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COMMISSION OF THE EUROPEAN COMMUNITIES

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Brussels, 25 September 1978

GENERAL GUIDELINES FOR FINANCIAL AND TECHNICAL AID FOR NON-ASSOCIATED DEVELOPING COUNTRIES IN 1979.

(Communication from the Commission
to the Council)

INTRODUCTION

The present document contains the ideas of the Commission concerning the general guidelines which should govern the 1979 aid programme.

This document has been prepared at a time when the amount of credit engagements to be inscribed in the budget for the year 1979 covering this aid is not yet known. (The budgetary authority will only take a final decision on this subject at the end of 1978). Nevertheless, the Commission considers that in order to demonstrate both continuity and progression in this policy, the amount should be significantly increased over that inscribed in the budget of the current year (70 M EUA). This view is supported by the declarations of intent made during the course of the last Summit in Bonn.

Given that this programme has now reached the fourth year of its existence, and that agreement has been reached among the different institutions on the essentials of the Regulation fixing the criteria according to which this aid should be administered (cf particularly articles 2, 3 & 4), it is relatively easier this year than in the past to establish the general guidelines which should govern the granting of this aid.

I. The experience of past years

Although 1979 marks the fourth year of this new Community policy, in reality only two programmes have been put into operation up to the present. Further, the execution of these two programmes is not as yet very advanced, as can be seen in the disbursement figures shown in the annexes.¹⁾

The indications which one can draw from this experience are, therefore rather limited.

First of all, the time-lag between engagements and disbursements is very considerable. Further, not one disbursement has yet been made during the year of engagement. This has arisen from the fact that, up to the present, it has been impossible to obtain financing decisions before December of each year. While it is normal for development projects to be executed over a period of four to six years, the insufficient time available for the selection of projects has precluded giving any preference to those projects with more rapid disbursements.

Measures will be taken from this year which will doubtless permit an improvement in this situation. These will involve establishing the guidelines before the beginning of the budgetary year and establishing regular and permanent contacts with the corresponding services of the Member States, as well as with world and regional aid organisations and with the recipient countries.²⁾

In addition, and with a view to enabling a better preparation of our programme, it will be important to establish a flow of projects (pipeline), some of which will come to maturity each year, and which will also permit a better utilisation of Community aid within the projects selected. To allow the creation of this pipeline, it will certainly be useful to utilise a proportion of the aid each year for carrying out feasibility and implementation studies.

Nevertheless, it should be realised that for a reasonable proportion of our aid the time-lag between engagement and disbursement will not fall below two or three years.

¹⁾ A report on the execution of the 1976 aid programme (20 M ECU) is being transmitted to the Council.

²⁾ Under the administrative plan, the Commission, within its total requirement for personnel for 1979, has included a demand aimed at reinforcing the personnel dealing with the matter of non-associated LDCs.

II. The guidelines

1. "Reserve" for exceptional circumstances and allocation for administrative charges

1.1. It is useful to fix from the beginning that part of the aid which should be reserved for measures intended to deal with exceptional circumstances, following any catastrophes in the non-associated developing countries (n.a. LDCs). This reserve is designed to cover medium-term and long-term actions, either of reconstruction or of prevention.

Taking account of the experience of the past year, it would seem that an amount of similar magnitude, 7 to 10% of the total finally approved by the budgetary authority, should be capable of meeting these requirements.

1.2. It is also appropriate to consider here that, as in the previous years, a certain amount should be set aside to cover the implementation of the projects. This would take the form of studies and consulting missions, that is to say covering the fees of a number of experts. The object of these missions will essentially be to follow the execution of autonomous projects, and to provide specialised technical collaboration in the identification and appraisal phases. This collaboration is not intended as a substitute for the work of the services of the Commission, which should in any case be reinforced as already foreseen.

The amount set aside under this heading should be of the same order as in the past year, that is around 0.5 M ECU.

2. The geographical allocation of the aid

2.1 Africa has been included in this programme for the first time in 1978, and the 1979 programme should continue this. Angola and Mozambique are among the most needy countries of Africa, and they have expressed a desire to receive Community aid which should not be refused while awaiting their eventual adhesion to the new ACP Convention. Furthermore, the possibility of further African countries achieving international representation during the course of the coming year should not be overlooked. (This might particularly be the case with Namibia.)

Asia, with the largest number of developing countries as well as the poorest and most populated, should continue to receive the dominant proportion of our aid.

In Latin America, aid requirements remain important, even if this continent, taken as a whole, has achieved a degree of development higher than that of Asia or Africa. Nevertheless, a significant intervention in this region is justified in terms of the desire to ensure a reasonable geographical equilibrium within the Community presence in the major regions of the world.

Taking account of the points made above, it would seem that as a first approximation one should aim at the following indicative distribution: 73% for Asia; 20% for Latin America; 7% for Africa. However, a certain flexibility will be necessary in the application of these percentages, so that only those projects which are valuable and which conform to the criteria approved by the Community should be selected.

2.2 For the moment, any allocation within the major geographical zones and between the various countries and organisations would evidently be premature, particularly for Asia and Latin America. For Africa, on the other hand, one might already envisage for Angola, an amount of aid significantly more important than that of 1978, given the small amount of aid for that country which it has been possible to consider up to the present.

As for the previous year, the approach to be followed should be essentially a pragmatic one consistent with identifying as many valuable actions and projects as possible. The criteria to be followed in selecting projects will include in particular the degree of fit between project objectives and our own principles, the technical possibility of achieving the desired goals, the manner in which earlier projects have been implemented, and the degree of collaboration established with the responsible authorities.

This pragmatic approach would appear to be preferable to conforming to a pre-established list of recipient countries and organisations. However, the relative rigidity of the criteria governing the granting of aid will to some extent reduce the strength of this observation. In addition, in the

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case of Asia, this list was with three exceptions¹⁾ the same for 1977 and 1978, and should not be modified substantially in 1979. One can, however, confirm that after three years practically all the potential beneficiary countries have been covered, either directly or indirectly.

For Latin America, changes between the 1977 and 1978 programmes have been more numerous,²⁾ but the beneficiaries will remain by and large the same in 1979, assuming that our experience confirms the possibility of undertaking effective actions in each of the countries covered so far.

With regard to this last region, and given the rather higher average level of development compared to Asia, the necessity of selecting other countries should lead us to broaden our aid conditions, for example in favour of those sections of the population that are in the greatest need, in the poorest regions of certain other countries, and in the framework of concrete and incontestable projects. However, this line should only be followed in cases of absolute necessity.

Finally, the resources available, even though these will be increased, are still evidently insufficient to meet the requirements of the eligible countries. In certain circumstances, it may turn out to be preferable to "concentrate" our aid, one year in one country, the next in another, so as to give each a significant contribution, rather than intervening each year in each country with a relatively modest contribution, which may not permit the implementation of sufficiently large projects.

Equally, before considering any further projects in a particular country, it will be absolutely necessary to take into consideration the manner in which projects financed earlier have been executed.

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- 1) North Yemen, which benefited under the 1977 programme, was not included in the 1978 programme, while Laos and ASEAN were included in 1978 for the first time.
 - 2) In the 1978 programme, one country (Haiti) and five regional organisations (OLADE, CIP, CIAT, CATIE, CPAD) were included for the first time; INCAP, on the other hand, was dropped.

3. Regional cooperation

That part of our aid intended for regional organisations and projects (18% in 1978) should be maintained at the same relative level, to the extent that these organisations show themselves capable of presenting good projects and managing them effectively (this as yet remains to be seen).

As in 1978, the importance of these projects in 1979 shall be different between Asia and Latin America, given that in this latter region, the processes of integration, already longer-established, are also better developed and better organised.¹⁾

In Asia, actions in favour of ASEAN should be intensified. In Latin America, regional cooperation has already involved a good number of organisations, both geographic and sectoral. This should of course be followed up and our aid might even be extended to other organisations (SELA, for example, if it shows itself capable of functioning in a satisfactory fashion).

4. Sectoral distribution

As far as the various economic sectors are concerned, and based on our previous experience, it seems quite possible to identify valuable national projects in the rural sector which will benefit those sections of the population that are in the greatest need.

The agricultural sector will be given the largest consideration, though this should not lead one to exclude, in cases where this appears necessary, socio-economic and industrial infrastructures upstream or downstream from the sub-sectors of agriculture, livestock, fisheries and forestry. A very strong priority should nevertheless still be accorded to those projects concerned with food supplies.

As far as possible, one should attempt to apply the same criteria for regional projects as for other projects. However, as has already been indicated on several occasions, the identification of rural projects with a regional character is likely to be difficult.

1) In 1978, less than 10% of the aid for Asia will go to regional organisations and projects, while for Latin America, this figure will be above 50%.

In fact, experience shows that in general, in the present stage of regional integration in the developing countries, it is sectors other than agriculture which are given priority in the integration effort.

Finally, the policy of financial participation in the work of the international agricultural research institutes should be continued and intensified.

5. Cooperation with other aid donors

Cofinanced projects, whether with Member States or with multilateral or regional development organisations, have accounted up till now for around 50% of the total Community aid. This proportion could be maintained in 1979, while taking care to increase the share of projects cofinanced with the bilateral aid of the Member States. This will certainly help reinforce the image of the Community in these areas.

Annex

Aid for non-associated developing countries
Disbursements up to 31.7.1978

			UA.
COUNTRY	Commitments	Disbursements	Balance
<u>Programme 1976</u>			
ADB	1.500.000	1.500.000,00	-
Bangladesh	2.500.000	589.751,76	1.910.248,24
Bolivia	2.000.000	-	2.000.000,00
ICRISAT	2.000.000	2.000.000,00	-
India	6.000.000	1.963.726,42	4.036.273,58
Indonesia	1.000.000	88.960,00	911.040,00
Pakistan	3.000.000	344.668,75	2.655.331,25
Sri Lanka	2.000.000	211.866,50	1.788.133,50
Total 1976	20.000.000	6.698.973,43	13.301.026,57
<u>Programme 1977</u>			
Thailand	100.000	67.576,83	32.423,17
Yemen	1.300.000	-	1.300.000,00
"	700.000	-	700.000,00
Bolivia	1.800.000	-	1.800.000,00
Honduras	1.000.000	-	1.000.000,00
INCAP	1.800.000	120.535,71	1.679.464,29
JUNTA	1.000.000	-	1.000.000,00
"	2.600.000	1.272.859,00	1.327.141,00
India	6.450.000	-	6.450.000,00
"	5.550.000	-	5.550.000,00
Bangladesh	5.000.000	-	5.000.000,00
Pakistan	4.000.000	-	4.000.000,00
Sri Lanka	2.000.000	-	2.000.000,00
Vietnam	2.400.000	-	2.400.000,00
Indonesia	2.000.000	-	2.000.000,00
CABEI	1.800.000	-	1.800.000,00
ADB (CF)	2.900.000	-	2.900.000,00
" (TA)	400.000	-	400.000,00
IRRI	1.000.000	500.000,00	500.000,00
ICRISAT	1.000.000	500.000,00	500.000,00
Administrative charges	200.000	32.380,99	167.619,01
Total 1977	45.000.000	2.493.352,53	42.506.647,47