total	35.6%	28.7%	14.1%	9.5%	7.3%	4.7%	100%

III. Cofinancing with EEC Member-States, 1976-80

Country	Number of projects	Member-State contribution (M ECU)	EEC contribution (M ECU)	Total project costs (M ECU)
Belgium	2	3.70	13.00	18.70
France	4	2.20	9.10	12.00
Germany	2	8.13	5.50	19.90
Italy	4	1.63	12.20	17.00
Netherlands	1	0.33	0.30	0.65
United Kingdom	3	72.60	14.70	122.16
Several Member-States ¹	1	35.20	4.0	40.40
Total	17	123.79	58.80	230.81

¹ One project in Zimbabwe, cofinanced with Germany, the Netherlands and the United Kingdom together.

IV. Geographical pattern of cofinancing, 1976-80

	Asia	Latin America	Africa	Total
Number of projects	43	24	3	70
EEC contribution (M ECU)	115.85	38.45	11.0	165.3
Share of total	70%	23%	7%	100%

V Sectoral pattern of cofinancing, 1976-80

	Agricultural production	Agricultural services	Utilities	Total
Number of projects	43	21	6	70
EEC contribution (M ECU)	127.8	24.0	13.5	165.3
Share of total	77.3%	14.5%	8.2%	100%

ANNEX 4

STUDIES AND TECHNICAL ASSISTANCE ACTIONS

I. Complete list of studies and general technical assistance actions funded directly under the 1976-80 programmes

Year	Recipient	Title	Category (Study/TA)	EEC grant (M ECU)
1976	ADB	Technical assistance programme	Studies	1.50
1977	NORTH YEMEN	Wadi Rasyan basin	Study	0.70
	ADB	Technical assistance programme	Studies	0.40
	ANDEAN PACT	Rural-sector technical assistance	TA	1.00
	-	Special provision for administrative costs	-	0.20
1978	INDONESIA	Baturaden dairy centre	Study	0.15
	THAILAND	Seed centre, S. region	Study	0.10
	THAILAND	Crop diversification, NE region	Study	0.20
	ADB	Technical assistance programme	Studies	1.20
	ASEAN	Regional post-harvest programme	Study	0.30
	ASEAN	Regional timber utilization study	Study	0.30
	OLADE	Geothermic surveys	TA	0.60
	BCIE	Technical assistance programme	Studies	0.43
	ANDEAN PACT	Alternative construction materials study	Study	0.10
	ANDEAN PACT	Pilot housing project	TA	0.40
	ANDEAN PACT	Palm-oil development	Study	0.40
	ANDEAN PACT	Industrial standardization and quality control	TA	0.20
	ANGOLA	Mocamedes fish processing plant	Study	0.50
	-	Special provision for administrative costs	-	0.60

1979	SRI LANKA	Mahaweli Ganga hydrological study	Study	0.30
	THAILAND	Irrigation studies, NE region	Study	0.70
	ADB	Technical assistance programme	Studies	1.20
	INDONESIA	Waru-Turi and Seluma-Lais irrigation design	Study	0.80
	ASEAN	Regional Aquaculture programme	Study	0.30
	MEKONG COMMITTEE	Technical assistance to Secretariat	TA	0.40
	BCIE	Technical assistance programme	Studies	0.50
	-	Special provision for technical assistance and studies	-	1.50
-	Special provision for administrative costs	-	1.00	
1980	NICARAGUA	Rural sector technical assistance	TA	2.80
	ANDEAN PACT	Rural sector study programme	TA	2.00
	BCIE	Technical assistance programme	Studies	0.50
	OLADE	Regional geothermic surveys	TA	0.60
	ZIMBABWE	Rural sector study programme	Studies	1.00
	ZIMBABWE	Technical assistance programme	TA	0.50
	-	Special provision for technical assistance and studies	--	1.00
	-	Special provision for administrative costs	--	1.70
TOTAL				26.08

Notes : The above table includes both studies and those general technical assistance actions directed towards the preparation or planning of future programmes or projects. More specific technical assistance actions, directed towards the implementation of particular programmes or projects, have not been included.

Details of studies financed under the technical assistance programmes with ADB and BCIE are given in table II below. Details of actions financed under the special provisions for studies/TA or administrative costs are given in table III below.

II. Studies financed indirectly through regional organizations,
1976-80

(a) Asian Development Bank technical assistance programmes, 1976-79

Year	Country	Title	Cost (000 ECU)
1976	BANGLADESH	Inland fisheries	160
	BANGLADESH	Pabna irrigation	176
	BURMA	Palm oil development	172
	INDONESIA	Bali irrigation I	80
	NEPAL	Agricultural credit and training institute	224
	PHILIPPINES	Mindanao irrigation II	160
	SRI LANKA	Sevenagala sugar development	280
	THAILAND	Inland fisheries development	103
1977	BANGLADESH	Rural vocational training institutes	118
	NEPAL	Sagarmatha integrated rural development	264
1978	BANGLADESH	Tubewells I	252
	INDONESIA	Palm-oil processing	78
	LAOS	Agricultural support facilities	53
	PHILIPPINES	Palawan integrated area development	280
	SRI LANKA	Integrated tea development	78
	SRI LANKA	Anuradhapura dry zone development	240
	THAILAND	Medium-scale irrigation	280
1979	BURMA	Post-harvest rice technology centre	120
	NEPAL	Second integrated rural development	280
	INDONESIA	Aceh/N. Sumatra livestock	136
	PAKISTAN	Agro-technical education	118

- Notes : (1) Study costings have been converted from dollars at an indicative exchange rate of \$1.25 = 1 ECU.
- (2) A number of studies for the 1979 programme have still to be fully identified, and are not shown here.

(b) BCIE technical assistance programme, 1978-80

Year	Country	Title	Cost (000 ECU)
1978	HONDURAS	Oil-palm, citrus and cacao studies	264
	NICARAGUA	Ethyl alcohol study	184
	CENTRAL AMERICAN REGION	Cacao study	40
1979	COSTA RICA	Storage silos study	44
	NICARAGUA	Cacao study	200

Notes : (1) Costings have been converted from dollars at an indicative exchange rate of \$1.25 = 1 ECU.

(2) The study list for the 1980 programme (covering also the balance of funds remaining available under previous programmes) is currently being finalized.

III. Actions financed under the special provisions for administrative costs and for technical assistance and studies

III.a. Actions relating to the preparation and appraisal of specific projects

Year	Country	Title	Cost (000 ECU)
1978	SRI LANKA	Coconut rehabilitation	4
	ASEAN	Regional aquaculture programme	19
	HAITI	Integrated rural development, S. region	52
	HONDURAS	Dairy development	9
	ANGOLA	Marine fisheries	15
	MEKONG COMMITTEE	Technical assistance	75
	ECUADOR	Chambo irrigation	25
	PAHO	Earthquake preparedness programme	3
	BANGLADESH	Food security storage	34
	TOTAL		236
1979	ECUADOR	Rural energy surveys	54
	NICARAGUA	ENABAS technical assistance	127
	HONDURAS	Fisheries development	26
	THAILAND	Small-scale irrigation, NE region	39
	HONDURAS	Dairy development II	76
	NICARAGUA	Waslala integrated rural development	87
	ANDEAN PACT	Palm oil development	15
	HAITI	Jacmel integrated rural development	80
	THAILAND	Livestock fattening and marketing	51
	ASEAN	Alternative energy development	12
	BURMA	Oil palm development	39
	HONDURAS	Development of native communities	51
	BANGLADESH	Irrigation development	47
			39

	PERU	Vicuna programme	53
	PHILIPPINES	Fisheries sector survey	30
	DOMINICAN REPUBLIC	Juancho irrigation	73
	HAITI	Jacmel IRD II	47
	NICARAGUA	Waslala IRD II	267
	NORTH YEMEN	Forestry development	10
	CENTRAL AMERICAN REGION	Food security survey	136
	TOTAL		1397
1980	THAILAND	Ing Yom Nan water diversion	232
	NICARAGUA	ENABAS technical assistance II	23
	INDONESIA	Cooperatives sector survey	30
	ANDEAN PACT	Rural technology	50
	TOTAL		335

III.b. Actions relating to general programme implementation and project supervision and control

(000 ECU)	1977	1978	1979	1980
Recruitment of individual experts, on shorterterm basis, for studies on specific development questions in individual recipient countries ¹	-	90	77	-
Recruitment of individual experts, on shorterterm basis, for assistance with project preparation and control.	200	210	353	10
Recruitment of experts for regional delegations in Bangkok and Caracas	-	60	262	158
Other	-	-	207 ²	-
Total	200	350	699	168

1) Studies prepared under this heading have included reviews of administrative or development planning procedures in India, Indonesia, ASEAN and the ADB, as well as a survey of food security achievements in India.

2) Supplementary contribution to a 1977 project (Vietnam, supply of agricultural machinery), to cover cost increase arising from exchange-rate variations.

III.c. Summary

(000 ECU)	1977	1978	1979		1980	
	AC	AC	AC	TA	AC	TA
Funds available	200	600	1000	1500	1700	1000
Funds utilized	200	596	899	1320	168	335
of which :						
- preparation and appraisal of specific projects (table III.a.)	-	236	-	1320	-	335
- general programme implementation and project supervision (table III.b.)	200	360	899	-	168	-

AC = Special provision for administrative costs.

TA = Special provision for technical assistance and studies.

Note : Utilization of funds under the 1980 special provisions (funding for which was approved only in December 1980) has had to be held back as a result of the shortfall in payment credits available under the 1981 budget (see pp 19-20 above). The balance currently available will in fact be absorbed over the next few months, when payment credits become available and new commitments can again be made.