

# European Communities

---

EUROPEAN PARLIAMENT

## Working Documents

1975-1976

---

18 June 1975

DOCUMENT 133/75

### Report

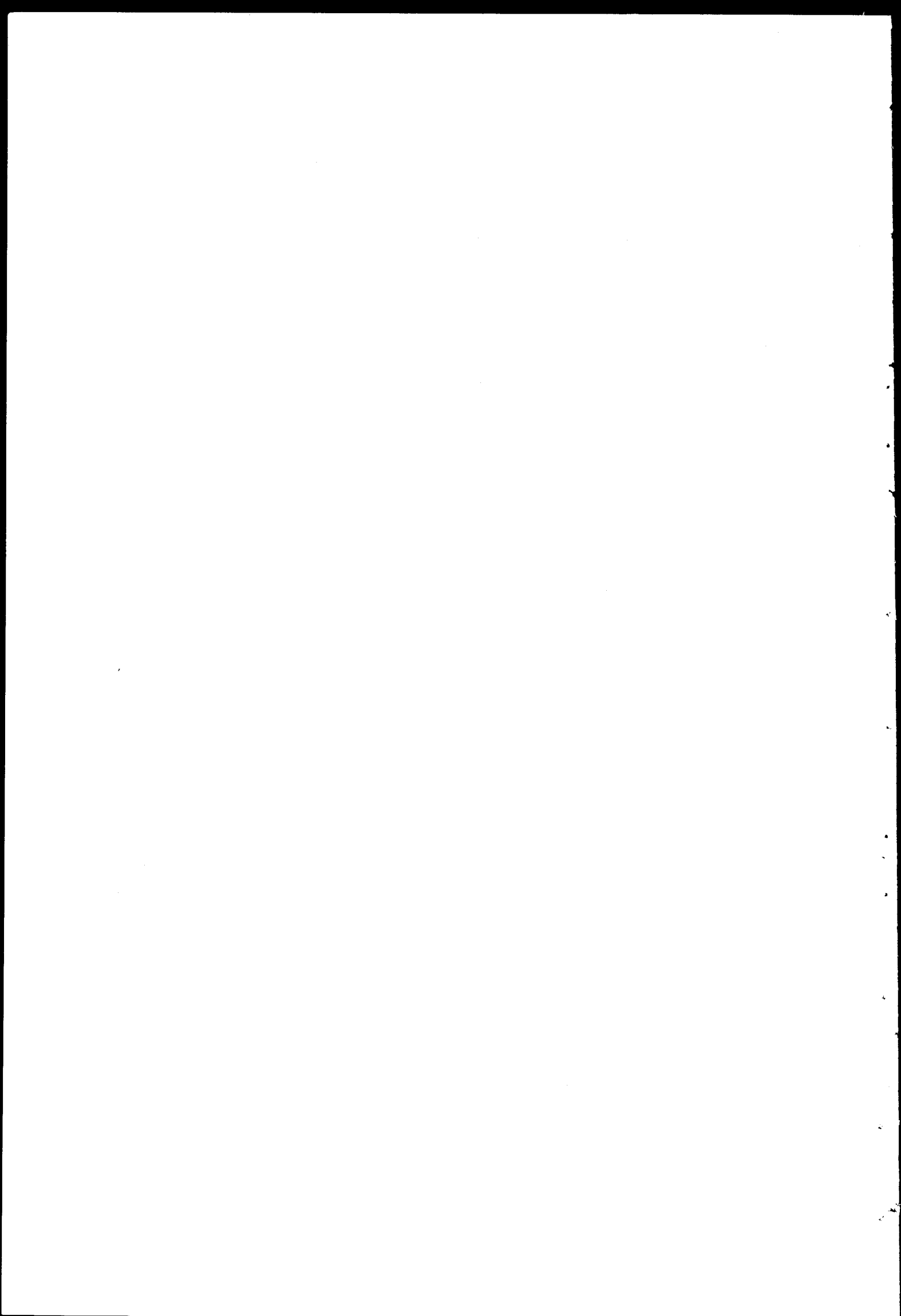
drawn up on behalf of the Committee on Development and Cooperation

on the Communication from the Commission of the European Communities to the Council (Doc. 38/75) on Community financial and technical aid to non-associated developing countries 1976 – 1980

Rapporteur: Mr K. HÄRZSCHEL

1.2.2

PE 40.250/fin.



By letter of 11 April 1975, the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the communication from the Commission of the European Communities to the Council on Community financial and technical aid to non-associated developing countries 1976-1980.

On 18 April 1975, the President of the European Parliament referred this communication to the Committee on Development and Cooperation as the committee responsible and to the Committee on Budgets for its opinion.

On 22 April 1975 the Committee on Development and Cooperation appointed Mr Kurt Härzschel rapporteur.

At the meeting of 3 June 1975 a general discussion was held on the draft report. Following careful consideration the motion for a resolution and the explanatory statement were unanimously adopted.

Present: Miss Flesch, chairman; Mr Deschamps and Mr Sandri, vice-chairmen; Mr Härzschel, rapporteur; Mr Aigner, Mr Broeksz, Mr Glinne, Mrs Iotti, Mrs Kellett-Bowman, Mr Lagorce, Mr Mursch, Mr Nolan, Mr Schuijt and Mr Zeller.

The opinion of the Committee on Budgets is attached.

CONTENTS

	<u>Page</u>
A. MOTION FOR A RESOLUTION .....	5
B. EXPLANATORY STATEMENT .....	9
<u>ANNEX</u> : Non-associated developing countries with per capita GNP lower than \$ 220 according to 1971 statistics.	16
 Opinion of the Committee on Budgets	17

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 Communication from the Commission of the European Communities to the Council on Community financial and technical aid to non-associated developing countries  
- 1976-1980

The European Parliament,

- having regard to the Communication from the Commission of the European Communities to the Council (COM(75) 95 final),
  - having been consulted by the Council (Doc. 38/75),
  - having regard to the resolution contained in the BERSANI report, in particular paragraph 3 thereof, adopted by the European Parliament on 30 April 1975<sup>1</sup>,
  - having regard to the report of the Committee on Development and Cooperation and the opinion of the Committee on Budgets (Doc. 133/75).
1. Welcomes the Commission Communication and agrees that, in principle, the Community should grant financial and technical aids to the non-associated developing countries;
  2. Is convinced that no development programme can be successful unless the food needs of the populations in the developing countries can be satisfied;
  3. Views the need to meet food requirements as an important complement to the structural programme because it is intended above all for the relief of the overpopulated and famine-stricken countries of the Indian sub-continent;
  4. Calls for priority treatment for rural areas in the developing countries and the adoption of the measures necessary to improve agricultural production, stockfarming and fishing yields, and urges that parallel measures be undertaken to develop infrastructures;

---

<sup>1</sup>OJ No. C 111 of 20.5.1975, p.22

5. Is of the opinion that support should be given above all to traditional self-sufficient smallholdings, because this is where the maximum effect can be achieved with the minimum effort, and urges the support of crafts and cottage industries in rural areas;
6. Emphasizes the importance of all measures aimed at improving storage and marketing;
7. Urges the Commission, in cooperation with the responsible organizations, to conduct a survey of the world food situation to draw up an internationally coordinated food aid plan and to ensure that the conclusions reached at the World Food Conference in Rome are reflected in a detailed aid policy;
8. Considers that aid for regional cooperation and integration is a significant item, contributing as it does to the economic and structural improvement of specific areas, and hopes that it will make possible low-cost mass production;
9. Welcomes the planned measures to promote exports and trade relations, since trade expansion is one of the key factors in improving the economic situation of the developing countries and enables the Community to contribute actively to the definition of a new economic order;
10. Supports the idea of visits by business experts, feasibility studies on joint ventures integrated into the development policy of the country in question and participation in applied research schemes in the fields of industrial development and design, since these are factors which play a concrete part in promoting exports; urges, however, that cooperation in this area be carried out with existing organizations in order to avoid additional expenditure;
11. Agrees in principle that financial assistance should be granted in the form of direct aid but feels that the funds could be released to suitable organizations, if the latter can guarantee more efficient utilization and observe the priorities and sectoral guidelines set out by the Community;
12. Agrees with the Commission that the aid should be concentrated on the poorest countries and, in view of the limited resources available, calls for the establishment of flexible allocation criteria designed to guarantee optimal results;
13. Is of the opinion that the sum of 100 m u.a. set aside for the first year of the five-year period must, in view of the great need in certain countries, be regarded as too modest;

14. Requests the Commission to compile figures showing how much financial aid the 17 poorest non-associated countries are already receiving from other industrial countries and organizations;
15. Expects the Commission to submit in good time a more detailed programme;
16. Is convinced on humanitarian grounds that funds for emergency relief action in disaster situations should be made available as a matter of urgency and hopes that the Community will be given the greatest possible room for manoeuvre in this field so that the aid can be provided in a flexible and unbureaucratic manner;
17. Welcomes the Commission's proposals to pay for the transport and distribution of aid to the affected areas, thus meeting a long-standing demand of Parliament;
18. Considers the proposed sum of 10m u.a. for disaster aid insufficient and wishes to be informed of the annual amounts made available to date by the Community for such purposes;
19. Is of the opinion that the funds could be allocated to both project and programme aid, subject to availability of the necessary infrastructure in the planning and administrative sectors and provided that the authorities responsible undertake to ensure that they are put to appropriate use;
20. Agrees that Community aid should follow the 1972 recommendation of the Development Aid Committee (i.e., comprise a grant element of at least 84%), since this financial assistance is intended solely for the poorest countries and their indebtedness must not be allowed to increase as a result of Community aid;
21. Recommends, however, that the Commission consider whether the aid from budgetary funds granted to countries which have already reached a certain level of development could not be supplemented by EIB loans and proposes in this connection that the existing loan policy be reviewed and an eventual change in the Bank's statute proposed;
22. Draws the Commission's attention to the question of whether enough suitably trained personnel are available to implement the aid programme to the non-associated countries;

23. Approves in general terms the plans to grant assistance to non-associated countries as being sensible and balanced, but emphasizes
- that the obligations to the associated countries must be given priority,
  - that the special nature of the aid for the non-associated countries must be readily apparent,
  - that the policy for the non-associated countries must be incorporated in the framework of existing Community policy and contribute to the long-term aim of placing the development aid policy on a stronger Community footing and
  - that Community aid must contribute to democratization of the social structures.



EXPLANATORY STATEMENT

1. In its communication of 5 November 1974 the Commission stated that it would submit proposals on financial and technical aid to non-associated developing countries as soon as the Council had begun its examination of the 'Fresco'. Since discussion of this communication by the Council on 22 January 1975 produced a sufficiently broad consensus, the Commission is now in a position to make concrete proposals. These are to be financed entirely from the budget, a principle which was approved by the Council at its meeting of 16 July 1974.

2. The aim of the programme is to grant technical and above all financial aid to those developing countries which are not eligible for Community aid from the EDF. The programme thus supplements the aid measures which have already been instituted; association policy, generalized preferences, food aid and Community contribution towards emergency relief operations (Cheysson-Fund).

3. The action programme for assistance to non-associated countries appears justified when it is considered that the general position and the terms of trade of the poorest developing countries worsened considerably between 1972 and 1974. This is only partly due to the increase in the price of oil, since foodstuffs, fertilizers and finished and semi-finished goods from the industrial countries have also increased in price.

4. The technical and financial aid programme for non-associated countries has the following four major aims:

- to meet the developing countries' food requirements;
- to promote regional cooperation and integration among developing countries;
- to make available funds for emergency measures in the event of disasters;
- to strengthen and expand measures for promoting exports.

5. Meeting the developing countries' food requirements is the key objective of development policy over the next few years and must therefore be regarded as the most important part of the programme. According to data from the OECD, the World Bank, the IMF and the UN, approximately 1,000 million human beings are threatened by starvation or live on the borderline of existence. In view of these facts it is

essential that the Community make greater efforts in the field of food aid. It must also be emphasized here that all economic measures of support for the developing countries are doomed to failure unless the populations can be saved from starvation.

6. It should also be noted that the measures to meet food requirements are in addition to the Community's actual food aid. These measures are most welcome because they will particularly help the over-populated countries of the Indian sub-continent (India, Pakistan, Bangladesh) as well as other Asian countries; the poorest African countries are already being helped through the Association Agreement and by special measures for the Sahel region. The falling yield from harvests in Asia and the consequent famine come as no surprise. This decline could be predicted as early as last spring when it became apparent that only limited quantities of fertilizers would be available in 1974 for cultivation purposes. As a result, 1974 saw Asia facing the greatest food shortage that any continent has ever known.

7. Meeting food needs involves not only cultivation of the land - stock breeding and fisheries must also be included. In creating sectoral centres of interest in development policy priority must go to the demands of agricultural areas. The Community should deploy the means it has at its disposal for developing agriculture as selectively as possible in order to increase and improve production. Sending agricultural experts to countries most threatened with famine with a view to improving their still inadequate agricultural infrastructures might well prove a promising type of aid. At the same time as improvements are made to agriculture, measures to build up and expand a satisfactory transport and social welfare infrastructure must be introduced. Adequate educational and medical facilities are vital to the development of agricultural areas. Adequate supplies of fertilizer, farming equipment and seeds are also essential to the developing countries if their economic situation is to be improved. In view of the growing food shortage in Asia and Africa and the surpluses which exist in some sectors in the EEC, the Community should mobilize all its resources and demonstrate its solidarity by ensuring that the poorest countries are supplied with the most essential items required for survival. Particular attention should be paid to increasing the productivity of traditional self-sufficient smallholdings because this is an area where the greatest effect can be achieved with the minimum of effort. The promotion of crafts and cottage industries in agricultural areas should also be strongly supported because they produce relatively good results with minimal investment. Measures to improve marketing and storage arrangements are also of the greatest significance. If the Commission

wishes to provide adequate help in this area it must first consider whether sufficient and properly trained personnel are available for the purpose.

8. It will not be enough to maintain food aid at its present level; it will have to be increased until such time as the developing countries have acquired a solid enough basis for feeding themselves. While the present economic difficulties throughout the world and in the Community should not be under-estimated, the EEC's industrial potential and trade volume taken as a whole should make even greater efforts possible. A comprehensive review of the world food situation should be undertaken jointly with the competent international organizations; this might lead to an internationally agreed food aid plan as the first step towards a global 'domestic' policy. Initial guidelines were laid down at the World Food Conference in Rome and it is now important to make its findings the basis of a concrete aid policy.

9. Support for regional cooperation and integration is equally important. By providing financial backing the Community can promote economic and structural projects of simultaneous benefit to several countries and thus help to improve infrastructure over a wide area. Through investment and related action, countries with a relatively small domestic market should be helped to set up low-cost mass production facilities. These measures must raise demand, since without demand backed by purchasing power, the market cannot function properly and poverty cannot be stamped out. As long as there is insufficient purchasing power, the peasants in the under-developed countries will produce only what they themselves need, since no farmer would consider producing more than he can sell.

10. The release of funds for emergency relief in the event of disasters is extremely important. The Community should enjoy the greatest possible latitude in this field, so that it can initiate its own measures or supplement aid already being supplied by Member States. The necessary conditions must be created so that disaster aid can be implemented promptly and in a flexible, non-bureaucratic manner; this is particularly important in the case of epidemic control. The Commission's proposal to pay for transport and distribution costs to the affected areas fulfil a long-standing demand of Parliament, since there are enough known cases in which aid was in vain because distribution on the spot broke down on account of transport and finance problems.

11. The proposal to provide an annual 10 m.u.a. for disasters can only be described as inadequate, particularly in view of the distress in Asia and the disastrous floods which frequently occur there. In a resolution Parliament has just called for long-term material aid for the people of South Vietnam and Cambodia and there have been earlier examples of selective aid measures, such as for Honduras. It would therefore be highly interesting to receive information on the amounts which have been made available by the Community for disaster relief in past years.

12. Promotion of exports and trade relations would be primarily of advantage to the Latin American countries, since they have already reached a higher level of development. Careful consideration should be given to this entire problem since trade expansion is one of the most important factors in improving the economic situation of the developing countries. This can best be summed up in the phrase 'trade, not aid'. Our aim must be to find a compromise which will increase export opportunities for the non-associated countries and begin a planned process of a structural adjustment in the industrial countries to be carried out gradually in order to avoid unemployment. What we need, therefore, is not a form of backward-looking and passive protectionism but rather a forward-looking and active structural policy. It goes without saying that this is an extremely difficult problem since national interests are directly affected.

Visits by business experts, feasibility studies on joint ventures, participation in applied research schemes and cooperation in the fields of industrial development and design are to be welcomed, because they give practical content to the plans to promote exports. Nevertheless, the Community should, in this sector, work together with the competent departments of existing aid organizations so as to avoid additional or duplicated costs wherever possible.

13. The geographical allocation of Community aid must be designed to help the poorest developing countries. The Commission proposes concentrating aid on those non-associated countries listed in the first three groups of developing countries identified in the 'fresco'<sup>1</sup>; these consist of 17 countries, most of them in Asia, whose per capita GNP does not, according to 1971 statistics, exceed \$220.

The Community cannot satisfy the needs of all developing countries because that would overtax its financial capabilities. A frame of reference must therefore be established within which the limited resources can be used where they are needed most. Distribution criteria will have to be drawn up, but rigid not to say mathematical formulae must be avoided.

14. The Commission considers that the bulk of the aid must be given in a direct form because this is the best way of ensuring that it remains identifiable as aid. However, it should be made clear here that the decisive criterion is not the identity of the aid but its effectiveness. Direct measures are to be welcomed as long as they are effective and rational. Thought should also be given to how such direct aid can be coordinated with other measures already initiated by the Community and the Member States. Should direct aid not prove to be effective, contact should be made with the organizations specializing in development questions. Part of the funds might be released to such organizations as could guarantee more efficient utilization of the aid. If, however, aid is granted in an indirect form care must be taken to ensure compliance with the priorities, guidelines and sectoral emphasis laid down by the Community.

15. The aid programme for the non-associated countries, initially limited to five years, will make available 100 m u.a. for the first year of the 5 year period 1976-1980. This is roughly what the non-associated countries have received or will receive from the Community during the calendar year 1974-1975 as part of UN emergency aid. In the first year, an additional 5 m u.a. is to be set aside for trade promotion. The annual payments for the period 1976-1980 would be as follows:

Year	Covering food requirements, regional cooperation and integration and emergency measures	Promotion of trade relations
1976	100	5
1977	120	6
1978	140	7
1979	170	8
1980	<u>200</u>	10
	<u>730</u>	

<sup>1</sup> See Annex

Although Member States' budgets are at present under considerable strain, it has to be said that the sum of 100 m u.a. planned for 1976 must be regarded as modest in view of the great need in certain countries. In view of these limited funds, the distribution of financial aid to the non-associated countries according to the so-called 'watering-can principle' must be categorically rejected. It is essential to draw up operational criteria and a classification of requirements by urgency so that the relatively meagre funds can be applied only where optimal development results can be achieved. It would be interesting in this connection if the Commission could draw up an overall table to show to what extent the 17 poorest countries are already receiving financial aid from other industrial countries and relief organizations.

16. The Commission has not attached a financial breakdown to its communication because it considers that details can only be established in the light of the deliberations of the Council. Whatever happens, Parliament must receive a Commission proposal containing specific financial and budgetary provisions far enough ahead of their entry in the 1976 preliminary draft budget.

The Commission has not explained whether these appropriations are to be considered compulsory or non-compulsory, although by their very nature they would appear to be non-compulsory. It is a pity that this classification has not been made since it may result in delay.

17. The Community's aid to non-associated countries should go specifically to projects i.e. specific investment schemes. The WFP, among others, has had success with this type of aid. However, programme aid - involving promotion of the overall economy of the recipient country - can be the more appropriate form. But programme aid is only possible in countries with an existing basic infrastructure on the administrative and planning level. It can, furthermore, be designed in such a way that the proposed sectoral emphasis is maintained.

18. In the Commission's view the bulk of the aid (84% of the total) should be given in the form of non-refundable grants. This is most welcome because the financial aid is intended exclusively for the poorest countries. Supplementing the aid by means of EIB loans would be incompatible with those countries' ability to secure loans. The whole point of financial aid to the poorest non-associated countries would have been completely missed if, as a result, their indebtedness was further increased.

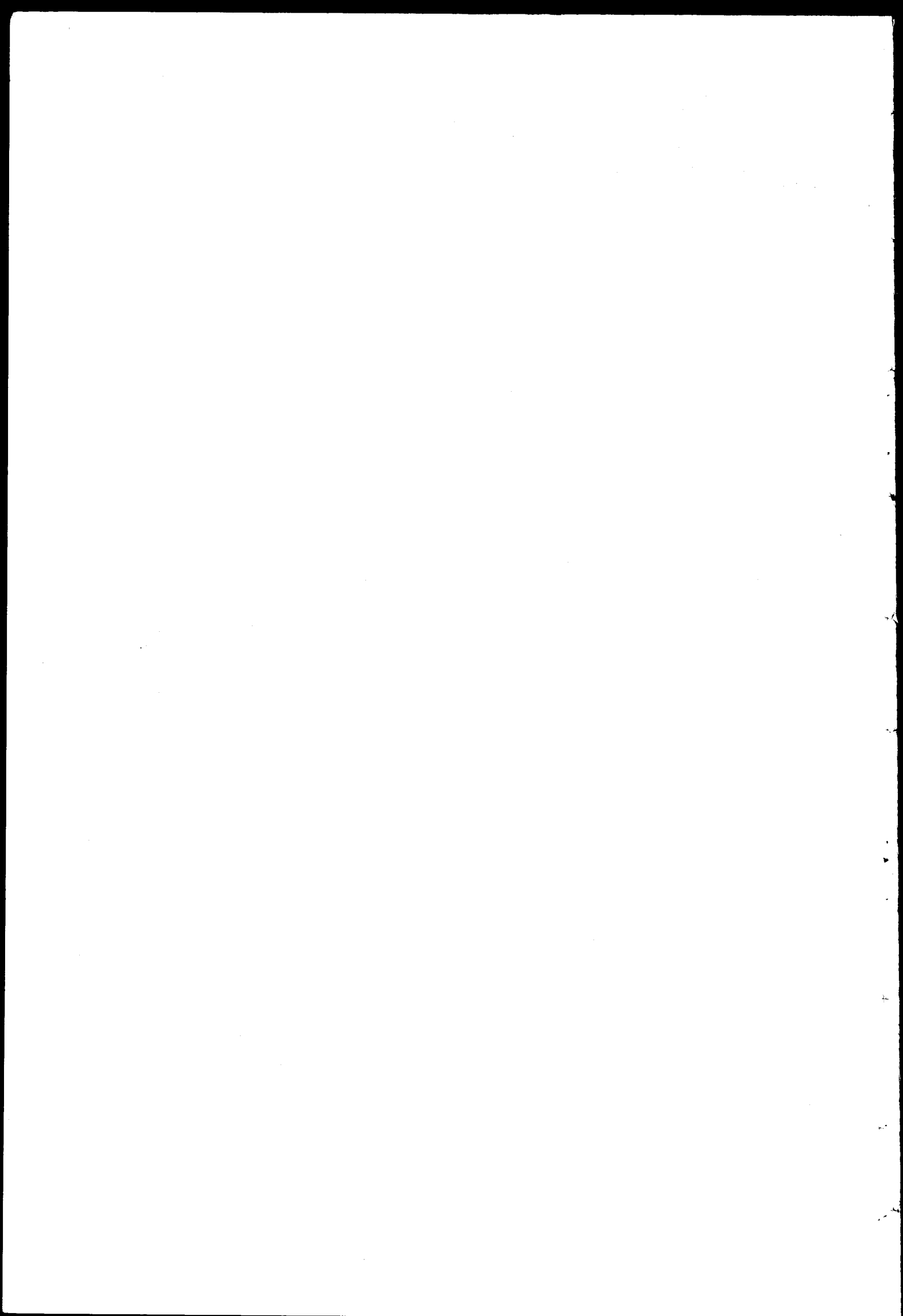
The question of how aid granted from budgetary funds could be supplemented by EIB loans should still be discussed. This would be of interest to those countries such as India and certain South American countries which,

although poor, have achieved, in comparison with others, a certain degree of development and industrialization. The existing loans policy should be reviewed in this light and organized along more flexible lines, and if necessary a change in the Bank's statute considered.

19. Broadly speaking Parliament considers the Commission's concept for technical and financial Community aid for the non-associated developing countries positive. The proposals appear in general sensible and balanced and will undoubtedly contribute towards the gradual development of the poorest countries.

It should be emphasized once more at this point, however, that priority should go to honouring the commitments to the developing countries associated with the Community, because the expectations held out by the Lomé Agreement must on no account be disappointed. The special nature of the aid for the non-associated countries must be clearly identifiable and the Commission should make this plain when implementing the programme.

Furthermore, the policy towards the non-associated countries must be regarded as supplementing the other areas of development policy. In plain language this means that the resources and procedures of this policy must help achieve the long-term aims of placing development aid on a stronger Community footing.





ANNEX

Non-associated developing countries with per capita GNP under \$ 220 on the basis of 1971 statistics

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

<sup>1</sup> 1974

OPINION OF THE COMMITTEE ON BUDGETS

Letter from the chairman to Miss FLESCHE, chairman of the  
Committee on Development and Cooperation

Luxembourg, 27 May 1975

Dear Miss Flesch,

At its meeting of 21/22 May 1975<sup>1</sup> the Committee on Budgets concluded its discussions on the Communication from the Commission to the Council on 'Community financial and technical aid to non-associated developing countries' (Doc.38/75).

The committee has instructed me to forward to you the following observations, of which it feels account must be taken in your draft report:

- The Commission must at all costs be prevented, in respect of financial aid to developing countries, from making provision for annual budgetary amounts in its proposal for a directive, which it has based on Article 235 of the EEC Treaty, thus making it impossible for the Council to classify such expenditure as compulsory.
- For this reason it would be appropriate for your rapporteur to limit himself in paragraph 15 of his explanatory statement to noting the amounts referred to by the Commission, without requesting their inclusion in the proposal for a directive.
- These considerations would also necessitate an amendment to paragraph 18 of your committee's motion for a resolution.
- The question of whether this expenditure should be classified as compulsory or non-compulsory was not broached by the Commission in its Communication; the Committee on Budgets feels that in view of its nature, it can only be regarded as non-compulsory.
- As a Community legal act with financial implications is involved, Parliament should reserve the right to request the applications of the conciliation procedure if it sees fit.

(sgd.) Erwin Lange

<sup>1</sup> Present: Mr Lange, chairman; Mr Artzinger, Mr Fabbrini, Mr Früh, Mr Gerlach, Mr Lautenschlager, Lord Lothian, Mr Notenboom, Mr Pêtre, Mr Radoux, Mr Schmidt, Mr Shaw and Mr Yeats.