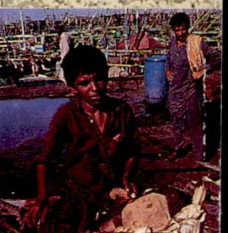
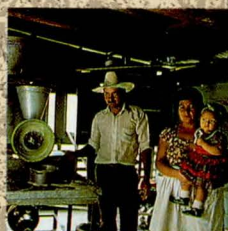




*The  
Europe  
Asia  
Latin  
America  
Dialogue*

*Financial and  
Technical Cooperation  
1976 - 1989*



***Text***

Olivier RETOUT, Commission of the  
European Communities  
(Directorate-General for External Relations).

***Model and maps***

Signé Lazer s.a., Brussels

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## A STRONGER EUROPE, OPEN TO THE OUTSIDE WORLD

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*The European Community's will to achieve Economic and Political Union and its economic and political successes along the way are rekindling universal interest in the building of Europe. Requests to step up dialogue, exchanges and cooperation with the Community are coming from all parts of the world. The creation of a vast common European Economic Area is being actively prepared together with its closest neighbours, the members of the European Free Trade Association. Further south, almost all the countries around the Mediterranean and in the Arab world are linked to the Community by a series of association agreements. And the countries of Central and Eastern Europe are re-establishing, along the road back to democracy, the dialogue which has done so much to shape the "European identity" over the centuries.*

*But the Community has no intention of confining external relations to its immediate neighbours and, although history is now accelerating at a prodigious rate and forcing it to adopt a higher profile within Europe, it has to go on being present wherever the "need for Europe" is felt, particularly in developing countries, which are hoping for greater cooperation so they can benefit from Europe's experience.*

*The Lomé Convention is the best known of the Community's wide range of frameworks for cooperation with the Third World. This is probably because this agreement, which links the Community to 69 countries of Africa, the Caribbean and the Pacific, is the longest-standing, has the best financial resources and trade advantages and is directed at the world's poorest nations.*

*Yet for the past 15 years, the Community has been cooperating with Asia and Latin America as well. Its on-going and growing relations with these two continents, the home of more than half the population of the globe, are based on two complementary factors - solidarity and interdependence.*

*Solidarity because the Community has a duty to help the most underprivileged people still suffering from under-development and a lack of basic social infrastructure in places where demographic growth makes rapid change impossible.*

*Interdependence because the 40 countries of Asia and Latin America have a tremendous potential for growth and development. The Community must back and encourage initiatives which boost trade, investment and business activity in order to help to improve growth performances in both Europe and the partner countries.*

*On the initiative of the European Parliament, the Community has so far concentrated on two main priorities in its cooperation with Asia and Latin America:*

- ◆ *combating poverty and raising the standard of living in rural areas; to this end, Community grants have been allocated primarily to agricultural production, a vital sector in most of these countries;*
- ◆ *encouraging regional integration, i.e. the pooling of development efforts; the Community has achieved this by giving its partners the benefit of its experience, with active support for regional organizations and their institutions;*

*The countries of Asia and Latin America have received more than ECU 5 billion in financial and technical cooperation, food aid, economic cooperation and humanitarian aid.*

*In summing up this cooperation, the Community has not only tried to show that it is able to provide effective assistance by responding to its partners' expectations, but that it can draw the relevant conclusions for the future too. For in this changing world, new cooperation challenges are emerging, such as the modernization of industry and agriculture, mastery of new technology, and issues related to urban development, drugs and environmental protection. In all these areas of major relevance for the social and economic development of the least-favoured countries of Asia and Latin America, the Community is anxious to offer its experience, know-how, techniques and financial resources. Thus in the future, while continuing to put top priority on raising the standard of living of the most underprivileged, the Community will seek to strengthen economic cooperation relations with its partners in Asia and Latin America.*

***Abel Matutes***

Member of the European  
Commission with special  
responsibility for  
Mediterranean policy  
and North-South relations





# THE EUROPE - ASIA AND LATIN AMERICA DIALOGUE



THERE CAN BE NO TANGIBLE  
ADVANCE IN THE BUILDING  
OF EUROPE WITHOUT A POSI-  
TIVE, COURAGEOUS AND  
GENEROUS COMMITMENT  
TOWARDS THE REST OF THE  
WORLD. A FURTHER TEST FOR  
EUROPE WILL BE ITS ABILITY  
TO SAY NO TO DOMINATION  
AND YES TO THE WEAKEST.

## A DESIRE FOR COMPLETE SOLIDARITY

OVER THE YEARS, THE COMMUNITY HAS FORGED STRONG LINKS WITH ALL THE NATIONS OF THE WORLD THAT SHARE ITS WISH TO CONTRIBUTE TO WORLD PEACE AND STABILITY.

### FROM ROME TO LOMÉ

When the European partners signed the Treaty of Rome in 1957, they "forgot" to give the Community any mandate for development aid, as relations with what in 1953 the French economist Alfred Sauvy called the "Third World" were still exclusively bilateral.

The then six Member States included France, Belgium and Italy, which still had many colonies, soon (in the sixties) to be independent. The emergent Community nonetheless brought in an association agreement to regulate trade and keep up links with the overseas territories of the former metropolises.

The first European Development Fund (EDF) was set up in 1958 and the 18 AASM (Associated African States and Madagascar) signed the Yaoundé Convention with the EEC in 1963.

The idea that the Community as such could promote dialogue was launched.

In 1975, 48 countries of Africa, the Caribbean and the Pacific, formally grouped together as ACP, signed the first Lomé

Convention with the EEC. This Convention, since referred to as a unique model of development cooperation, was renewed for the third time in the capital of Togo on 15 December 1989 and now links 69 ACP countries to the 12 Member States of the Community. Lomé IV, which was signed for a period of 10 years (1990-2000), is based on four fundamentals:

- ◆ cooperation between two regional groups, based on respect for the political and economic options of each partner;
- ◆ sound and lasting cooperation, based on legally binding arrangements laid down in a freely negotiated contract;
- ◆ global cooperation combining a whole range of aid and trade development instruments and covering every socio-economic sector;
- ◆ a permanent dialogue through the three joint institutions - the ACP-EEC Council of Ministers, the ACP-EEC Committee of Ambassadors and the ACP-EEC Joint Assembly.

### OPENING UP

#### TO NON-ASSOCIATED COUNTRIES

The countries of Central America set up the Central American Common Market (CACM) in 1960, five Asian countries formed the Association of South East Asian Nations (ASEAN) in 1967 and six countries of South America also joined together, forming the Andean Pact, in 1969.

Other agreements, with countries of the Maghreb, Mashreq and Eastern Europe grew up alongside the Lomé Convention to improve the



*One world... a common future*



access of their manufactures to the European market. And lastly, non-preferential trade agreements have been signed with various countries of Latin America and Asia over the past few years.

In 1974, the Commission and the Council of Ministers of the European Community announced that the cooperation policy had to be extended to the "non-associated" (to distinguish them from the ACP) countries - i.e. those which had neither privileged access for their exports to the EEC nor contractual European development aid.

not being covered by any multi-annual agreement with the recipient countries. The Community decides what the annual guidelines for it will be and how much of the budget is to go to the recipient countries with which it wishes to cooperate. Community-financed projects and programmes are designed to suit the particular needs of each country, after consultation and negotiation, and, in this way, the Community, like its partners, keeps its political independence and flexibility of action, which can be adjusted to suit the various economic and political situations.

#### THE INSTRUMENTS OF THE COMMUNITY'S DEVELOPMENT POLICY

The Community's development aid policy has been expanded with a whole range of different instruments to the size of a global cooperation policy on a world scale and, today, there is a cooperation agreement network binding it, through contractual relations, to many developing nations. And, in addition to the specific cooperation measures to help the major regions of the developing world, the Community has devised instruments to benefit all developing countries:

- ◆ The generalized system of preferences (GSP) was introduced in 1971 to provide all developing countries with customs exemptions and reductions for all industrial products and a large number of processed food products.
- ◆ Food aid has been offered all over the world since the seventies and provides more than a million tonnes of cereals and about 200 000 t of milk products for the neediest countries every year.
- ◆ Emergency aid goes to refugees and to victims of natural disaster and is usually channelled through NGOs or international organizations.
- ◆ Aid for projects run by NGOs (non-governmental organizations) began in 1976 and, in



Financial cooperation, the most necessary of the instruments of a global policy according to one Commission report, was proposed for 40 or so of the countries of Latin America and Asia and, on 17 February 1981, the Council of Ministers of Cooperation of the Community adopted a Regulation on financial and technical aid to non-associated developing countries. When it did this, the Community decided to take the low level of resources which it could mobilize into account and concentrate on the poorest nations - since called the developing countries of Asia and Latin America, or ALA developing countries.

Cooperation between the EEC and the LAA developing countries, unlike Lomé cooperation, has been laid down autonomously,

1987, the Community gave support to more than 300 small schemes of this kind.

- ◆ **Compex**, an export earnings stabilization system for the LLDCs, is modelled on the Lomé Stabex and aimed solely at the least developed ALA developing countries.

All these instruments are explained in greater detail below, in the section on Europe's response to the needs of the ALA developing countries.

### OFFICIAL ASSISTANCE

In 1989, the Member States of the Community spent more than ECU 17 billion on bilateral and multilateral aid to the Third World and about 12% of this was managed directly by the Community. Although the Community itself only handles a small part of its Member States' aid budgets, it now has, in its threefold capacity as decision-making centre, trade negotiator and donor, a varied system of cooperation with the Third World as a whole.

Financially speaking, the aid provided by the Community works out at ECU 20 per inhabitant over five years for Lomé IV and ECU 1.20 per inhabitant over 14 years for the 3.5 billion inhabitants of the 41 ALA developing countries covered by this publication.

This may make Community aid look minimal in comparison with the needs of recipient populations, but the European

### Official development assistance, 1987

EEC + Member States.....	38.7%
USA.....	17.6%
Japan.....	14.9%
USSR + Eastern bloc.....	9.7%
OPEC.....	6.5%
Other.....	12.3%
Total.....	100.0%

*ECU 41 billion approx.*

contribution is in fact bigger than that of the other donors in terms of percentage of GDP, being close to 0.5%, while the USA has reached 0.25% and Japan, where the figure is on the increase, 0.31%.

The 0.5% is of course an average, covering fairly different situations in the 12 Member States, and the record is held by the Netherlands, with 0.98%. Another indication of the effort State budgets make with aid is that official development assistance represents, for example, 1.1% of budget expenditure in the USA, 1.2% in Japan, 2.6% in the Federal Republic of Germany and Denmark, 2.7% in the Netherlands and 3.3% in France.

The Community and its Member States are by far the biggest donors overall, providing almost 40% of the official development assistance in the world today.

The main thing about this aid is the very large number of people to benefit - virtually all the countries of the Third World have had help from the Community. In 1987, for example, Europe granted more than ECU 80 million-worth of aid to 33 countries and, while the USA and Japan reached a comparable figure, theirs was only for 10 countries.

### TRADE

All these countries are also trading partners of great importance to the Community, as exports to the

### Breakdown of official development assistance, 1987

Recipients	Per capita (GDP) Ecu	Per capita (ODA) Ecu	Total (% of GDP)
Sub-saharan African .....	267	21	8.30
East Asia .....	380	3	0.80
South Asia .....	235	4	1.70
Latin America + Caribbean .....	1448	7	0.40
Low-income countries .....	227	13	6.10
(except India .....	243	2	0.70
and China) .....	235	1	0.50
Middle-income countries.....	1464	11	0.80

developing countries and imports from them account for a third of all its trade with the rest of the world.

In 1987, for example, the 12 exported ECU 95 billion-worth of goods to the developing countries and imported ECU 90 billion-worth from them, so, with external trade accounting for 27% of the Community's GNP in 1988, it is easy to see how important this trade is.

And - in spite of the fact that trade between the Third World and Japan and the USA is expanding faster - the Community's importance as a trade partner is increasing. In 1987, for example, imports to and exports from the Community accounted for about 20% of external trade in Latin America and 15% in Asia.

#### The EEC's share of the developing countries' external trade

Developing countries	EEC exports	EEC imports
Latin America.....	19.7%	20.9%
South East Asia.....	15.3%	15.1%
Middle East.....	37.6%	25.1%
Africa.....	52.8%	57.7%
Total.....	25.1%	22.5%

#### The developing countries' share of the EEC's external trade (1987)

PVD	EEC exports	EEC imports
Latin America.....	5.2%	5.9%
South East Asia.....	8.5%	10.6%
Middle East.....	7.7%	5.9%
Africa.....	8.2%	8.2%
Total.....	29.6%	30.6%

### THE VARIOUS STAGES

#### IN THE COMMUNITY'S DEVELOPMENT POLICY

- 1958 *The Treaty of Rome founds the EEC.*
- 1958 *The first European Development Fund is set up.*
- 1963 *The first Yaoundé Convention is signed with 18 African countries.*
- 1969 *The Community undertakes to make annual contributions to the FAO's food aid policy.*
- 1971 *The Community brings in its generalized system of preferences (GSP), at UNCTAD's instigation, to encourage industrialization in the developing countries.*
- 1972 *The Paris Summit Conference starts defining a proper, worldwide development aid policy for the Community.*
- 1974 *At the Council's invitation, the Commission presents a report suggesting that Community aid be extended to the non-associated countries.*
- 1975 *The first Lomé Convention is signed with 48 countries of Africa, the Caribbean and the Pacific (ACP).*
- 1976 *Financial and technical cooperation with the ALA developing countries is included in the Community budget for the first time and then implemented, on an experimental basis, with the active support of the European Parliament.*
- 1977 *The Mediterranean agreements are signed with each of the countries of the Maghreb (Morocco, Algeria and Tunisia) and the Mashreq (Egypt, Jordan, Syria and Lebanon) and with Israel.*
- 1980 *The first "regional" agreement (with the countries of ASEAN), the first agreement with China and various non-preferential trade agreements with Asia (India, Pakistan, Bangladesh and Sri Lanka) and Latin America (Mexico, Uruguay and Brazil) are signed.*
- 1981 *The Council Regulation laying down the cooperation policy for financial and technical aid to non-associated developing countries is adopted.*
- 1983 *The agreement between the EEC and the Andean Pact is signed.*
- 1984 *The Compex System, to compensate for losses in export revenue in the least developed ALA, is brought in.*
- 1985 *The EEC-Central America agreement is signed. In view of the tensions in this part of the world, this agreement includes a political dialogue (the San José Conferences).*
- 1986 *Spain and Portugal join the EEC, giving fresh stimulus to the Community's Latin-American policy.*
- 1988 *The EC International Investment Partners, a Community financial instrument, is set up to promote joint ventures in Asia, Latin America and the Mediterranean.*
- 1989 *The Commission brings out its report on 13 years of cooperation between the EEC and the developing countries of Latin America and Asia. Lomé IV is signed.*
- 1990 *Multiannual targets are proposed for the EEC's cooperation policy with the developing countries of Latin America and Asia. An EEC-Argentina agreement is signed.*

## THE COMMUNITY'S PARTNERS IN LATIN AMERICA AND ASIA: MORE THAN HALF THE POPULATION OF THE WORLD

*I*MPROVING THE LOT OF THE MOST UNDERPRIVILEGED: IN THIS ONE AIM THE EEC TAKES ACCOUNT OF THE GREAT DIVERSITY OF SITUATIONS AND GIVES FULL MEANING TO ITS COOPERATION POLICY.

### A VARIED GROUP

To get a proper grasp of what EEC cooperation with the ALA developing countries is all about, let us look at the extraordinary diversity of the people involved.

There are almost 3.5 billion of them in 40 or so countries on two continents which seem divided on every count, be it geography, climate, fauna, flora, history, language, belief, culture or political options.

There is no homogeneous unit. And neither their economic models, their levels of development nor their needs can be considered globally either. So the quantity and quality of the aid required by expanding nations like, say, Thailand, and, down the other end of the scale, Bangladesh, with its serious economic problems, are very different.

In spite of the limitations of per capita GNP, a statistical average, which can sometimes mask major differences in a given population, economists use it to characterize a country's wealth and the developing countries of Latin

America and Asia can be divided into five categories accordingly, as table shows.

All the countries of the European Community are in the industrialized countries category, but, for comparison, per capita GNP in 1987 was up past the ECU 13 000 mark in the Federal Republic of Germany, Denmark and Luxembourg, while the figure for Greece was ECU 3721 and Portugal ECU 2750.



*Coffee, cocoa, cotton, bananas, timber, fishing produce, phosphate, uranium, copper... The Community depends upon the resources of developing countries for one third of its*

### Population and GNP of the LAA developing countries, by income category

Countries	Population million	GNP, 1987 ECU
LDC.....	139.2.....	223
Low-income countries .....	2094.2.....	235
Middle-income countries:		
- lower range .....	545.2.....	640
- upper range .....	545.6.....	1485
Newly industrialized economies .....	69.0.....	2888

Source: World Bank Atlas, 1988

### DIVERSITY IN ASIA

East Asia has states such as Singapore, which has a comparable level of development to Europe, and those on the Indian sub-continent, where there is extreme poverty. Thailand is on the way to rivalling Hong Kong, but Pakistan has crippling illiteracy rates. And Indonesia, where more than half the population of the ASEAN group live, has a per capita income of ECU 364. So revenue is a pertinent criterion in an initial analysis of countries' needs and

capacities, as it reveals the inadequacy of basic infrastructure such as transport, communications and energy facilities and administrative, social and financial services.

But as the only criterion, it masks an important reality - growth potential, which can be measured by a series of indices such as the rate of domestic savings and the extent to which the economy is geared to promising, high-productivity sectors such as manufacturing and production services. The ASEAN nations stand out clearly here, with rates of domestic savings well in excess of 25% and industry contributing more than 30% of GNP.

#### LATIN AMERICA - AN APPARENTLY HOMOGENEOUS CONTINENT

In contrast with the economic diversity of Asia, all the countries of Latin America bar Hispaniola are in the middle-income category, although their characteristics (rate of savings, agriculture as a percentage of production and employment) are such that they are usually closer to the poorer countries. Only Brazil, Chile and Mexico have economic characteristics (savings and industry) similar to those in the industrialized world. The most striking thing about Latin America - and something which is not reflected in per capita GNP - is the vast difference between the income of rich and poor in any given country.

#### ALA developing countries, by regional group and by per capita GNP

Group	Population million	GNP 1987 ECU
Indochina (including Burma) .....	113 .....	157
Indian sub-continent .....	1090 .....	231
China .....	1069 .....	243
Hispaniola .....	13 .....	449
ASEAN .....	298 .....	504
Central America .....	27 .....	824
Andean Pact + Paraguay .....	89 .....	1201
Rest of Latin America .....	270 .....	1682

#### AN INCREASINGLY DIFFICULT ECONOMIC CONTEXT

The economic crisis in the world today has, of course, worsened the economic situation in the developing countries of Asia and Latin America which receive aid from the Community. Many of them have had financial problems and seen their balance of payments decline, leading to major cutbacks in public spending. And the phenomenon known as the debt crisis is a considerable handicap to countries which can no longer repay loans from which they no longer derive any benefit.

Since 1986, the workings of the international financial system have led to the paradoxical situation whereby the developing countries of the South tend to transfer more money to the North than they receive! Many of them have turned to the structural adjustment programmes (SAP) devised by the International Monetary Fund and the World Bank. These drastic measures are not without their effect on the standard of living and quality of life of the people, particularly the poorest ones, and so Community aid has been crucial at this time. Between 1976 and 1989, more than 94% of the EEC's technical and financial aid to Asia was for countries running structural adjustment programmes and the figure for Latin America was 70%.



*The explosive expansion of towns in developing countries calls for an effort in the fields of employment, infrastructure, health, education and vocational training*

#### HISPANIOLA

The Caribbean island of Hispaniola (made up of two States, the Dominican Republic and Haiti) was receiving the Community aid described in this publication until 1989. The two countries have been in the ACP Group and the Lomé Convention since 15 December of that year, but they will continue to benefit from EEC cooperation with the ALA developing countries during the transitional period, until the Lomé IV financial instruments are available.

### HOW IS AID ALLOCATED?

There is no notion of eligibility attached to Community aid - i.e. the fulfilment of certain conditions does not confer automatic entitlement. Guidelines for the main component of the aid, financial and technical cooperation, are laid down annually and there is nothing contractual about it (autonomy of EEC-ALA developing country aid).

Practically speaking, only the richest countries and those which manifestly flout human rights and democratic values are cut out.

All the countries of Latin America get Community aid in one way or another and even Chile, which is now on the way to democracy, has been eligible for economic cooperation since 1989.

Other countries, Mexico, for example, and Brazil, Argentina, Uruguay and Venezuela, are not in receipt of any financial and technical cooperation because they have the continent's highest incomes, but they are involved in the economic cooperation programmes.

The situation in Asia is the same. The richest countries, Singapore, Malaysia and Brunei, for example, do not get any financial and technical cooperation, but they can take part in economic cooperation schemes.

For political reasons, aid to Vietnam was cut off in 1977 and China in 1989. Cambodia gets no financial and technical cooperation, but has had food aid.

All the other developing countries are included in cooperation between the EEC and the ALA developing countries, either individually or via regional operations.



*From time immemorial, so-called desertic areas have sheltered peoples who have managed to adapt to the harsh living conditions*

### TWO SPECIAL CASES: INDIA AND CHINA

Although India and China, with 1 865 million inhabitants, are in the low-income category (ECU 240 per capita in 1987), they stand out from the rest of the LLDCs by virtue of their properly structured administrations and considerable human and technological potential. The volume of aid which they receive per head of the population or as a percentage of GNP is well below the figure for all the other countries in the low-income category, yet, in absolute terms, India is the prime beneficiary of EEC cooperation with the ALA developing countries, having had 45% of all funds committed in 1976-89.

The case of China is very different, since cooperation with this country is confined to technical assistance, support for some pilot projects and structural food aid.

All in all, China received slightly less than 8% of the funds committed in 1976-89.

And cooperation with it began late in the day (1983) and was suspended, for political reasons, in 1989.



### **PRIORITY FOR THE WEAKEST**

If fundamental requirements, i.e. organization and social infrastructure such as health and education, are the yardstick, then not only the least developed countries are eligible for Community aid - which, by definition, aims to support the poorest countries. In spite of the countries of Latin America being in the middle income categories, they really are in need of support from elsewhere. Community aid, via financial and technical cooperation (i.e. the transfer of financial resources and technical and technological means), offers these countries the possibility of obtaining the technology and capital they are unable to get on the world market in the same way as the industrialized countries. It aims to break down their economic isolation by speeding up investments (in basic infrastructure, agricultural production and productivity and social infrastructure) and getting employment in the non-rural sectors off the ground again. It gets to the root of development problems (food, health and education), which is why priority is for the poorest.

### **SUPPORT FOR EMERGENT INDUSTRIES**

Since development is never finished, various countries of a higher economic standard also get aid to improve their systems of production and vocational training for their young people. For these countries, where development was hard hit by the economic crisis of the eighties, the Community tries to involve private firms and bring mutual interests into play - i.e. to help them to make a better showing in international economic competition. With this in mind, technology is transferred by means of the Community instruments which make up the economic cooperation described below and, although the funds involved are more limited than in financial and technical cooperation, this is a fine example of interdependence. Many technologies devised in Europe can be of immense service to the

economies of the South if they can be transferred to the right place at the right time and be adapted to local demands.

**THE LEAST DEVELOPED COUNTRIES: THE POOREST**  
*These countries, as defined by the UN, have an average per capita income of around ECU 200, a population of which the very large majority is rural and a subsistence economy with very few openings onto the outside world. And they find it very difficult to mobilize resources, be they domestic savings or external aid. The LLDCs in the ALA group of developing nations are Afghanistan, Bangladesh, Bhutan, Laos, the Maldives, Nepal, the People's Democratic Republic of Yemen, the Arab Republic of Yemen and Haiti.*

## THE EUROPEAN RESPONSE: THREEFOLD COOPERATION

THE EEC'S COOPERATION POLICY COMBINES A VAST RANGE OF INSTRUMENTS. THE CONSTANT AIM, FROM EMERGENCY OPERATIONS TO THE SLOW MATURING OF LINKS BETWEEN PROFESSIONALS THROUGH A WIDE VARIETY OF PROJECTS, IS TO MAKE BETTER USE OF THE BUDGET RESOURCES ALLOCATED TO THE DEVELOPMENT OF THE LAA DEVELOPING COUNTRIES.



### MORE THAN ECU 5 BILLION SPLIT THREE WAYS

Cooperation between the EEC and the ALA developing countries is divided into three main categories, of which development cooperation, with 90%, is by far the biggest. Behind it come humanitarian aid (6%) and economic cooperation (4%), which is being set up gradually and will be expanding in the coming years.

### CONSTANTLY EVOLVING INSTRUMENTS

When cooperation between the EEC and the ALA developing countries began in the mid-seventies, world food security and the economic growth of the rural areas were the subject of considerable concern, which is why more than 95% of cooperation until the mid-eighties went into food aid and assistance for rural development schemes, reflecting needs in the recipient

countries. New instruments which were specifically adapted to the new conditions gradually came to improve the cooperation policy. And the content of cooperation was also diversified as industrialized economies emerged and political instability occurred in areas where the Community felt it had an important contribution to make.

The Community has considerably expanded its aid since 1985 and, in this, it has catered for the increasingly complex needs and expectations of its ALA partners, endowing itself with new means of establishing and maintaining long-term relations in fields of mutual interest.

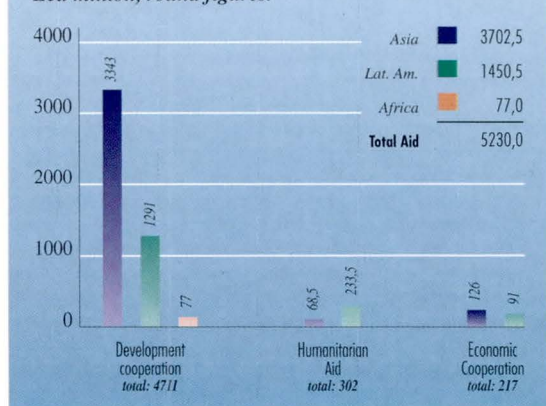
Yet, as the bulk of this report goes to show, financial and technical cooperation and "standard" food aid have remained the best ways of handling the problems of the lowest-income countries.

### COOPERATION IN HARMONY WITH OTHER DONORS' SCHEMES

In the first stage of the cooperation programme, the Community had to familiarize itself with the environment and main socio-economic problems of the ALA countries and take account of what the other international organizations were already doing there. The more geographically and culturally distant the countries (in Asia especially) were, the more the Community strove first to cofinance with other donors.

This initially quite deliberately discreet approach enabled the Community to take part in

**Breakdown of Community aid, 1976-89,**  
Ecu million, round figures.



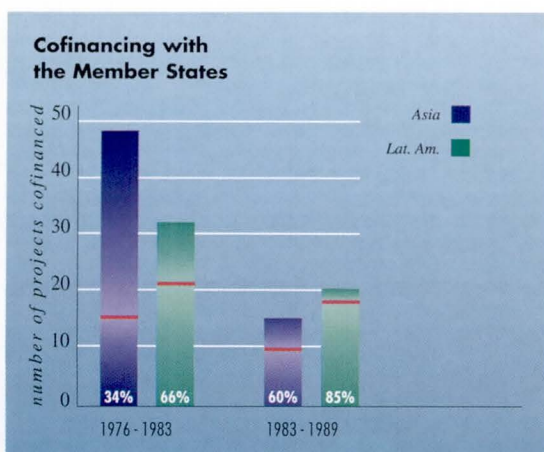
major projects it could not have managed on its own at that stage. During this initial phase (1976-84), half the projects in Asia and two thirds of those in Latin America were cofinanced with other donors, international organizations first of all and then, to an increasing extent, Member States of the European Community.

In the second phase, in the early eighties, the Community's means of preparing, negotiating and supervising the running of projects were improved and cofinancing lost its importance, schemes now being based on a balanced partnership, with the Community taking sole responsibility for part or the whole of a sector of a vast project which it could not have managed on its own before. Parallel cofinancing became the rule and the Community's contribution was more or less of the same level as that of the Member States.

By the end of this second phase, the part the Community played in projects was affirmed, with its contribution to cofinancing somewhere near 80% of the total cost in Latin America and more than 60% in Asia.

### SPECIFIC, SIGNIFICANT COOPERATION

The Community's development cooperation has only been efficient because it is adapted to the socio-economic environment and specific needs of each country.



After more than a decade, it is clear that the Community's development cooperation has played a significant part in net capital transfers to the smallest countries (half the ALA countries involved have less than 10 million inhabitants) and had a measurable effect on the way aid programmes for these countries have evolved. In the bigger countries, Community aid has been relatively small compared both to other donors and the resources of the nations concerned.

Overall, projects geared to transferring know-how and improving the institutions have turned out to be the most appropriate. They have clearly revealed the Community's particular skills and abilities and therefore had a snowball effect.

### AID WHICH CATERS FOR DIFFERENCES

When the Community began cooperating with the non-associated countries, Asia got about 75% of the aid, Latin America 20% and Africa (i.e. Mozambique, Zimbabwe and Angola) 5%.

When the three African countries joined the ACP Group, which is linked to the Community by the Lomé Convention, the breakdown was 75% for Asia and 25% for Latin America, the gap being caused by the number of countries listed as LLDCs and by the size of the Asian population. Guidelines for EEC cooperation with the ALA developing countries are laid down annually, in the light of the Community budget, and this breakdown was maintained until 1988 because there were few changes in the relative situations of the Asian and Latin American countries.

But since it is in fact becoming more and more difficult to handle the two continents together, as they are not developing along



parallel lines, there have been two separate entries in the budget since 1988, with about 65% going to Asia and 35% to Latin America, and these amounts have been managed separately too.

## THE MOST IMPORTANT THING: DEVELOPMENT COOPERATION

This, the transfer of capital and know-how, is reserved for the poorest nations. But in the particular case of aid for regional integration, the Community considers all groups of developing countries, without applying the poverty criterion (ASEAN, for example, includes the far-from-economically-comparable Brunei and Indonesia).

There are four instruments for this aid and the most important of them, financial and technical cooperation, is the subject of parts two and three of this report.

### STANDARD FOOD AID, A MEANS OF DEVELOPMENT

This is almost equal to financial and technical cooperation in accounting for half the development cooperation with the ALA developing countries. It is called "standard" to

distinguish it from the emergency food aid which is provided to cope with dramatic situations, when there is a threat of famine.

Standard food aid is also said to be structural, because its job is to help develop food production structures in the countries concerned. The idea is to help nations which are not self sufficient in food and cannot afford to buy it on the world market to feed themselves on a lasting basis.

As well as having the immediate effect of supplying food to people who have none, this aid cuts agricultural import bills and saves the recipient countries precious foreign exchange. The main recipients so far have been India, Bangladesh, Sri Lanka, China and Nicaragua, but help was given at least once to a total of 23 countries over the period 1976-89.

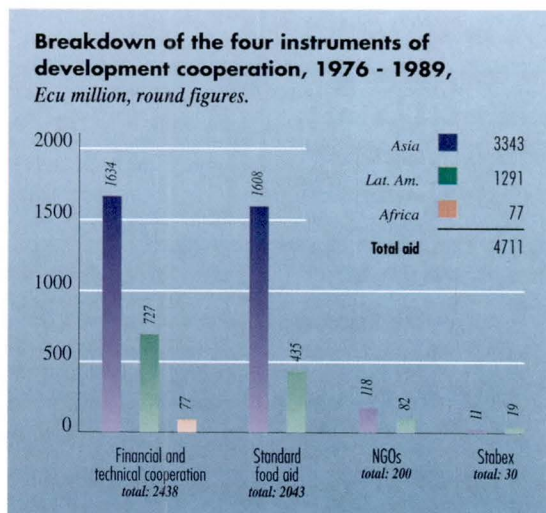
### THERE ARE TWO COMPLEMENTARY WAYS OF CHANNELLING FOOD AID:

#### ◆ *Direct allocation by the Commission*

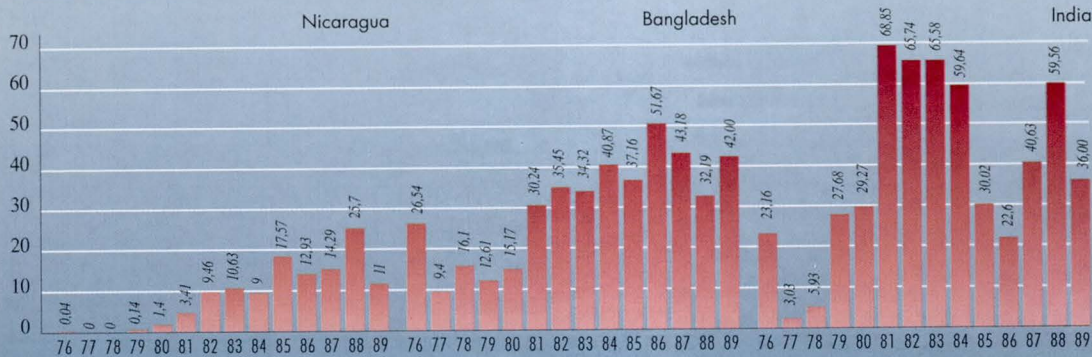
The recipient in this case is the Government, which sells the Community food on the market or distributes it free of charge, as agreed with the Commission. This approach has been the subject of some severe criticism and the Community is now aware of its potentially harmful effects. Free food which is sold in the towns could well compete with local produce and hold up the drive for self sufficiency in food, so the Community is careful to see that quantities are not too large, that they do not undercut local produce and that they get to their destination in good time - i.e. when the local resources have in fact run out.

Ordinary (i.e. standard) food aid can no longer be content just to help the recipient countries' trade balance and the desire to make the instrument coherent with the Community's cooperation policy in the long term has been formally expressed in a number of Council Regulations.

The Community will, on certain conditions, agree to supply food aid over a



Trends in food aid to the three main recipients, 1976-89, Ecu million.



period of several years, so the recipient Governments know in advance how to feed their populations and can plan their agricultural development better.

Multiannual commitments or agreements in principle of this kind have only been used in two or three cases - Sri Lanka, India and China - so far.

In Sri Lanka, a regular supply of cereals has complemented the Community's financing of infrastructure and made it possible to settle peasants in various areas of the major Mahaweli Ganga irrigation project.

The funds accruing from the sale of these cereals have been used to finance social schemes - very important when it comes to ensuring that the peasants stay put, but not, due to inadequate means, properly taken into account in the original project. This shows how food aid has a long-term effect, over and above its immediate results.

In India and China, multiannual commitments are for national milk production improvement projects.

In China, they account for more than ECU 100 million-worth of food aid and financial aid of ECU 4.5 million on top of that.

In India, the Community is involved with the World Bank in a very large project known as Operation Flood (see box).

♦ *Indirect or multilateral mobilization via organizations such as the World Food Programme (WFP), the International Red Cross and NGOs*

This, which accounts for about a third of the value of the total budget of the food aid instrument, involves supplying food directly to the most underprivileged sections of the population or exchanging it for work for the common good, usually to improve local infrastructure. This approach, which the WFP calls Food for Work, is a very important one, because the people have the opportunity to meet their own food requirements and work for the development of the community in which they live instead of just being passively assisted.

#### NGO: RECOGNIZED EFFICIENCY

Non-governmental organizations (NGOs) which want to help underprivileged populations can obtain cofinancing for their projects as part of the EEC's cooperation with the ALA developing countries.

They got 4% of the development cooperation budget in 1976-89 and worked with 10 countries in Asia and 16 in Latin America. Their contribution

#### THE COUNTERPART FUNDS

Several of the recipient countries have constituted financial reserves, called counterpart funds, with the local currency accruing from the sale of free food from the Community and these are used (with the Commission's agreement) to finance new projects or back up existing ones. The main beneficiary here is Bangladesh, which is still far from self sufficiency in food in spite of the clear progress it has made with its agriculture. The other big countries with cereal shortfalls over the past few years (India, China and Indonesia), on the other hand, have managed to balance their cereal situations by making a huge effort and using improved seed from the green revolution and, to a lesser extent, external aid.

**AN ORIGINAL WAY****TO USE FOOD AID:****OPERATION FLOOD**

Operation Flood, designed by Indian dairy production specialists 20 odd years ago, is aimed at boosting the incomes of dairy producers by organizing them into cooperatives, doing away with middlemen and encouraging production in rural areas to meet urban demand regularly throughout the year.

Practically speaking, this means using the money earned from selling Community grants of milkpowder and butteroil to set up a vast milk collection network and fit out the village cooperatives with storage units without putting any burden on the State budget.

Between 1970 and 1985, the Community provided 65% of the ECU 700 million mobilized for the Operation, the World Bank 25% and the Indian Government and other sources 10%.

After 10 years of continuous activity, India's imported milk products are down from 15% to 10% and there is a clear increase in domestic output.

In spite of galloping demography, the country is on the way to achieving self sufficiency in dairy products. And, better still, there are now 4 million families belonging to village cooperatives - which pay them far more for a litre of milk today than they did at the beginning of the Operation.

To sum up, the 344 000 t of milkpowder and the 118 000 t of butteroil donated by the Community have produced 3 620 million rupees and this has financed 875 tankers, 148 rail tankers, 10 refrigerated warehouses and stores, 77 dairies, 17 cattlefeed plants, 12 establishments for breeding animals, an animal vaccine production centre and many veterinary and social services.

to development is usually in the form of micro-projects, which are closely targeted and cost little in comparison with the projects which the Community administrators.

But, true to the idea that small is beautiful, the NGOs are very close to the people they are trying to help and usually know how to make the most of local potential.

And, indeed, the Community itself sometimes uses methods similar to the micro-project approach of Third World aid associations in its financial and technical cooperation.

Responsibility for choosing which schemes to run lies with the NGOs, which decide on the populations they want to help.

Respecting this spontaneity, the Community has financed more NGO projects in Latin America than Asia - where European associations seem less involved.



*Whereas the European agricultural sector is over-producing, malnutrition is curbing development in other parts of the world. Food aid is one way to resolve this problem*

But, as we know, Asia too has underprivileged populations seeking direct assistance of the kind the NGOs provide.

The NGOs are present in a large number of countries, including those, such as Chile, which are precluded from financial and technical cooperation for political reasons.

### STABEX: AN ORIGINAL INSTRUMENT DEvised FOR THE DEVELOPING NATIONS



*Many developing countries depend on one agricultural product for their exports and have no control over world prices*

From the start of their cooperation, the EEC and the ACP realized that their solidarity had to take the world commodity market into account. What this meant was that, although banana, cocoa and cotton prices were laid down by the complex machinery of

the stock markets, European solidarity had to help the ACP partners resist price erosion. So Stabex was designed, as a sort of insurance, to stabilize export earnings with a financial reserve used to compensate for foreign exchange losses brought about by price slumps or accidental drops in production. This instrument, which was designed by and for the Lomé Convention, has also covered the developing countries of Latin America and Asia since 1986.

Since trade with the ALA developing countries is relatively limited, Stabex has only been used for five countries - Bangladesh, Nepal, Laos, North Yemen and Haiti - so far. The interest of this instrument is that it comes in automatically at the recipient country's request. The transfers, which cover all or part of the lost earnings, go direct to the producers or the cooperatives or to the Agricultural Price Stabilization Funds, depending on the product concerned and the way the production circuit is organized. In some cases, they are used to improve production conditions or even support diversification operations - in which they are supplementing the funds channelled into the agricultural sector as part of financial and technical cooperation. This is why, in future, more and more account will be taken of Stabex possibilities in the agricultural projects run as part of financial and technical cooperation which we describe below.

### WORKING TOGETHER: ECONOMIC COOPERATION

The idea of economic cooperation is to create a common network of firms, individuals and associations - the whole of the non-public productive sector, that is to say - for the exchange of know-how, knowledge and economic information.

This sort of link between economic operators is of course aimed, for preference, at countries which have already embarked upon industrialization - Brazil, for example, and Malaysia.

India is a special case, being both a poor country on the LLDC list and the world's 18th industrial nation and wanting both to develop its industry and tackle the problems of the rural world.



Even given the small means available, this is a very important aspect of cooperation, which aims to break down the simplistic idea that it is only people in rural areas who need attention in countries where agriculture often occupies 80% of the working population. The ALA developing countries need to have an employment-generating industrial sector too if they are to develop and cope with the explosive expansion of the towns, where young people only find unemployment.

*With abundant labour, developing countries have at their disposal an economic asset that must be enhanced: human resources*

**EC INTERNATIONAL INVESTMENT PARTNERS**  
**EC Investment Partners, which helps small and medium-sized European firms to invest in the developing countries with local partners, was set up, on an experimental basis, in 1985. The Community has signed agreements with various financial institutions and it supplies them, free of charge, with funds, some of which are used to locate operators and sectors suitable for investment, so, when two or more firms in Europe and the ALA developing countries decide to get together on an industrial or services project, they can be provided with starting (risk) capital. The Community may also hold shares in the joint venture. In practice, the financial support which the Community provides usually amounts to no more than ECU 500 000 per investment project.**

**Breakdown of economic cooperation by category of country, 1976-89**  
*ECU million - round figures.*

Low-income countries (ECU 235) .....	73
Middle-income countries, lower (ECU 640) .....	41
Middle-income countries, upper (ECU 1400) .....	39
Regional organizations .....	64
Total .....	217

And here, they need the benefit of European experience with cadre training, investments, market studies, diversification and so on.

Europe needs distant partners, so it can spread its technologies to them and reap the benefit of their economic potential.

Economic cooperation, which is based on the notion of mutual interest in the long and the medium term, is helping prepare the economic world of tomorrow, when development will take place in a context of ever-stronger interdependence.

It has mobilized ECU 217 million since it began, 58% of it for Asia and 42% for Latin America. Although the annual average over the period 1976-89 is a mere ECU 15.5 million, which is low because economic cooperation did not really begin until 1980, the figure since 1987 has been in the region of ECU 35 million.

The main countries to benefit from economic cooperation over the 1976-89 period were China, India, Bangladesh, Indonesia, Malaysia, Nepal, Pakistan, the Philippines, Sri Lanka, Thailand, Costa Rica, Guatemala, Nicaragua, Colombia, Ecuador, Peru, Argentina, Brazil, Mexico and Uruguay, plus the regional organizations (the Andean Pact, the CACM and ASEAN).

**THE INSTRUMENTS OF ECONOMIC COOPERATION**

The percentage represented by each entry over the period 1976-89 is given in brackets.

**Trade promotion (33%)**

This aims to back up the developing countries' own drive to diversify their trade in goods and services by transferring know-how to public production support services and economic operators. It includes market studies, product design phases, training for cadres and technicians and production organization and marketing, regardless of the market in question. The idea is to encourage partnerships between



firms in Europe and the developing countries.

**Energy cooperation (21%)**

This cooperation, which involves giving support to a sector of crucial importance to industrial development, with a view to the rational use of natural resources worldwide, is of two, complementary types:

- ◆ support for energy planning and the transfer of technologies developed in the Community;
- ◆ the running of studies and pilot projects to demonstrate and perfect solutions to suit the specific needs of the developing countries.

**Training (16%)**

The idea here is to create a common (developing countries-Community) technical culture to facilitate cooperation and the transfer of technology. The main sectors and fields covered are those for which there are no specific instruments elsewhere which might involve training schemes.

**Scientific and technological cooperation (16%)**

This works both ways. It gives the ALA developing countries the benefit of European



*In order to match the performance of modern agriculture, developing countries need to share in the achievements of agricultural research*

scientific research and it gears European research to the specific problems of the developing countries (tropical agriculture, for example). It is implemented through the Community's programme of science and technology for development (STD) - which aims to help all the developing countries, including the

ACP nations, and finances pure and applied research projects, provided they involve North-South cooperation - and the cooperation agreements linking some ALA developing countries to the Community.

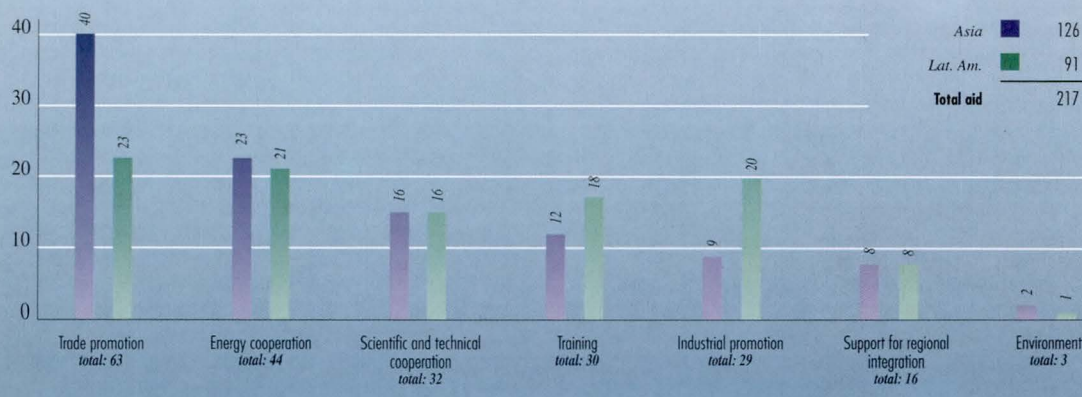
**Industrial promotion and investments (11%)**

The aim here is to improve the developing countries' secondary sector. The transfer of ideas which have been brought into line and tested locally encourages the public sector to create laws and a climate conducive to the development of the secondary sector. Technical support is also provided for private (European and developing country) operators.

**Support for regional integration (2%)**

The Community has original experience of the integration of countries and it is anxious to pass this on to its partners in the ALA developing

**Breakdown of economic cooperation, 1976 - 1989,**  
*Ecu million, round figures.*



countries. But far more than these economic cooperation resources is ploughed into support for regional integration and this is described below, in the section on the two priorities of financial and technical cooperation.

#### The environment (1%)

Environmental protection has become a subject of prime concern all over the world and



*Of all the ALA countries, LLDCs are those which benefit most from Community aid*

the Community takes care of this too in its relations with its partners in the ALA developing countries. But, over and above these specific environmental protection schemes, looking after the natural heritage and managing natural resources are a part of many rural development projects, as we shall see below in the chapter on financial and technical cooperation.

## HUMANITARIAN AID: AN IMPERIOUS NECESSITY

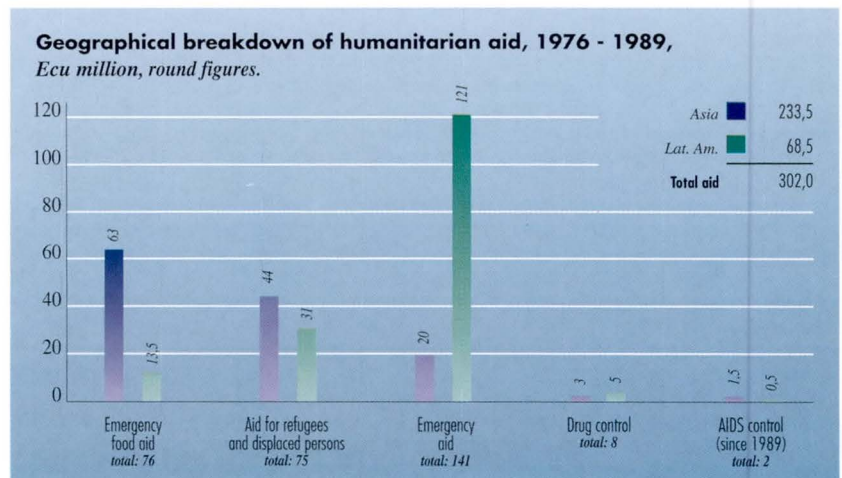
This is to respond to exceptional situations, relieving human suffering especially, and it is implemented in five ways (none of which, by definition, are programmable):

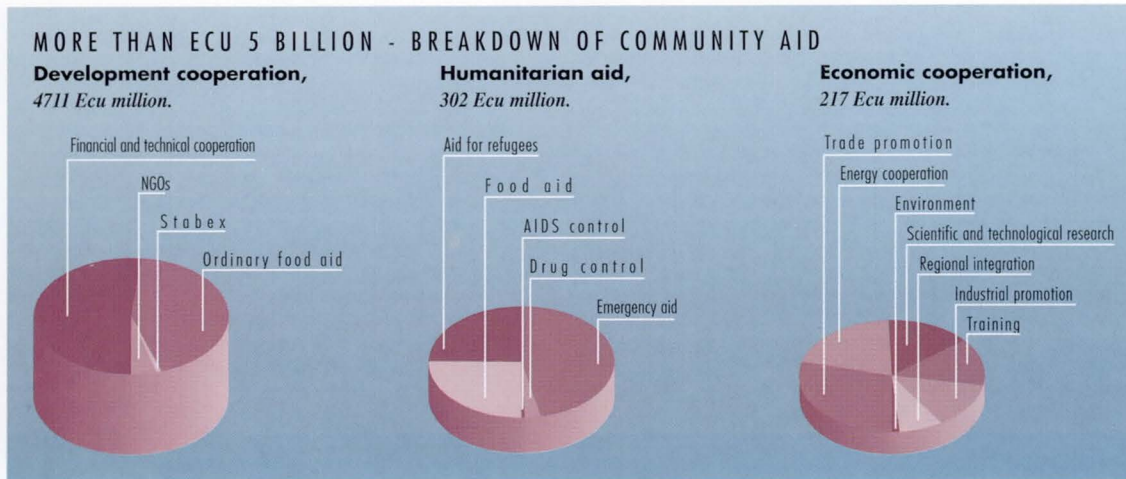
- ◆ **Emergency aid**, whereby financial resources can be mobilized rapidly to respond to disasters such as earthquakes, floods, hurricanes and epidemics.

The 14 main countries to benefit from this in 1976-89 were Afghanistan, Bangladesh, China, Pakistan, the Philippines, Thailand, Vietnam, Salvador, Nicaragua, Colombia, Brazil, Haiti, Cambodia and India.

- ◆ **Emergency food aid**, which caters for the same needs, but inevitably takes more time to mobilize, although it can be continued for longer.

International organizations and NGOs are sometimes involved here. Bangladesh accounted for almost half the funds of this instrument in 1976-89, but Cambodia, China, Laos, the Philippines, Sri Lanka, Vietnam, Honduras, Ecuador, Peru, Paraguay and Haiti also benefited.





◆ **Relief for refugees and displaced persons** to help them settle and then return to their countries and regions of origin. Refugees in India, Pakistan, Thailand, El Salvador, Guatemala, Honduras, Nicaragua and Mexico received aid of this kind in 1976-89.



*In case of emergency, the Community responds to needs without applying any economic or political criteria*

◆ **Aid to combat drug abuse:** The Community has committed itself to helping governments combat the worldwide problem of drug abuse. Malaysia, Pakistan, Thailand, Bolivia, Colombia and Argentina, plus regional groups such as ASEAN and the Andean Pact, have been involved so far.

◆ **AIDS control (since 1989):** In 1976-89, ECU 302 million - 6% of EEC cooperation with the ALA developing countries - went into humanitarian aid.



# FINANCIAL AND TECHNICAL COOPERATION



THE PEOPLE OF THE THIRD  
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NOR COURAGE TO IMPROVE  
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GOVERNMENT TO THE FARMER,  
EVERYONE IS SEEKING THE  
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LOCAL INITIATIVE MUST NECES-  
SARILY FORM A PART OF IT.

## A FLEXIBLE AND WELL-CONTROLLED INSTRUMENT

THE PEOPLE OF THE THIRD WORLD LACK NEITHER IDEAS NOR COURAGE TO IMPROVE THEIR CONDITIONS. FROM THE GOVERNMENT TO THE FARMER, EVERYONE IS SEEKING THE WAY TO LASTING DEVELOPMENT. OUTSIDE SUPPORT TO LOCAL INITIATIVE MUST NECESSARILY FORM A PART OF IT.



### WHAT ARE THE AIMS OF FINANCIAL AND TECHNICAL COOPERATION?

The Community launched its cooperation with the ALA developing countries 14 years ago. Financial and technical cooperation, the most important aspect of it, has always had the five aims of:

- ◆ helping the least favoured developing countries and ensuring a Community presence in the major regions of the developing world. No specific geographical breakdown has been established, because the Council Regulation aims for a reasonable balance between the various regions;
- ◆ raising the standard of living of the neediest sections of the population in these countries;
- ◆ stressing rural development and better food production;
- ◆ taking part in regional projects;
- ◆ coping with exceptional circumstances, rebuilding in case of disaster especially.

Every year, the Commission puts the cooperation policy guidelines, reaffirming and supplementing the basic Regulation, to the European Parliament and the Council. The above five aims have always been maintained and, better still, the emphasis on the poorest sections of the population from the very beginning has been increased, as has the essential role of the rural sector - which does not just mean agricultural production, of course. When it has emerged that the basic infrastructure in some LLDCs had to be improved before they could develop and aim for self sufficiency in food, the relevant schemes have been financed. And similarly, social (health and education) schemes

have been run as part of cooperation projects - development, of course, being as much social as economic. Economic and social operations are in fact sometimes combined in practice, particularly in the case of integrated development projects.

Community action has not always been aimed at individual countries, a collective approach having sometimes been used too.

In agriculture, for example, this means support for major international research centres

### THE THREE MAIN AIMS OF FINANCIAL AND TECHNICAL COOPERATION

- ◆ Focusing on the poorest nations which cannot afford to go to the markets for the capital and technology they need for their socio-economic development.
- ◆ Supporting the neediest populations and stimulating rural production - i.e. improving production and productivity in agriculture (crops, livestock, fishing and forestry) - and encouraging both the development of productive and social infrastructure and job creation in the non-rural sectors as well.
- ◆ Fostering rural integration by backing the existing regional organizations and encouraging the creation of such new units as seem appropriate.

(which produced the high-performance cultivars of the green revolution).

The Community has fostered regional integration by financing a variety of projects and programmes in groups of countries - which also speed up their individual development by cooperating with their neighbours.



*Building a large dam is indispensable for better water management, but it is expensive and usually requires assistance from many donors*

Lastly, the Commission has put particular stress on technical assistance and expert advice to ensure that the large number of schemes run can be identified, prepared and monitored properly.

#### **WHAT DOES FINANCIAL AND TECHNICAL COOPERATION CONSIST OF?**

This form of cooperation, a conventional one, consists of programmes and projects, the former specific or sectoral and the latter specific or integrated.

It operates at various geographical levels - international, regional and national - and in various areas of economic activity. There is some overlapping in the sectoral breakdown, which we shall be looking at below, because of the geographical levels.

A country may, say, receive financing for agriculture as part of a national project and get support as a member of a regional unit at the same time.

All the aid is in the form of grants, which are particularly well suited to the aims of financial and technical cooperation and to the target (poorest) populations, as well as being easier to

#### **EXTRACTS FROM THE COUNCIL REGULATION OF 17 FEBRUARY 1981 ON FINANCIAL AND TECHNICAL AID TO NON-ASSOCIATED DEVELOPING COUNTRIES.**

**Art. 2:** *The aid shall be directed as a general rule towards the poorest developing countries.*

**Art. 3:** *Special importance shall be attached to the development of the rural environment and to improving food production. As a subsidiary form of action, participation in regional projects may be considered.*

**Art. 4:** *Aid shall be granted by the Community either autonomously or, for a substantial share, by means of co-financing with Member States or with multilateral or regional bodies.*

**Art. 5:** *Community aid shall, as a general rule, be in the form of grants.*

**Art. 9:** *The funds required for the measures provided for in this Regulation shall be fixed by the general budget of the European Communities.*

*Acting on a proposal from the Commission and after consulting the European Parliament, the Council shall determine the general guidelines to be applied to aid for the following year.*

**Art. 10:** *The choice of measures to be financed on the basis of this Regulation shall be made having regard to the preferences and wishes expressed by the recipient countries concerned.*

manage than interest-bearing loans. But they call for greater responsibility when it comes to selecting the schemes to be financed, as economic return is not an adequate basis on which to judge the pertinence of a particular project.

In addition to the conventional grants, which are paid into the project management bank accounts, there are two other kinds of financial and technical cooperation:

- ◆ commodity aid, simply a faster way of transferring foreign exchange, whereby fertilizer or vegetable oil is delivered to an organization, which sells it on the local market and pays the amount accruing into the project bank account, thereby constituting a reserve of local currency for the project to spend on labour, local equipment etc;
- ◆ credit for the ultimate beneficiaries, usually the peasants, who create working capital and guarantee funds with their repayments and interest.

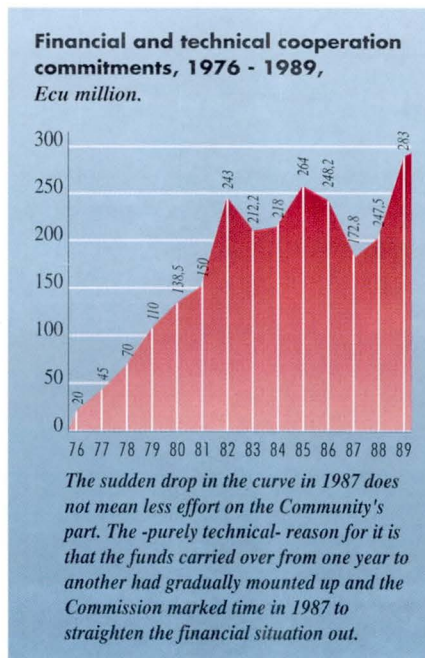
#### HOW DOES THE COMMUNITY MANAGE THE FUNDS?

Projects are usually identified and chosen at the request of the recipients, be they countries or regional groupings.

There are sometimes requests from other donors too, such as the Member States of the Community and, less often, international organizations, but the projects which the Commission runs as part of financial and technical cooperation are always discussed in detail with the relevant local authorities beforehand.

The budget situation may be such that the Commission has to choose between a number of projects, in which case the selection is made in the light of both the income, needs and priorities of the countries concerned and previous experience of other projects and the way they were run.

The Community can only commit a project if it has the favourable opinion of a Committee for Aid to the ALA developing countries, on which the Member States are



represented, which meets under the chairmanship of a member of the Commission and takes its decisions by a qualified majority.

The Commission, which is responsible for all the financing operations, is the management body and maintains close contact with the Member States, thereby ensuring that the schemes which it and they run are coherent.

Overall, the Member States' bilateral aid is far greater than the aid at the Community's disposal and they make for better use of the funds available by pooling their efforts. In 1976-89, more than 100 of the 389 projects financed were in fact cofinanced, an average of two thirds of them with Member States of the EEC.

The sudden drop in the curve in 1987 does not mean less effort on the Community's part. The - purely technical - reason for it is that the funds carried over from one year to another had gradually mounted up and the Commission marked time in 1987 to straighten the financial situation out.



**Sectoral structure of financial and technical cooperation, 1976-89**  
(ECU million - round figures).

Sector	Commitment	number of projects	%
<b>Agriculture</b> .....	1745	258	72.0
• planning & food strategy .....	12	2	
• support for agrarian reform .....	90	8	
• infrastructure .....	453	59	
• production & marketing .....	453	79	
• production support services .....	219	26	
• agricultural research .....	103	41	
• rural development, microprojects & irrigation .....	374	43	
<b>Forestry &amp; Environment</b> .....	49	9	2.0
<b>Fisheries</b> .....	100	25	4.1
<b>Industry, craft &amp; trade</b> .....	60	12	2.4
<b>Social Services</b> .....	205	34	8.4
• drinking water supplies .....	93	17	
• energy .....	33	7	
• housing .....	0.5	1	
• education .....	46	4	
• health .....	33	5	
<b>General infrastructure</b> .....	31	3	1.2
<b>Reconstruction after disasters</b> ..	103	27	4.2
<b>Refugee schemes</b> .....	11	4	0.4
<b>Technical assistance &amp; institutional support</b> .....	32	16	1.3
<b>Economic restructuring</b> .....	43	1	1.7
<b>Preparation, management &amp; control</b> .....	59	2	1.7
<b>Total</b> .....	2438	289	

**WHAT SECTORS ARE INVOLVED IN FINANCIAL AND TECHNICAL COOPERATION?**

The various projects and programmes financed under this heading cover 10 major sectors of the economy, some of which can themselves be subdivided, as table 16 shows.

On top of this, there are the administrative costs of preparing, managing and monitoring



*Improving all the aspects of agricultural production remains the priority aim of Community action*

the projects, which account for slightly less than 2.5% of the total.

The aims of financial and technical cooperation and the socio-economic structures of the developing countries are such that there is nothing surprising about agriculture receiving three quarters of the funds available since 1976. The vast majority of the populations involved are rural and agricultural.

There is no significant difference between Asia and Latin America as far as sectoral breakdown is concerned, although agriculture is slightly more important in Asia overall.

However, within the agricultural sector, there are more infrastructure and production and marketing projects in Asia than Latin America - where more financing has gone into agrarian reform and integrated rural development schemes involving the traditional rural communities.

**WHICH COUNTRIES HAVE BENEFITED FROM FINANCIAL AND TECHNICAL COOPERATION?**

ECU 2 438 million went to finance 389 projects in 33 countries in 1976-89. Although, as already mentioned, there is no fixed geogra-

*Total involvement of the population in the implementation of projects is the key to their success*



#### Geographical breakdown of financial and technical cooperation, 1976-89

*ECU million - round figures.\**

Recipients	Ordinary projects	Reconstruction projects	Total
<b>Asia</b>			
• region .....	35	0	35
• south east .....	436	0	436
• south .....	1019	57	1076
• other .....	28	5	33
Total .....	1518	62	1580
<b>Latin America</b>			
• region .....	18	0	18
<i>South America</i>			
• regional .....	60	0	60
• national .....	166	30	196
<i>Central America &amp; the Caribbean</i>			
• regional .....	160	0	160
• national .....	200	38	238
Total .....	604	68	672
<b>Africa</b> .....	67	10	77
<b>TOTAL</b> .....	2189	140	2329

\* Excluding agricultural research and management expenditure

phical breakdown, about 65% of European aid goes to Asia and 35% to Latin America. There are no fixed annual project allocations for each country either, as these amounts are very carefully identified and justified case by case. The breakdown depends on the nature and standard of the projects proposed and any exaggerated geographical imbalances which occur are corrected from one year to another.

However, after 14 years of cooperation, the countries can in fact be listed according to how much they have received.

India, with 26% of commitments, is by far the biggest recipient of financial and technical cooperation, followed by Bangladesh (7.5%), Thailand (7%), Pakistan (6%), Indonesia (5%), Bolivia (4%), the Philippines (3%) and Sri Lanka (3%).

The 15 low-income countries (with per capita GNP of less than ECU 235) received more than 51% of the aid provided over the 1976-89 period - an average of ECU 0.50 per inhabitant overall, with ECU 1.55 in the 10 poorest of them (the LLDCs). Discount China, which only started getting Community aid recently, and the per capita figure for the 14 other ALA nations in the low-income group is

**Financial and technical cooperation with the LLDCs and low-income countries, 1976-89,**  
ECU million - round figures

LLDCs	Financing received	Low-income countries
Afghanistan .....	1	China.....36
Bangladesh .....	185	Vietnam.....2
Bhutan .....	12	India.....604
Burma .....	18	Pakistan.....131
Laos .....	17	Sri Lanka .....67
Maldives .....	2	Total.....878
Nepal .....	24	<i>38% of all financial and technical cooperation</i>
North Yemen.....	28	
South Yemen .....	2	
Haiti .....	32	
Total.....	321	
	<i>14% of all financial and technical cooperation</i>	

an average of ECU 0.89. These figures clearly show Europe's keenness to put priority on helping the poorest, since the LLDCs received more than twice the aid granted to the others. The difference between the two other categories is minimal because India, like Chile in fact, is a special case in view of the size of its population.

#### WHAT IS TECHNICAL ASSISTANCE?

The Commission always includes technical assistance - i.e. it sends out specialists (economists, agronomists, civil engineers, sociologists and so on) for between one and five years - in addition to the cost of the project for which the country applies.

So, in spite of the ultimately small amounts available for financial and technical cooperation and the fact that the Community does not have Delegations in all the countries it wishes to help, it has its cooperation policy under control at all levels.

Because these are public funds, there is no question of the Community providing financing before reconnaissance and identification missions have been run and pre-feasibility and feasibility studies carried out. The Commission makes the best of the funds provided for the

Community cooperation policy by calling on experts and technical assistance teams (of between two and 10 people) to monitor, control and evaluate the projects and programmes and provide training for teachers (usually extension workers) and advice for national officials (institutional support).

Since the eighties, in agreement with the recipient countries and in addition to the sectoral technical assistance provided for projects until then, heads of technical assistance teams have been invited to take on additional management duties, involving decision-making and responsibilities, and do the job of co-director alongside the national director of the project - high-level assistance which ensures that competent managers are available and takes the strain off national administrations which have often reached saturation point in their ability to absorb international aid. This new approach is a very important one, because it provides a guarantee of proper operation by making European experts responsible and giving them the means (co-direction) of pushing the projects forward. But it is never at variance with the principle whereby technical assistance must not replace local skills.

In practice, the experts are nationals or Europeans, depending on the sort of qualifications required, and the breakdown of posts to be filled is negotiated before the Convention is signed. Short expert missions cost about ECU 25 million in 1976-89, while technical assistance which was an integral part of programme and project implementation took an average of 15% of the total (about ECU 200 million) over the period.

### HOW DOES A PROJECT WORK?

Schematically, the idea for a project comes from:

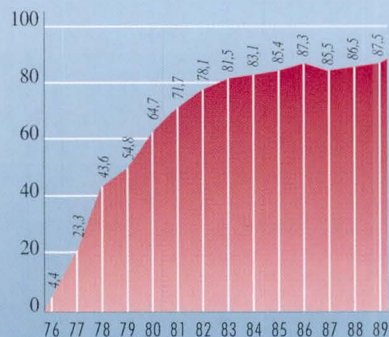
- ◆ in most cases, the Government of an ALA developing country, which applies to the Community for financing (or additional financing) for a development project it has devised;
- ◆ the Commission, which proposes a project, in the light of analyses it has made, for a target population it feels it is its duty to help, or for a sector having manifest problems;
- ◆ Commission officials on mission to Commission Delegations in the ALA developing countries.

The project financing (works, equipment, local staff pay etc) almost always includes a national contribution. And there are cofinancings too, often with the Member States and sometimes with international organizations such as the World Bank and the Asian Development Bank.

The average rate of payment (i.e. the percentage of the funds actually paid over to the project) after five years is 70% of the total Community contribution. Programmes and projects take from two to seven years and the average Community contribution is ECU 10 million (the range being ECU 0.5 to 40 million).

Independent assessments are made of representative programmes and projects, one of the (dozen or so) criteria being viability, i.e. the extent to which a project can be taken over by the recipients once the Community resources have ceased. Although (regardless of donor) there is no overall correlation between external aid and a country's economic growth, the case-by-case analysis reveals the the decisive contribution which Community cooperation makes to the development of regions, sectors and communities.

**Average disbursement rates for FTC projects, 1976 - 1989, as %**



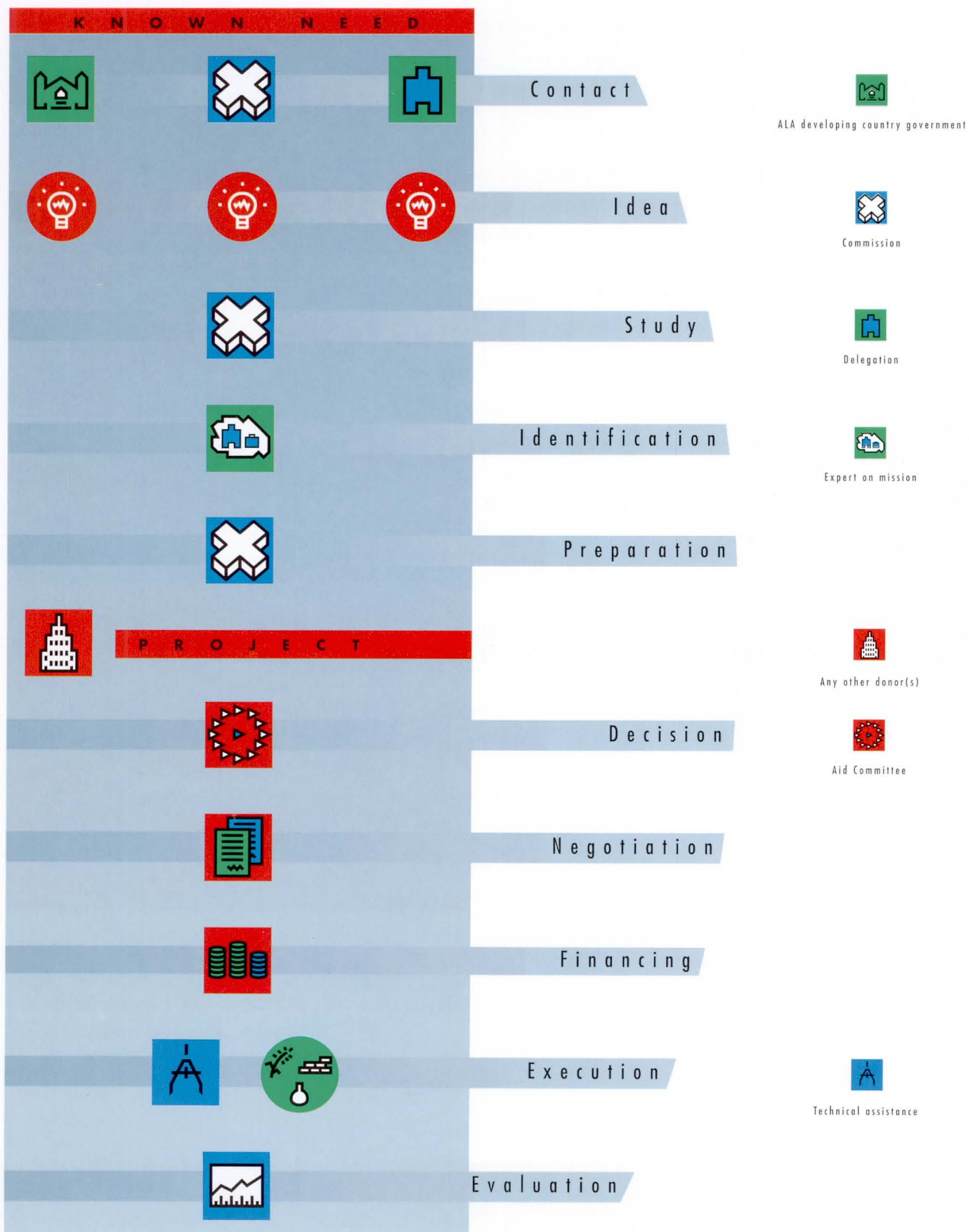
*70% of the disbursements for the 389 projects financed in 1976-89 were made before the fifth year following start-up.*

The Commission then sends out experts to identify and prepare the project or run additional sectoral analyses and it uses this information to decide whether to commit funds or not. In some cases, it alters the original project in the light of fresh (and generally more specific) data.

Then, when the Committee for Aid to the ALA deve-

loping countries has issued a favourable opinion, the two partners negotiate and sign a financing agreement laying down the financial and technical arrangements for project implementation and Community involvement.

## HOW DOES A PROJECT WORK?



## TWO PRIORITIES: RURAL DEVELOPMENT AND SUPPORT FOR REGIONAL INTEGRATION

◆ *R*URAL DWELLERS AND THEIR FAMILIES WHO WANT TO RAISE THEIR STANDARD OF LIVING ◆ PLURINATIONAL INSTITUTIONS WHICH OFFER SUCH PEOPLE A FUTURE.



### THE COMMUNITY'S MOTIVATION

- ◆ The vast majority of the underprivileged populations which the Community is anxious to help live in rural areas - rural here meaning far more than just agricultural. Rural development projects cover a vast range of things from production (agriculture, herding, fishing and forestry) to production support (irrigation, transport, storage, agricultural credit facilities etc) and includes social (health, education, institutional etc) schemes as well. So many of them combine complementary activities, raising the standard of living and improving the income of the recipient populations at one and the same time, and we can therefore talk about global rural development, as even non-agricultural productive activities (craft, cottage industry and so on) are sometimes included.
- ◆ At a time when the European Community is setting up its single market and moving towards closer integration of the national units which make it up, it is its duty to sustain similar initiatives in the developing countries of Latin America and Asia and, by passing on its experience of this and giving them what they need to tighten their economic and political links, the Community is banking on the same thing for them as for itself. It is the pooling of means and the uniting of wills that makes a success of socio-economic development schemes.

These are the two priorities of the Community's cooperation policy and they emerge in various ways in financial and technical cooperation programmes and projects.

We shall set out the results of financial and technical cooperation, by major theme, in the next section and then give some practical examples in the last section.

### RURAL DEVELOPMENT

The importance of this form of cooperation is such that we have grouped the projects, programmes and subjects of activity under three headings reflecting the priorities of the recipients on which the Community's work is based - better food, better production and a better standard of living in rural areas.

#### BETTER FOOD

##### Food security-strategy

It is important to know in advance how the population of a country or, better, a region is going to be fed, which is why the Community has backed food strategy design.

The first requirements are always to:

- ◆ run a close analysis of the various areas - i.e. the production, processing, marketing and consumption of the main staples, such as cereals, meat, milk and oilseeds;
- ◆ design an incentive, realistic price policy;
- ◆ lay down an import and buffer stock constitution policy;
- ◆ organize proper management of these policies.

With its experience of the common agricultural policy, the Community has been able to spread methods of helping the countries and regional units make a better job of catering for their nutritional future.

A total of seven projects, worth ECU 31 million, have been financed, mainly in Latin America.

### **Conference on food strategy in Bangladesh**

*In spite of new and more productive strains of rice and wheat, Bangladesh has not managed to feed its population properly for 25 years. This is because of the population explosion, increasing urban development, deteriorating farm land and repeated natural disasters, of which the recent floods are one example. Keeping production up, ensuring a motivating income for the peasants, meeting demand and enabling the poorest people to have supplies is a headache for the authorities and calls for an overall view of the situation and a policy for the long term.*

*In 1986, the Government asked the Community to help it with a food policy to cater for and organize its future and so, in October 1988, about 100 specialists met in the capital to look at food strategies in Bangladesh and their prospects in the medium and long term.*

*Half of these specialists were Bengalis, a third national researchers and 20% representatives of the donors (including delegates from the European Parliament and the Commission).*

*The conference, the first meeting at such a level, made the Minister of Planning a number of recommendations on:*

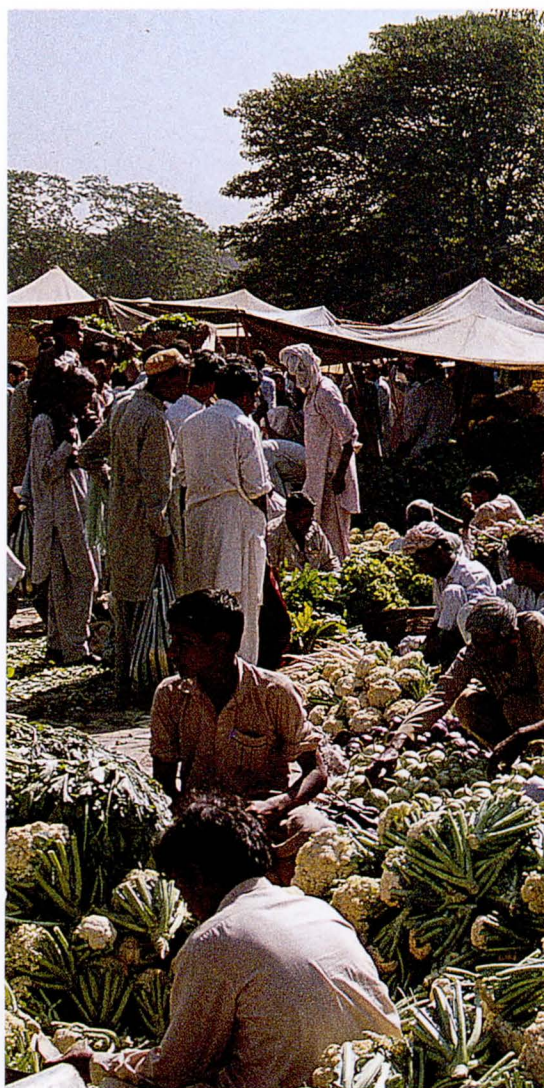
- ♦ *the definition of self sufficiency in food and food security;*
- ♦ *trends in food production and consumption;*
- ♦ *food strategies and development policies;*
- ♦ *food production and distribution prospects.*

*In its many conclusions, it provided answers to the food problem in the long term and advised the Government on setting up a production incentive policy coordinated with an employment policy for the poorest sections of the population.*

*The authorities reacted by setting up a food policy group in the Ministry of Planning to ensure that food strategy would be taken into consideration throughout the five-year development plan.*

*The Community took steps in conjunction with this analysis and reflexion to ensure that the projected food strategies actually took shape, committing funds to improve the quantity and quality of grain storage (10 projects worth ECU 81 million), seed selection and conservation (eight projects worth ECU 46 million) and harvest protection (three projects worth ECU 10 million).*

*As everywhere else,  
the country feeds the city*



### Agriculture

The 29 Community-financed projects here covered all vegetable production, both food crops (rice, soya, coconut, palm oil etc) and industrial crops (tea, cotton, rubber, silk etc). The Member States of the Community were the commonest cofinancers of the schemes, the majority of which were run in Asia.

#### *Soya growing in Madhya Pradesh (India)*

*Two vegetable oil-processing plants, built under an ECU 26 million project (ECU 13 million from the Community) completed in 1987, have enabled 111 000 producers, grouped together in 1041 cooperatives, to increase the area under soya. The project was run under the responsibility of local institutions and financed with the local currency in the counterpart fund formed with money accruing from the sale of fertilizer which the Community delivered to India. The country's most modern plant has been built at Haldwani, in Uttar Pradesh, as part of another project financed (60%) by the Community. Although it is not yet working to full capacity, the peasants have done well out of the agricultural production section because of the high price of soya.*

### Fisheries

The 26 fisheries projects, covering all forms of fishing from artisanal activity to

modern sea fishing through fish farming, accounted for a Community contribution of almost ECU 100 million. Fish farming, with about a third of the Community funds, occurs mainly in Asia and details of a major fish farming project on that continent are set out in the last chapter of this publication.

### Livestock

A dozen specialized projects (mainly in Asia), accounting for a total financial contribution of more than ECU 100 million, have provided an opportunity to develop the herding of dairy cattle, sheep and South American Camelidae. But this is not all the Community has done for this very complex sector, because many of the composite rural development schemes have their livestock components (integrated rural development microprojects, for example).

#### *Improving sheep farming in Tamil Nadu (India)*

*The State of Tamil Nadu, on the southern tip of the sub-continent, is in the throes of industrialization - despite the fact that 57% of the population is still tied to agricultural activity - and agriculture has dropped from 40% of GDP in the seventies to 20% today. Sheep and goats are the only animals in the 25 million-strong herd to be used as food, for religion prohibits the eating of beef or buffalo meat*



*Developing countries have to modernize their traditional fishing methods in the face of competition from large industrial trawlers*



and cattle are only raised as draught animals or for their milk.

The owners of the State's 300 000 sheep are in the lower classes of society and tend not to own any land. They have an average of 20 animals each and live by letting them graze on agricultural land, where their dung advantageously replaces chemical fertilizer. Although what remains in the fields after harvest provides almost 50% of the forage required for the cattle, demographic pressure is already very high and the sheep have to be content with marginal land.

If the sheep farmers' standard of living is to be raised, then sheep productivity, which is mainly held back by biological considerations (inadequate food, disease and poor veterinary care), has to be improved without any increase in total numbers.

The Community committed ECU 6 million to a scheme to increase meat output by improving forage supplies, the health situation, the extension services, selection and cross-breeding with more resistant types.

By the end of it, meat production had gone up by 700 t and the figure is expected to be 1000 t after 10 years - a net increase in productivity, given that the number of ewes has remained virtually constant. The project has also helped improve the ecological balance and make for better soil protection.

## BETTER PRODUCTION

### Integrated rural development

This is a category of predominantly agricultural development schemes, but, unlike the previous ones, not linked to a specific production. These are varied operations involving production, marketing, production support infrastructure, credit facilities, training and social schemes. In 1976-89, the Community committed more than ECU 300 million to the 50 or so projects in this category, most of which were



*Milk, meat and draught power: cattle is indispensable to developing countries' rural areas*

focused on the smallest producers and on the traditional communities and peasants involved in the agrarian reform.

### Irrigation and drainage projects

Irrigation and drainage works are the main sector of material infrastructure financed under financial and technical cooperation. A total of 45 projects of this kind were financed over the period and the amount involved was more than ECU 400 million overall - roughly 19% of all the funds that went into development projects.

### Development of the Mahaweli Ganga region

In 1976, the Sri Lankan Government launched an ambitious project to transform the arid area in the central-northern part of the island into one where crops could be grown. In this "crash" programme, the whole of the development of the area, where landless peasants were to be settled, was based on using the River Mahaweli to produce energy and irrigate crops.

In 1977, the Community, which had no experience of cooperation with this country at that stage, began its involvement with a minority contribution to the cofinancing of this vast programme. It dealt with the irrigation works and the farms and helped new arrivals to settle (clearing and flattening land, build-

ding houses, supplying the initial input etc), providing ECU 2 million of the ECU 90 million required for the first phase.

By the end of the project, 23 000 families had been settled in the development zone and the average rice yield was 5 t per ha (compared to the national average of only 3.6 t). According to the evaluation report, the irrigation infrastructure was properly constructed, but the quality of the land had been over-estimated, as the number originally forecast for settlement was 27 000.

In 1980, the Community, with its experience of Sri Lanka and its particular economic, social and cultural features behind it, financed 50% of a complementary project in another area. This time, it applied its policy of focusing aid, whereby all the resources allocated for several years are ploughed into one project in one year, and the effect of this critical mass was felt, with 4 500 families settling in the area where 13 000 ha were brought under crop. And by 1987, the yield was up to 4.7 t per ha.

#### Communications infrastructure

The Community capitalized on rural resources and encouraged marketing and input supply by financing 15 projects (worth about ECU 170 million) to build secondary roads and tracks to give the poorest peasants easy access to the well-off areas.



*Droughts and floods are calamities. But their destructive effect can be averted and reduced through reafforestation, irrigation or the building of dykes*

#### The Tharparker roads

The Thar desert, in the Tharparker region of Pakistan, is landlocked and poorly linked to the national road and rail network and the Government has decided to develop it by launching a project to build 200 km of surfaced rural roads.

The Community is contributing something like ECU 10 million, plus technical assistance for the local authorities, the Sazda, to this project and to provide for the future development of transport in this isolated area.

#### Commodity aid

This is a very special piece of machinery to supply aid in kind to finance the local costs of projects. There were 17 such schemes over the 1976-89 period, with a Community contribution of ECU 369 million, or 21% of the funds committed to financial and technical cooperation.

India, in fact, was the main beneficiary - the size of its population means that it can supply almost all the materials and equipment needed for its rural development projects and commodity aid gives it the local currency it needs to pay for them.

In contrast with all the other cases (India, Bangladesh and Nepal), products provided in this way in Thailand were used directly in a programme to supply agricultural credit in kind. The usual products in cases of this kind are fertilizer and pesticide and sometimes vegetable oil.

Implementing this type of cooperation is a fairly delicate matter, however, notwithstanding the fact that recipients in the ALA developing countries have found it entirely satisfactory. First of all, the products supplied have to be such as are already imported, otherwise they cannot be marketed properly and it will be very difficult to set up the counterpart funds which are the object of the exercise.

There must also be a proper system of marketing and distribution and the products must be delivered at a price equal to that practised on the market.

And lastly, inflation and management problems have in some cases eroded the counterpart funds or interfered with their proper use. So, however good the formula (of directly supplying what is missing) is in theory, it is not the best way of achieving the aims of financial and technical cooperation.

It is difficult put into general application and never used without considerable precautions.

### The environment

Ecology is taken into consideration systematically in all rural development projects and the Community also contributed a total of ECU 143 million over the period to 15 specific environmental projects to combat erosion and develop and protect river basins.

The Palawan project (in the Philippines), described in the last chapter, is a fine illustration of how the ecosystem approach can be a good basis for a rural development project.

### Forests

A total of ECU 40 million from the Community went into 17 projects to protect the environment and improve the commercial exploitation of wood.

Half of this involved specialized plantations in Asia, with such things as applied research and pilot and commercial plantations. The Cajamarca reforestation project (Peru) is described in the next chapter.

### The ASEAN

#### Timber Technology Centre

*The area under trees in the countries of ASEAN (153 million ha) is 13% of the world's tropical forests. In 1980, the region's timber production was somewhere near 60 m<sup>3</sup> - 45% of the world's tropical wood output - so the sector is of considerable economic importance.*

*In 1977, ASEAN presented a project for a regional wood study centre (the ASEAN Timber Technology Centre, or ATTC) and, with Community*



*The fight against poverty in cities must be based on the revival of rural areas in order to curb rural exodus*

*help (ECU 7.5 million), it was set up, in Malaysia, to encourage the transfer of technology, train technicians and disseminate information to the many firms in the sector. From the word go, the partners wanted the Centre to be a consultancy for the firms and thus to be self financing. A monthly bulletin (The ASEAN Timberlink), seminars, international conferences, study grants and research equipment, including computer facilities for the creation of data bases, were financed by the project and the funds were also used to help with exchanges, with Asian technicians coming to European institutes and European experts going out to give courses, present new technologies and organize promotion schemes. In May 1989, for example, a number of Asian businessmen came to visit businessmen in West Germany. And researchers from France's Centre Technique Forestier Tropical made an exhaustive study of the Asian timber marketing potential.*

## A BETTER STANDARD OF LIVING IN RURAL AREAS

### Support for the agrarian reform

In the eighties, after financing rural development projects in Central America and the Dominican Republic, the Community gradually began to back agrarian reform.

Strictly speaking, agrarian reform is a process of redistribution of the land from big estates to peasants who have no or very little (no more than 5 ha) land. Such reform, which has heavy political implications, is very often ill-applied because the authorities need considerable means to implement it.

It is important to realize that the Community is one of the rare international organizations to have backed agrarian reforms from start to finish. The eight agrarian reform support schemes run in Central America are described in detail in the last chapter of this publication.

#### **Traditional rural communities**

In 1982, the Community began financing a new kind of project, under this heading, with the aim of providing support for the traditional rural communities. These programmes of (rural) microprojects cover a whole range of complementary and coherent activities relating to production, social facilities and the protection of the heritage.

The originality of this type of cooperation lies in the fact that it is the people themselves who decide what projects (a microproject to build a bridge or a mill, for example, or a training scheme) are called for. Credit is only provided if there is a solid guarantee from the community receiving it.

The schemes are run on a decentralized basis, decisions being taken on the spot, where the recipients live, and this decentralization, together with the flexibility and diversity of the operations, is the reason for the success of the 12 schemes (into which ECU 112 million was channelled). And, with the benefit of this original experience in Latin America behind it, the Community embarked upon similar schemes elsewhere, in the Philippines, Guatemala, Sri Lanka and Haiti. The most representative programmes in this sector (Bolivia) are described in the last chapter.

#### **Health and hygiene**

Public health was taken into account in most of the integrated rural development operations, or multiple schemes, as economic development is obviously out of the question where disease is rife. In these projects, small health units, village centres for primary health care and latrines and drinking water and sewage facilities

were provided with the help of the local population and Honduras and Pakistan had one or two projects specifically concerned with water (the sinking of wells and the laying of supply systems). Campaigns to make people aware of the rules of hygiene are run whenever waste water systems are provided.

Only in the case of reconstruction after natural disaster (in Mexico and El Salvador) were general hospitals built.

A total of 23 projects, involving a Community contribution of ECU 121 million, were run under this heading. A vast regional programme in Central America is described in the last chapter.

#### **Rural education**

Here again, this is a constant feature of virtually all rural development projects rather than a particular sector of activity. In other words, the Community did not just transfer funds and technical means, but educated peasants, technical staff and higher cadres to provide the keys to development, so the improvements could continue after the Community withdrew.

A number of vocational training organizations also received financial support as part of specific education programmes.

A total of 23 projects of this kind were financed, with a Community contribution of ECU 164 million.

#### **Cooperatives**

Alongside the small and medium-sized firms, the cooperatives are the most dynamic and often the most innovatory organizations and they are particularly well suited to the developing countries - rural sector, industry and services too. The Community gave support to the cooperatives in a number of ways, ploughing something like ECU 140 million into 20 schemes. The support was most marked in India, where cooperatives are an important part of the national rural development policy.

The Community is relying on this form of organization to get the economy of the six countries of Central America off the ground again and it is seeking better ways of making the cooperatives freer of the public sector - a project described in the last chapter.

It did its best, with what were often very limited means, to give regional organizations in Latin America the benefit of its experience and the European presence enabled the cooperatives to set up trade relations with European partners, without losing sight of their social vocation.

### Women

All rural development projects are founded on active involvement of the family unit at the head of the smallholding. Women often play a decisive part here and so the specific features of cultures and traditions were always taken into account to ensure that women shouldered decisive responsibilities. The one project specifically

*By teaching young people to read, write and count, we can prepare their integration into the modern world*



for women, an ECU 18.5 million primary education scheme to close the knowledge gap between the two sexes, was run in Pakistan.

### Rural credit

This too is a feature of most rural development projects. Banks and specialized national organizations receive Community funds so the final recipients can have rapid access to credit in local currency. An example of a Community-supported agricultural credit scheme in Thailand is described in the next chapter.

## SUPPORT FOR REGIONAL INTEGRATION

### SHARING EUROPEAN EXPERIENCE

Although, according to the Council text governing financial and technical cooperation, regional cooperation can only be envisaged "as a subsidiary form of action", this does not restrict action in practice, because almost 10% of the total amount committed since 1976 has in fact been for regional operations - i.e. involving several countries, usually linked to each other and to the Community by cooperation agreements.

Support for regional integration means both projects and programmes of "transnational" interest and measures to improve the potential of these groupings.

Practically speaking, there are two forms of this cooperation:

- ♦ direct support to help existing units such as ASEAN, the Andean Pact and the Central American Common Market to boost political and economic integration;
- ♦ support for sectoral regional cooperation schemes such as those run in the fields of energy, telecommunications, industrial credit, fisheries, wood, public health and fish farming.

In Latin America, 35% of the funds committed to financial and technical cooperation are regional. The figure for Asia is only 3%.

### THE PARTNERS

The political drive for regional integration is strong in Latin America, for the States need it to maintain democracy in a community of interests. And the countries in this part of the world have small populations, but they create markets of a useful size when they get together.

This notion of economy of scale is vital to the Central American Common Market, but of rather less interest in Asia, where the domestic markets are too large for supply to be saturated, and the *raison d'être* of the only regional organization, ASEAN, is as much to keep the peace in the region as achieve common economic and political objectives.

### ASEAN

*(Association of South East Asian Nations)*

The organization, set up in 1967, combines six countries - Indonesia, Malaysia, Singapore, the Philippines and Thailand and, since 1984, Brunei.

It was after the Bali Summit (1976) that ASEAN and the EEC began to forge the links that led to the signing of a cooperation agreement (on development cooperation, and economic and commercial cooperation), managed by a joint committee, in 1980.

ASEAN is also one of the main beneficiaries of the generalized system of preferences, which should stimulate regional integration in the future by evolving and including more products, especially electronics, and being more flexible about the rules of origin.

### The Andean Pact

The Cartagena Agreement (Colombia, 1969) set up this body, which is also called the Andean Group and has its central organization, the Junac, in Lima, Peru.

It is an ambitious form of sub-regional integration in the free trade area which covers the whole continent but has less formal rules. The Pact combines Bolivia, Colombia, Ecuador,

Peru and Venezuela - about 85 million people altogether.

*Chile left the organization for economic, but mainly political reasons in 1977 and Venezuela joined.*

The institutions, which are similar to those of the European Community, are:

- ♦ the Junac (Junta del Acuerdo de Cartagena), a technical and administrative body, like the Commission, chaired by a junta of three commissioners;
- ♦ the Council of Ministers, which takes the political decisions;
- ♦ the Andean Parliament, comprising five representatives of each of the member countries, which makes recommendations about regional policy.

And, like the European Community, the Andean Pact has its own legal set-up, a consultative committee and an economic and social committee.

The main aim of the Pact is not just to free trade, but also to forge a genuine economic union through common industrial and agricultural planning and the harmonization of economic policies. The priorities are agriculture, trade, industry, finance, science and technology.

Initially, foreign investments were strictly limited, but these measures were relaxed by the Quito protocol, signed in 1987, which took effect in March 1988. Over the past year or two, the drive for integration has focused on liberalizing trade between the member countries.

Official relations between the European Community and the Andean Pact began back in 1970, but it was not until 1983 that a preferential economic and commercial cooperation agreement was signed.

Pact members' exports have been covered by the generalized system of preferences, which favours industrial products which have undergone various stages of processing in the different countries of the organization, since 1971.

The Community is strongly committed to the Junac, as we shall see in the last chapter.

The Community has also helped ASETA, the Andean telecommunications development association, which combines the five Andean Pact members and aims to improve the standard of telecommunications in the region.

### **PEC**

#### **(Peru, Ecuador and Colombia)**

Fishing is a major source of food for the countries on the Pacific coast and so three of them, Peru, Ecuador and Colombia, have decided to pool their know-how with a view to finding out more about marine resources and using them rationally.

They have set up a specific programme management structure, with three directors and a European co-director (provided by the Community) at the top, to get the benefit of Europe's experience of research, legislation, markets, technology, financing and the laws governing ocean fishing.

#### **The Latin American Energy Office (OLADE)**

This body, which has its seat in Quito (Ecuador), combines all the countries of the continent and has Community support for its aim of macro-economic energy planning and finding new supplies of energy for the region.

#### **A binational project**

Peru and Bolivia have concluded a bilateral agreement on regulating and developing Lake Titicaca, which covers roughly 6900 km<sup>2</sup> and is the biggest stretch of water in the Andes. In particular, the Community has provided this regional operation with ECU 5 million for studies to produce the master plan needed for the regularization and development of this major water resource.

#### **THE FLIGHT OF THE CONDOR**

The relief of the Great Cordillera is such that satellite communications, linking the main towns with the rural areas, are a valuable means of regional integration. ASETA is anxious to become independent in this field, i.e. to stop hiring repeaters from an international agency, and has asked the Community to help it design its own satellite - technology which of course calls on many skills. With Community financing, the European Satellite Consulting Organization (ESCO), which combines scientists from France, Germany, the United Kingdom and Italy, produced a feasibility study (costing ECU 130 000) and the European Space Agency (ESA), which has 14 members, provided technical assistance. Then there was a vast set of specifications, laying down all the technical characteristics, to compile for the call for tender. This cost ECU 2 million. In the early nineties, Condor, the Andean satellite will be built for the Governments and then launched, probably by the European rocket Ariane.

### The Central American Common Market (CACM)

This was set up by the General Treaty signed in Managua in 1960. The members are Costa Rica, Guatemala, Salvador, Honduras and Nicaragua, the total population is about 30 million, the official seat is at Guatemala Ciudad and the main administrative body is the SIECA (Secretaría Permanente del Tratado General de Integración Económica Centroamericano).

The main purpose is to achieve economic integration via free trade, the customs union and the establishment of free trade zones. There are common institutions - the CABEI (Central American Bank of Economic Integration), for example, the Monetary Council and a number of research institutes, particularly concerned with nutrition (INCAP) and industrial technology (ICAITI). The political upheavals in the region over the past decade have adversely affected the CACM's coherence, but, in the light of the initiative of the Contadora group (Mexico, Panama, Venezuela and Colombia), the Community signed the first EEC-Central America cooperation agreement (on development cooperation and economic and commercial cooperation) with it in 1985.

The development cooperation involves a constantly expanding financial and technical cooperation budget, which encourages regional integration with integrated rural development operations, common training schemes and projects to make for greater self sufficiency in food and improve the public health situation in the region.

In the matter of economic cooperation, the two parties agreed to promote industrial firms and sectors and encourage European investments in Central America.

Lastly, trade cooperation accords the most favoured nation clause to both parties and commits them to consult each other if difficulties arise and, most important, to take trade promotion and vocational training measures in Central America.

Alongside this, the Community and the countries of Central America have developed an institutionalized political and economic dialogue, the San José Conferences, the first session of which took place in San José (Costa Rica) in 1984.

At the end of 1989, the Community committed ECU 120 million-worth of financing to getting regional trade off the ground with a regional system of payment. It is with this sort of support that the CACM is preparing the region to become a proper free trade area in 1993.

#### Financial and technical cooperation with the regional units, 1976-89

*ECU million - round figures*

CENTRAL AMERICA .....	122
• CABEI.....	29
• CADESSA.....	5
• CATIE .....	2
• IDB .....	2
• INCAP.....	2
ANDEAN PACT - JUNAC .....	56
• PEC .....	6
• OLADE .....	2
ASEAN.....	28



## TWO OTHER AREAS OF FINANCIAL AND TECHNICAL COOPERATION

Every year, the budget for ordinary development schemes is obtained after deduction of a contribution to international agricultural research and the constitution of a reserve fund for reconstruction after disaster. These two types of financing are described below.

### INTERNATIONAL AGRICULTURAL RESEARCH

Since the bulk of Community aid goes to the agricultural population, it was vital to back agricultural research, over and above the projects and programmes which provide help in the field, as it is this which makes it possible to, say, select high-yield or disease-resistant strains of cereals.

The point of agricultural research is to boost agricultural output (to make for self sufficiency in food) by minimizing the risks inherent in an activity bound to natural conditions. Progress over the past 30 years has been impressive, certainly, because a number of developing nations have achieved self sufficiency in cereals, but it has to be admitted that many people are still prey to food insecurity and chronic malnutrition.

Since 1976, the Community contribution to the cofinancing of six of the 13 international research centres in the Consultative Group on International Agricultural Research (CGIAR) has come from the financial and technical cooperation budget.

The CGIAR, which groups together 24 countries (six of them developing ones), international organizations and private foundations and supports a world network of high-level agricultural research centres, has its technical secretariat in the hands of the Food and Agriculture Organization (FAO) and its financial secretariat in the hands of the World Bank (IBRD).

Five of the six centres which the Community supports are in the ALA developing countries.

They are:

- ◆ ICRISAT (the Institute of Crops Research in the Semi-Arid Tropics), at Hyderabad (India), which specializes in crops in the arid zones;
  - ◆ IRRI (the International Rice Research Institute), at Los Banos (Philippines), which studies rice;
  - ◆ CIP (the Centro Internacional de la Papa), in Lima (Peru), which studies potatoes;
  - ◆ CIAT (the Centro Internacional de Agricultura Tropical), in Colombia, which studies tropical agriculture;
  - ◆ CIMMYT (the Centro Internacional de Mejoramiento de Maíz y Trigo), in Mexico City (Mexico), which studies wheat and maize;
  - ◆ ISNAR (the International Service for National Agricultural Research), in the Netherlands, which specializes in transferring the results of international institutes' research to national research structures in the developing world.
- Although these establishments are located in countries directly concerned with their subject of study, they have always been considered as having an international vocation, well beyond the scope of the ALA developing countries. The Community channelled a total of ECU 70 million to them over the period 1976-89.



*In order to avoid the transfer of ill-adapted technology, the international community supports agricultural research that is specifically targeted towards the production of developing countries*

#### Financing of the CGIAR. ECU million

Total needs in 1988.....	77.7
EEC financing.....	6.9
Member States' financing .....	14.3
Total Europe(12).....	21.2
	27%

This support avoided creating dependence by being in the form of a grant to the common research budget (which is a maximum of 10% of the research budget of each of the institutes) and went into activities which were part of the normal research load. The institutes provide the Community with an annual report of activity in return. It may come as a surprise that the Community financing is not tied to a particular research activity which reflects the aims of financial and technical cooperation, but, in fact, the above-mentioned international interest of these institutes is such that their everyday activities are already helping to improve the lot of the agricultural population at which Community aid is aimed.

And the Commission was quick to realize that it would have caused programming and management complications for the recipients and ultimately interfered with their work if it had asked for a particular piece of research in exchange for the financing. In 14 years of financing of this kind, it is clear that the Community has made it possible to continue with research that is of great importance to all the developing nations. Without wishing to underestimate the success of the green revolution, it has still done more for the big producers than the small ones. And as there are vast numbers of small producers, the effort put into ensuring that they too benefit has to continue.

The Community's contribution combined with the the Member States' contributions has made Europe one of the biggest donors.

Specific pieces of research were also run into practical problems of interest to the ALA developing countries and the ECU 23 million devoted to them brought the funds earmarked for this type of scheme up to 4% of total commitments. Included here were projects in:

- ◆ the Andean countries - the adaptation of species of maize at various ecological stages in the Andes, run by CIMMYT on a decentralized basis;

- ◆ the countries of Central America - research into integrating and combining efforts to develop the peasant production of staples better, a scientific undertaking run directly in the region itself.

Lastly, many rural development projects include applied agricultural research and the adaptation of varieties selected in the various institutes.

#### **RECONSTRUCTION AND THE PREVENTION OF DISASTER OR ITS EFFECTS**

When natural disaster causes great damage to people and buildings, three-stage action is called for:

- ◆ start by acting fast to ensure the immediate survival of the victims;
- ◆ then help, evacuate and rehouse them;
- ◆ then reinstall and reconstruct, so life can go on after the disaster.

In terms of budget instruments in the Community, these three phases mean:

- ◆ emergency aid and emergency food aid;
- ◆ relief for refugees and displaced persons;
- ◆ reconstruction and prevention schemes.

As already mentioned, the funds earmarked for financial and technical cooperation include a special reserve - between 6% and 10% of total commitments in 1976-89 - to cope with these dramatic situations.

In the majority of cases, financial and technical cooperation schemes in this area are to do with road, bridge, hospital and dam construction and with prevention (building flood dykes and installing hydrographical recording stations and radar facilities to track hurricane formation).

ECU 140 million was channelled into 50 or so financial and technical cooperation projects of this kind in 1976-89, with satisfactory results overall, although operations often took too long to set up in comparison with the needs of the afflicted populations.

The Commission has found that alternative solutions provided by local initiative (rebuilding of a bridge, say) are sometimes ready very soon after disaster has struck and it is therefore trying to make for speedier implementation by paring the time taken to prepare reconstruction projects down to a minimum.



*After a natural disaster, such as this flood in India, the Community has an obligation to provide rapid assistance in order to reconstruct and bring hope to the victims*

**The repeated flooding in Bangladesh in September 1987 and September 1988 caused an enormous amount of material damage and left the population without any public health or education facilities and, in autumn 1989, the Community provided ECU 19 million to rehabilitate some of this infrastructure. This project, which also aims to make for easier management by grouping 74 clinics, 21 rural hospitals and 329 primary schools together into geographical units, is particularly concerned with making the buildings easier to keep up afterwards. Various buildings in areas which will be at risk the next time there is any torrential rain are being altered to withstand the floodwater and serve as a refuge for the people. The Commission is also involved with an international consortium on a vast programme to regulate Bangladesh's main rivers and prevent flooding.**



# A RECOGNIZED IMPACT IN THE FIELD



ALTHOUGH INTERNATIONAL AID  
RESPONDS TO A SOLIDARITY IMPE-  
RATIVE, IT IS MEANINGFUL ONLY IF IT  
TAKES THE FORM OF A LASTING  
IMPROVEMENT OF INDIVIDUALS'  
LIVING CONDITIONS.

## A RECOGNIZED IMPACT IN THE FIELD

LOOK AT THE OVERALL FIGURES AND NOTHING ELSE AND IT IS EASY TO GET THE IMPRESSION THAT FINANCIAL AND TECHNICAL COOPERATION IS ONLY A DROP IN THE OCEAN COMPARED TO THE SIZE OF THE RECIPIENT POPULATIONS, IN SPITE OF A CONSTANTLY EXPANDING BUDGET. BUT, IN FACT, IT IS PROVIDED THROUGH PROJECTS WHICH HAVE A MANIFESTLY LASTING EFFECT IN THE FIELD.

### THE MAIN RECIPIENTS OF ORDINARY PROJECTS

As we have already seen, economic and financial cooperation covers development projects proper - ordinary projects, as they might be called, to distinguish them from the post-disaster reconstruction schemes which are, by their very nature, non-programmable and financed from a budget reserve. Ordinary projects may be managed by the local Governments, by regional institutions (such as the Andean Pact's Junac) or international institutions (such as the Asian Development Bank) or, less often, by ad hoc committees set up under the responsibility of a number of States.

The Community financed a total of 389 projects, including 25 post-disaster reconstruction schemes, for ECU 2199 million between 1976 and 1989, with Asia getting 69% (18 countries),

Latin America 28% (11 countries) and Africa 3%. The African countries involved were Angola (ECU 23 million), Mozambique (ECU 30 million) and Zimbabwe (ECU 14 million), which were not eligible for EEC-ALA developing country cooperation once they joined the ACP Group (which is bound to the Community by the Lomé Convention) in 1985.

Financial and technical cooperation also went to 16 institutions (three in Asia and 16 in Latin America) and five research organizations over the period.

The following section contains examples of programmes and projects run with the 11 main recipients. The idea is to show both the diversity of the Community's schemes and to describe the projects which best represent the development requirements of the recipients.

#### Classification of recipients of ordinary projects, 1976-89, ECU million

Country	Commitment	First project	Country	Commitment	First project
1 - India.....	604.....	1976	15 - Guatemala.....	26.....	1986
2 - Thailand.....	179.....	1977	16 - South Yemen.....	24.....	1977
3 - Bangladesh.....	160.....	1976	17 - Nepal.....	24.....	1978
4 - Pakistan.....	131.....	1976	18 - Burma.....	18.....	1979
5 - Indonesia.....	131.....	1976	19 - Laos.....	17.....	1978
6 - Bolivia.....	97.....	1976	20 - Ecuador.....	15.....	1979
7 - Philippines.....	71.....	1979	21 - Bhutan.....	12.....	1982
8 - Sri Lanka.....	67.....	1976	22 - Dominican Republic.....	12.....	1980
9 - Honduras.....	58.....	1977	23 - El Salvador.....	9.....	1985
10 - Peru.....	52.....	1979	24 - Colombia.....	4.....	1984
11 - Nicaragua.....	36.....	1979	25 - West bank.....	4.....	1981
12 - China.....	36.....	1983	26 - Maldives.....	2.....	1980
13 - Haiti.....	31.....	1978	27 - Vietnam.....	2.....	1977
14 - Costa Rica.....	29.....	1982	28 - Afghanistan.....	1.....	1980





*Roads are a long-term development factor*

**Classification of recipients  
of ordinary projects, 1976-89.**

Regional Groups	Commitment (ECU million)
1 - Central America (five countries).....	122
2 - Andean Pact - Junac (five countries).....	56
3 - CABELI.....	29
4 - ASEAN (6 countries).....	28
5 - PEC (3 countries).....	6
6 - ADB.....	5
7 - CIMMYT.....	5
8 - CADESA.....	5
9 - CATIE.....	2
10 - IDB.....	2
11 - INCAP.....	2
12 - CFAD.....	2
13 - OLADE.....	2
14 - IICA.....	2
15 - CIM.....	1
16 - Mekong Committee.....	1

## INDIA

### the prime recipient of financial and technical cooperation



#### THE PARTNER

Although India is the fourth biggest producer among the developing nations and the 18th in the world, agriculture is still a major activity there (accounting for 33% of GNP in 1988) and three quarters of the

population live in rural areas. The very large population (846 million in 1989) and the rate at which it is growing (2.2% p.a.) are such that the country has to handle its two resources, people and land, skillfully if it is to develop further.

India has the world's third largest group of graduates and new generations of life forces for its development, but it also has 300 million poor. And its per capita GNP, at ECU 259 in 1988, puts it in the category of the world's poorest countries.

The seventh five-year development plan (1986-90) aims for global growth of GDP of 5% p.a. and requires a 4% increase in agricultural production. But some States could still well have shortages because of drought, although there are problems of storage in years of plenty.

Everybody has heard of the green revolution of which India was a prime example, with cereal output increasing from 50 million t in 1951 to 150 million t in 1986. But some places had to pay the price and now reforestation and campaigns to combat erosion and protect the water table have become unavoidable priorities.

The country's industrial development priorities are on transport, energy and telecommunications and it is hoped to give more freedom to the private sector. But it has a large external debt (ECU 33 000 million in 1988) and still needs external aid (which amounted to ECU 5000 million in loans and ECU 870 million in grants in 1988), which should to an increasing extent be in the form of capital imports to reflect the present trend towards an economy that is more open to

the outside world. India indeed has a valuable supply of skills and equipment, particularly in its agriculture and social infrastructure, and its main requirement is money, not know-how. The idea is to rid the very lowest strata of society, usually landless peasants unaffected by the country's economic progress, of poverty.

#### THE EUROPEAN RESPONSE

The Community, with its Member States, is India's biggest donor. Since 1976, it has provided more than ECU 1 billion (all types of aid combined) - a third of the country's external aid and three times the combined contributions from the USA and Japan. Financial and technical cooperation, of which India is the biggest recipient among the LAA developing countries (26%), dominates, with 51%.

Virtually all sectors have been covered in the 46 projects run since 1976. When cooperation started, social schemes were the order of the day, but, since the eighties, the Community has concentrated more on productive projects. Much of the financing (an average of 68% of funds committed and 100% in 1985) has been via the supply of fertilizer or vegetable oil.

Most of the schemes are agricultural and fit into one of four main categories - small irrigation projects (29%), oilseed grain development (27%), integral water resource management (25%) and the storage of agricultural produce (19%).

There was no cofinancing in financial and technical cooperation over the period, other than for three agricultural projects which were part of international cooperation operations involving the main official donors.

The 46 projects run between 1976 and 1989 were in the following sectors - irrigation (9), drinking water (5), agricultural production (4), agricultural marketing (2), storage (5), agricultural credit facilities (3), fisheries (2), live-stock (2), soil protection and reforestation (6) and training (1), plus schemes to build anti-hurricane shelters (7).



### **REDEVELOPMENT OF COMMON LAND**

Haryana, India's smallest State, is only 3.8% forest, an even lower figure than in Rajasthan, which is usually called a desert State. Its biggest river, the Sahibi, sometimes breaks its banks by more than 1 km, triggering vast earth movements, and its copper mines, building stone quarries, altitude (upwards of 1000 m) and demographic pressure (human and pastoral) have combined to speed up the deterioration of its arable land.

In 1989, the Community agreed to provide financing (ECU 23.2 million - 80% of the total cost) for an ambitious programme to be run under the responsibility of the Ministry of Forests. It involves reafforesting 33 000 ha of land over a period of eight years and affects almost 90 000 people living in 293 rural communities. The project zone has been divided into three physio-geographical areas to ensure that particular problems are tackled in the right way. These areas are:

- ◆ 12 000 ha of plateaux where the depth of the soil is more than 60 cm;
- ◆ 15 000 ha of alluvial land with a depth of less than 60 cm;
- ◆ 6000 ha of eroded mountainside where the good soil, which tends to be very stony, is no more than 20 cm deep.

The plantations will provide 47 000 t of firewood, 23 000 t of forage, 36 000 t of graminaceous plants, 13 000 t of small cuts of timber and 4 000 t of fruit. Ecological rehabilitation of the zone will rule out mining, be it underground or open cast, and animals will be kept away by traditional, low stone walls. And, going beyond these technical considerations, there is a very important social side to the operation too, both during implementation and when the results are there.

The common land where the poor families graze their goats has been devastated and productivity is declining constantly.

A family with a herd of 20 goats theoretically gets 25 young animals to sell and milk to drink. If the poorest people get the use of rehabilitated common land, their standard of living will go up, for more than half the peasants in this zone do not have any land at all and do seasonal manual work bringing in an average of 1200 rupees p.a. The project will be providing something like 12 million days of work (at least 10% of them reserved for women), which means a flow of 100 000 rupees p.a. And the Ministry of Forests has agreed to give preference to women in recruiting the local staff required to run the project.

### **DEVELOPING THE COCONUT INDUSTRY IN KERALA**

The best-known use of coconuts is as fresh fruit for direct consumption (drinks, coconut paste etc), but they constitute the raw material for a large number of domestic and industrial products, such as copra oil, sweetmeats, toiletries, soaps, paint and so on. Oil is extracted from copra, the name given to the nut once shelled and dried. Coconut-to-copra processing is a great tradition, which the people of Kerala have handed down from one generation to another, and more than 90% of India's copra output (49% of its coconut production) comes from this farming State (43% of GDP) - which in fact only makes up 1% of the national territory. Kerala is heavily populated (654 people per km<sup>2</sup>) and has very high human potential, with a literacy rate of 70%.

Most copra production (315 000 t for processing and 40 000 t to eat) is in the hands of small, marginal operators. The average size of about 60% of the coconut concerns is 0.5 ha and the palms are always mixed in with other crops. A total of about 10 million people live from coconut production and the rest of the industry in Kerala.

There is a very powerful cooperative movement in this sector, more than 90% of the population belonging to a cooperative, and the

federation of producer cooperatives (Kerafed) in particular gives Kerala the basis it needs on which to improve the sector.

Indeed, after a record-breaking 4 million t of coconuts in 1972, production has been on a constant decline (2 million t in 1984), with dwindling productivity due to aging trees and a root disease which has affected a third of the plantations.

And on top of these natural causes, there is the poor organization of marketing - although there are 5 000 processors in Kerala, half the output leaves the State to be marketed by big firms in Bombay, so local producers do not benefit from the value added by processing and have no incentive to produce.

The whole coconut industry is getting a new lease of life from the project which the Community launched in 1987 (ECU 58.6 million) and which is being financed half with (vegetable oil) counterpart funds and half with direct aid.

It has brought improvements to 900 agricultural cooperatives, with an average of 3000 members each, and to their State federation. A programme is being run to produce seeds, combat the root disease and train teams to manage the cooperatives. All in all, 2.8 million smallholder families will see substantial improvements to their incomes - 540 million rupees p.a. due to higher production on the smallholdings themselves and 1 700 million rupees due to price stabilization. Support for the local processing industry will create plenty of jobs and, with this in mind, drying and storing facilities are being installed in the basic cooperatives and three processing plants of a capacity of 60 000 t copra p.a. each are being built. One of these will centralize all the copra cake extraction installations (6000 t p.a.) and contain a vegetable oil refinery (6000 oil p.a.).

Since there is a competent building industry, the work is being carried out by local firms. Kerafed, which represents the producers

well and has all the relevant experience, is directing the project and supervising both the agricultural extension activities and each cooperative's working of four pilot fields (of 0.25 ha each) on which disease control and productivity improvement techniques are being developed.

By the end of the project, the processing hardware will be turning out 116 000 t of oil and 58 000 t of oilcakes and there will be a storage capacity of 15 000 t at the oil mills and 7500 t in the cooperatives.

The rate of internal economic return is an estimated 22%, i.e. below the rate of internal financial return (30.5%) because the world copra oil prices are well below those on the Indian market.

#### **COMMODITY AID - FERTILIZER AND VEGETABLE OIL**

Much of the aid the Community has ploughed into rural development in India since 1979 has been in the form of agricultural products (commodity aid), something which has plenty of advantages for both sides. Fertilizer is a vital agricultural input which has a positive effect on productivity and, therefore, on farm incomes. And these deliveries also have a positive and immediate effect on the country's balance of payments and foreign exchange reserves. The drought which hit India in 1983-86 caused fertilizer consumption to stagnate while national reserves remained high, particularly in the case of urea, as the annual local output went up due to exploitation of the natural gas resources on the west coast of the sub-continent.

At the end of the seventh plan (1985-90), India becomes self sufficient in fertilizer, with a production capacity somewhere in the region of 10 million t of nitrogen fertilizer - which is why the Community responded to the Government's request and delivered potassium chloride fertilizer (KCl), which India uses (about 1 million t p.a.) but does not produce, in 1986.

The drought also forced the Indian Government to make massive imports of basic

essentials and, in 1987, it asked for part of the aid to be supplied in the form of vegetable oil - demand for this is in fact mounting rapidly and India has to import 1.3 million t of it, spending an average of ECU 750 million t, every year, and the consequences of the drought could push the needs up to 1.6 million t, which would make the bill even harder to pay. At the same time, there was a constant increase in the Community's output of vegetable oil (rape especially), with a 25% improvement between 1987 and 1988.

The Community decided, on an entirely exceptional basis, to supply almost 100 000 t of rapeseed oil - 6% of what India imported - and all the local currency spending (on building, local experts' wages etc) in the Kerala coconut project was made with counterpart funds accruing from its sale in State shops across the country.

In 1988 and again in 1989, the Community went back to supplying fertilizer. In 1988, it sent potassium chloride fertilizer to relieve India's balance of payments. In 1989-90, India used 12.5 million t of NPK (nitrogen, phosphorus and potassium) fertilizer but only produced 9.40 million t (including 7 million t of nitrogen) and the Community provided ECU 40 million-worth of NPK fertilizer that year, to finance a rural drinking water supply project and alkaline soil restoration schemes once converted into local currency.



*Selling vegetable oil to build up a counterpart fund*

## BANGLADESH

### getting food requirements under control



#### THE PARTNER

Bangladesh, independent since 1971, had a per capita GNP of ECU 145 in 1989, making it one of the 10 poorest countries in the world. It is still largely agricultural (with the sector accounting for 47% of GNP and occupying 74% of the working population), in spite of what is a very unfavourable geographical situation - more than 90% of the land is 30 m below sea level and the big rivers (the Brahmaputra, the Ganges and the Meghna) cause dramatic flooding of the kind which claimed thousands of victims in September 1988. In spite of this plentiful supply of water, drought between October and April is common and irrigation is a priority. The farmers produce mainly rice and cereals and there is jute and tea for export, but the jute trade (22% of world production in 1987) is on the decline because of competition from cotton and, above all, synthetic fibres. One of the country's main constraints is its population (107 million in 1988), which is expanding fast and short of space (more than 1000 people per km<sup>2</sup> of arable land), with landless peasants converging on Dacca, the capital, because they can no longer find work in the countryside. But in spite of all adversity, Bangladesh managed 4% average growth during the second five-year plan (1980-85) and is hoping to achieve self sufficiency in food in the early nineties. It receives large amounts of external aid (40% of the State budget), which supports the country's family planning policy aimed at bringing the annual rate of population growth down to 1.8%.

#### THE EUROPEAN RESPONSE

In 1976, the EEC and Bangladesh signed a trade cooperation agreement and, as part of the Multifibre Arrangement, a textile trade agreement (not containing an export quota). The country got more than 8.5% of the funds committed for development projects (reconstruction schemes included), making it the second largest recipient of financial and technical cooperation. There was also a very considerable amount of food aid, all forms of this type of assistance amounting to almost ECU 400 million in 1976-1989.

- ◆ *Financial and technical cooperation began in 1976.*
- ◆ *There were 25 projects.*
- ◆ *The total Community financing was ECU 160 million for ordinary projects (and more than ECU 185 million if reconstruction projects are included).*
- ◆ *The average intensity of Community funds was 27%.*
- ◆ *The main external financiers were the Federal Republic of Germany, the United Kingdom, the Netherlands, IDA and the ADB.*
- ◆ *The sectoral breakdown was 10 projects in infrastructure (flood control and harvest storage), seven in agriculture (cereals, cotton and tea), five in irrigation, two in rural development and one in the livestock sector.*
- ◆ *The most important project was the Rangpur region rural development operation (ECU 25.5 million).*

#### TOWARDS SELF SUFFICIENCY IN FOOD - SEED AND STORAGE

Bangladesh's food output increased slightly faster than the population (2.5% as against 2.35%) in the seventies, with cereals representing 70% of output. In the eighties, however, the situation deteriorated, with cereal imports going up to almost 10% of total consumption and 20% of total imports.

One of the main reasons for this backslide was low productivity, which is why the Community financed two projects (worth ECU 14 million between them) with the Seed Technology Centre in Mirpur, near Dacca, to spread high-yield strains of wheat and rice among the peasants. These projects, run in 1982 and 1983, were cofinanced by the Federal Republic of Germany and aimed at achieving national high-quality seed production by backing the work of the Bangladesh Agricultural Development Corporation (BADC). Not only did the operation provide financial and technical support for the BADC seed production and control centre, develop seed multiplication farms and improve the rural sales networks. It also supplied selected wheat seed purchased on the international market. The 6140 t of imported wheat brought high-quality seed production up from the 4500 t of 1978 to 19 000 t in 1985, a record year, when the edible wheat output reached 1.5 million t (as against the 1 million t of the other years) and nationally produced high-yield wheat seed covered 20% of national demand. BADC-certified seed gradually achieved excellent quality. Many peasants got the benefit of it and yield over the period of the project went from 1.8 to 2.2 t per ha. Rice was another story, however, as the 3500 t of seed produced only met 0.5% of demand, as the peasants usually keep part of their harvests of this very common cereal for seed - a prudent practice, but one which to some extent prevents the spread of strains which perform better.

Increasing agricultural productivity also means making better use of input, particularly fertilizer, and, in 1982, the Community made commitments (ECU 17 million), along with the Netherlands and the United Kingdom, to help the Government with its food security policy via a project to build four 18 000 t fertilizer silos in four strategically placed locations. Although only 60% of the peasants used the fertilizer provided (because they were short on information and found it difficult to change their habits), the total fertilizer consumption went up at the rate of 8%



*The farmers use traditional boats, so inputs are stocked by the side of the river*

p.a. The country is currently making a big effort to modernize its chemical industry, with the help of Japanese businessmen, and should be exporting urea in 1991.

The prospect of 60 million people living in the towns by the year 2010 also means having a permanent, properly-run food reserve to cope with poor harvests and disaster such as floods and the devastating hurricane of November 1988.

The Government, being very aware of this, gradually set up 620 grain stores nationwide to house permanent stocks of more than 1 million t, but loss due to the deteriorating storage infrastructure threatened to neutralize the work of both the Government, which bought the cereals from the producers (with its price support policy), and international food aid, which uses the stores. The Community embarked upon the rehabilitation of these stores in 1983 (ECU 14 million) and 1988 (ECU 15 million). The latter project, which was entirely financed by the Community, involved renovating 130 depots over a period of 30 months and was run on behalf and under the authority of the Ministry of Food, with technical assistance from European specialists and a call to tender to local building firms. Indirectly, this scheme made people realize the importance of maintenance by encouraging the development of local technical means.

## THAILAND

### finding a substitute for cassava (manioc)



#### THE PARTNER

Thailand, a constitutional monarchy which has never been colonized, is one of the developing countries with the best macro-economic development. Since 1987, average economic growth has gone beyond 10% p.a. thanks to high investment rates, an expanding industrial sector (25% of GNP in 1988), a sound environment (input and marketing) for its agriculture and an ability to win external markets. Its reasonable and well-balanced macro-economic policy will make it the fifth dragon of Asia soon.

Farming still occupies 59% of the working population (the figure was 82% in 1965), although it no longer accounted for any more than 16% of GNP in 1988. The country is the leading exporter of rice, which is grown over 50% of its arable land (190 400 km<sup>2</sup>), and after this come rubber, cassava, maize and shrimp. It is the world's second biggest producer of cassava (after Brazil), but its biggest exporter (particularly to the Community).

However, textiles are the leading export, bringing in twice as much foreign exchange as cassava.

The per capita GNP is currently more than ECU 1000, but there is still considerable disparity between the regions. Peasants in the north east, for example, have an income of ECU 280 - a 10th of the income of people in Bangkok, or a quarter of the national average - and they are very close to absolute poverty.

#### THE EUROPEAN RESPONSE

An agreement on cassava imports to the Community was signed with Thailand in 1982, because this product goes for animal feed and competes with European cereals. The agreement guarantees duty-free import (unlike what happens for cereals) for up to 21 million t for four years (1987-91), so Thai cassava gets the benefit of Community cereal prices and is sold at sometimes twice the world market price. In spite of this advantage, however, the Thai Government wants to restrict cassava production to keep a guaranteed outlet and is trying to diversify its agriculture. The Community is helping it with this policy of providing incentives and improving incomes in the rural world with financial and technical cooperation projects.

So the priority for financial and technical cooperation has been in north west Thailand, where there are 12 million peasants (20% of the total population), producing 60% of the country's cassava output.

Thailand is the third biggest recipient of financial and technical cooperation, with 7.3% of resources over the 1976-89 period, and all the projects there have involved agricultural diversification and rural development.

- ◆ *Financial and technical cooperation began in 1977.*
- ◆ *Total Community financing amounted to ECU 179 million.*
- ◆ *There were 26 projects.*
- ◆ *The sectoral breakdown was 16 diversification (production, research, institutional support and services) projects, one livestock project and five irrigation projects.*
- ◆ *The average intensity of Community aid was 45%.*
- ◆ *The main cofinancers were Belgium, the United Kingdom and the ADB.*

### AGRICULTURAL DIVERSIFICATION

The absence of any major natural resources and the poor agricultural potential of the soil in the north east make it difficult to create sources of income and employment in the rural sector. Stimulating the emergence of alternative crops to cassava, still the main source of farm incomes, first meant identifying those best suited to the natural environment (agricultural research). Alongside this, specific support was given to the official Bank of Agricultural Development and Cooperation (BAAC) to enable it to make the peasants loans in kind (fertilizer and pesticide) to boost productivity and the counterpart funds accruing from the reimbursement of these loans were used to provide the peasants with the long-term investment credit facilities that are vital to the development of perennial crops.

In 1985, a three-year project (ECU 35 million from the Community) to develop rubber growing was launched jointly with an agricultural credit promotion scheme in the Rayong and Chantburi regions and the BAAC got operating capital for this from loan repayments from the 90 000 t of fertilizer (ECU 27 million) supplied by the Community. Although the trade banks usually lend to peasants at 17.5% (and there are large annual variations of between 30% and 60%), the Community support enabled the BAAC only to charge 14% to 300 000 or so far-

mers in the area which turns out a quarter of the nation's cassava. And a system of compensation (proportional to the area planted with rubber) was introduced to make up for any loss of earnings attendant on dropping the cassava crop. All in all, about 15 250 ha were covered and 5750 families involved. In 1989, additional financing of ECU 5 million was provided to extend the rubber operation with research into cultivars adapted to the dryer climate of the region, the creation of nurseries, training schemes and support for agricultural credit facilities.

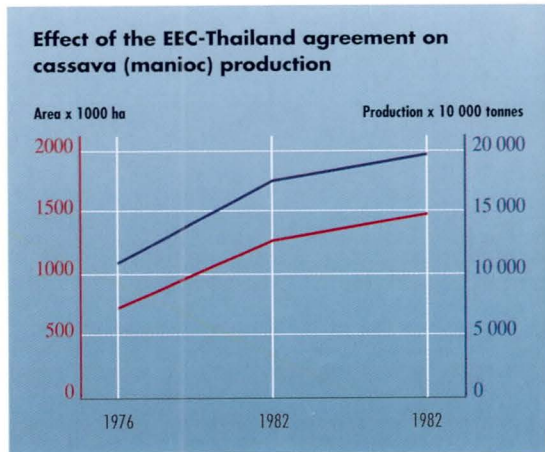
Community-financed applied agricultural research came up with other high-potential sectors - fruit and vegetables, for example, to which the Community committed ECU 9.45 million. Prior studies had revealed that there was a domestic market (supermarkets, restaurants and hotels) for various crops, including rain-fed bamboo and irrigated mangoes, young maize and asparagus, and several private operators were interested in seeing increased production of these vegetables and fruit, because they were equipped to export to Japan, Taiwan, Singapore and Hong Kong. But here again, the choice of new crops was not without its risk to the peasant, who had an average of 5 ha of land which he planted half with rice and half cassava.

Community aid meant the BAAC could offer 8000 families credit at 9% interest. The Government leaders and European experts have decided to ensure that the project lasts once the European financing comes to an end (1995) by heavily involving the private sector, particularly in the supply of inputs and in handling (washing, refrigerating and sizing) and packing, to ensure that the products can compete on the international market.

The Community is also financing an important silk development project (ECU 12 million for five years - 1989-94) in the north east. The majority of the silk farmers here are women and silk is often their only means of earning money, because many of the men move

*In Thailand, literacy campaigns were launched as early as the 18th century*





away to the capital to look for seasonal work. The women in 2 million farming families in the north east raise silk worms and bring as much as 30% of the household's earnings.

The Thai Government thinks that there is a great risk of this sector of the economy disappearing unless the quality of the silk improves, so the three main aims of the project are to:

- ◆ create an environment in which the traditional silk sector can be gradually transformed into a higher-performance sector in which new technology (the selection of varieties and plant health protection, for example) is taken into account;
- ◆ set up a commercial silk farming development structure once the project has come to an end, i.e. a silk development agency, managed on a commercial basis, under the authority of the Ministry of Agriculture;
- ◆ develop the production of high-quality wild silk for marketing.

The project aims to do this by setting up pilot farms (to select healthy varieties of mulberry bush) and a silkworm egg distribution network and organizing a system of purchasing cocoons from the farmers and drying them and spinning the silk to internationally recognized standards so the product can be sold at market prices.

Traditional silk farming is not under attack. But the replacement of bivoltine cocoons by polyvoltine ones should encourage the production of silk with long filaments, so spinning can be mechanized and the costs of production brought down. So the whole of the Thai silk sector, from the training of technicians (with study grants) to the guaranteed purchasing from the producer through support for national institutions and the private sector, is being backed here.

Although financial and technical cooperation from the Community has not made it possible to bring down the country's cassava output far enough yet, it has helped come up with possible substitute crops and spread them in the peasant world.



## THE PHILIPPINES

### an ecologic strategy model



#### THE PARTNER

This republic, with its 7100 islands and a population of more than 57 million (1987), has problems with the occupation of its land and the management of its natural resources. The majority of the population (60%) is still rural and the 74 million inhabitants predicted for the year 2000 will push up the human pressure on the ecosystem. There are indeed 446 people per km<sup>2</sup> of arable land now. The average smallholding is only 2 ha and, with agricultural output increasing at 4% p.a. (1972-82), the country is self supporting in rice and maize. It lost 150 000 ha of its forests every year in 1960-70 and a vast reforestation plan (covering 750 000 ha) was launched in 1978. Agriculture accounts for about one fifth of the national income, industry for about 35% and services are increasing in importance all the time. Tourism is an important part of the services sector, having brought in ECU 505 million in 1984 - although per capita GNP, up to ECU 526 by 1988, was only just above ECU 485 that year.

#### THE EUROPEAN RESPONSE

Development projects in the Philippines are aimed at solving the most serious problems of the most marginalized rural populations (particularly those in the uplands), whose situation deteriorated during the Marcos era which came to an end when the dictator fell in 1986. Some projects are run in areas where guerilla warfare is still going on and should be seen as helping the peace process - or at least supporting the civil populations undergoing the state of political instability - by ultimately raising the standard of living. This is why all the projects are rural development ones and aimed at eradicating the poverty with which there can be no real democracy.

- ◆ *Financial and technical cooperation began in 1979.*
- ◆ *There were seven projects.*
- ◆ *Total Community financing was ECU 71.3 million.*
- ◆ *The average intensity of Community funds was 35%.*
- ◆ *The main external cofinancers were the Federal Republic of Germany and the ADB.*
- ◆ *The dominant sector was integrated rural development (100% of Community funds).*

#### THE PALAWAN PROJECT

The vital need to manage available natural resources in the light of future generations was the philosophy behind the Palawan Integrated Area Development project in which the Community took part in 1981 (with ECU 7.1 million over a period of three years), alongside the Asian Development Bank (ECU 43.05 million over seven years) and the Government of the Philippines (ECU 27.85 million). The aims of this integrated rural development project were to raise the incomes and standard of living of the population of Palawan Island (in the south west of the country) and improve the communications infrastructure, particularly in the port zones, the public health facilities and, of course, agricultural production. But rather than deal with each of these sectors separately, the project plans, based on a global analysis of the island's ecosystem, reconciled, exploited and preserved the natural resources.

There were three basic concepts behind the strategic plan for the environment of Palawan Island:

- economic viability, whereby the natural (water, minerals etc) cycles had to be kept intact to guarantee the productivity of the ecosystems;
- social acceptability, whereby the people involved had to have fair access to the resources and be involved in any decisions;
- an integrated approach, whereby the indirect effects of the action could be predicted.



*The Philippines serve as a model of protection of the environment  
and of adapted management of resources*

- The island and its satellites were studied from five ecological and economic points of view:
- u the land, 15% of which had deteriorated badly due to itinerant farmers, lumberjacks, miners and, of course, human settlement;
  - u the forests and mines, whose declining productivity was no longer in harmony with the environmental deterioration which their exploitation provoked;
  - u the lowlands, which only represented 20% of the island but contained 35% of its population;
  - u the coasts, obviously a valuable source of food and income for fishermen and fish farmers;
  - u tourism, which cannot be developed uncontrolled without damaging the magnificent sites on which it is founded.

The island was then cut up into ecological areas and human activity there strictly defined and areas where activity was to be very stringently controlled, for example, were listed

precisely. A total of 700 000 ha was catalogued and classified according to potential and resistance to human exploitation and it was then possible for the ECU 7.1 million which the Community provided over a three-year period to be channelled into integrated rural development schemes which were not at variance with the global management of the ecosystem.

In agriculture, the Community financed one provincial and eight rural centres, as well as irrigation programmes (4 500 ha), land conservation and animal (cattle and goats) selection schemes, and gave support for agricultural credit facilities for the peasants taking part in the project. Other sections covered health (malaria control and drinking water supplies), transport (road and port developments) and ecological operations involving such things as soil classification, data collection and analysis and prospective regional development analysis.

One concern was to reconcile ecological demands with the needs of the poorest, so the strategy included the traditional practices of itinerant croppers, which put a severe strain on the ecosystem, instead of rejecting them as archaic. In the case of Palawan, traditional areas of activity were defined and serious restrictions put on wood-cutting by professionals there. Since it did not blame peasants who damaged their environment, the project seemed more pertinent to them and made them more receptive and more motivated vis-à-vis the education and training schemes.

#### **DEVELOPMENT OF THE UPLANDS**

The Community has spent more than ECU 40 million since 1986 on two integrated rural development projects in the uplands of the central Cordillera and the southern Mindanao. In the light of experience in Bolivia, these were

designed as microprojects and based on the initiative of the ultimate recipients, the peasants, who make up virtually the whole of the population and practise subsistence farming on sharply sloping land prey to violent erosion.

In this kind of project, the Community finances such things as the renovation of a large number of gravelled mountain tracks and provides overpasses and pathways for people on foot to make these areas - neglected by every Government for the past 40 years - more easily accessible to people and goods. In the agricultural production sector, the projects offer support for diversification and yield improvement (easier access for inputs) and encourage marketing. Generally speaking a budget reserve of about 10% is provided so the project can be flexible in adapting to the needs of the recipients.

## INDONESIA

### priority for irrigation



#### THE PARTNER

Indonesia, a country of 13 667 islands right on the equator, is the fifth most heavily populated country, with 170 million inhabitants. It also has the world's leading Islamic community. Java, a mere 7% of the national territory, contains 62% of the population. Agriculture (with 75% of the total population, 55% of the working population and 25% of GDP) dominates, although only 7% of the country is under crop. Here again, Java is where the activity is concentrated, 43% of the arable land being on this island, where the capital, Djakarta (where 90% of the urban population live), is situated. Although, there are currently only 14 million ha under crop (90% of it rice), according to the World Bank, there are 40 million ha on the other islands which could be used for agricultural purposes. The proactive attitude of the authorities, which embarked upon a green revolution (improved seed, fertilizer, pesticide and agricultural credit facilities) in the sixties, has made self sufficiency in food a reality, but with the population expanding at the rate of 2.2% p.a., farming has to be developed further, with diversification of production and more land under crop. With the rural population of some areas below the breadline, agriculture is still the Government's priority. Indonesia exports oil, bringing in foreign exchange, but the per capita GNP was only ECU 324 in 1988.

#### THE EUROPEAN RESPONSE

- ◆ Financial and technical cooperation began in 1976.
- ◆ There were 19 projects.
- ◆ Total Community financing was ECU 131 million.
- ◆ The average intensity of Community funds was 30%.
- ◆ The main external cofinancers were Italy, France, the ADB, the IDB and the IBRD.
- ◆ The breakdown by sector was four agriculture projects, two rural development projects, two livestock projects, six irrigation projects, two fisheries projects and one energy project.
- ◆ The dominant sector was irrigation, with 35% of Community funds.

#### IRRIGATION ON BALI

Part of the Indonesian Government's agricultural support policy for a long time now has been to extend the traditional irrigation systems on Bali and more than half the 100 000 ha of irrigated land on the island was renovated in 1969-79. The farms on this island, as on Java, are smallholdings where the peasants grow cereals, fruit and vegetables, in addition to rice, on fertile volcanic soil and they can have several harvests a year if they use the right sort of irrigation.

The Community put financing (of ECU 12 million) into rehabilitating a number of village irrigation systems (total cost ECU 100 million), with the Asian Development Bank, over the period 1982-87.

The aims were ambitious, since the cereal yield was to go up by 33% and the rice yield by 60% and the income of the 75 000 families involved by 200%.



*The agricultural performance of Indonesia depends upon mastering water supply*

In 1987, independent experts evaluated the project and found that 75 village irrigation installations had been rehabilitated. They reported that the project had taken place in complete harmony with the local (provincial and national) leaders and that the concrete channels now replacing the small earth dykes had been properly built and they suggested that extending the project for a further two years would ensure that the improvements lasted.

The most important socio-economic aim was to improve peasant incomes and create jobs and the evaluation mission in fact found that the average farmer's income had increased from ECU 214 to ECU 267. But this was less than anticipated, because not all peasants used the irrigation system to the full and the traditional socio-economic and institutional structures (which are virtually intact in the rural areas) apparently offered resistance to technical change. However, there was a considerable snowball effect, because the project offered far more than the anticipated 37 000 man-years of work when the number of sub-projects doubled. And although almost all the public works companies are based in Denpasar, Bali's main town, at least 75% of the labour force recruited came direct from the rural areas, where there is 30-40% unemployment.

The direct goal was obviously higher agricultural output through easier access to water. Although it was known that there was no point in expecting immediate improvements, the increase in the first two years was only 25% of the anticipated figure, because the peasants already had a great deal of work with their land and were unable to free themselves enough to make the most of the water available. There is no doubt that the fact of cofinancing with the Asian Development Bank (the majority funder of the project) led to the identification work being divided and underestimating the inertia of the recipients, who failed to make the most of the opportunities offered.

## BOLIVIA

### the success of microprojects



#### THE PARTNER

The 3000- 4000 m Bolivian Altiplano, the historic home of the Inca civilizations, makes up only 25% of the total area of this landlocked country, but is its most densely populated area. Potosí, the capital of the world silver trade flourished and copper and tin mines were discovered in the 19th century. Half the population still lives there, not without difficulty, today. In spite of its mineral wealth, Bolivia is still predominantly agricultural (the sector occupied 51% of the working population in 1987), but economic problems are such that more and more people are leaving the land for the towns (La Paz and Santa Cruz). Falling tin prices have made 20 000 miners jobless since 1985 and the hazards of climate (drought in 1982-83, followed by floods) have further encouraged the move to the towns. GNP declined constantly in the eighties (the per capita figure was down to ECU 510 in 1988) and the economic gap between the rich valleys and the poor Altiplano is widening. The country has achieved precarious self sufficiency in food and, like many of its neighbours, has a heavy external debt burden. Social problems and political instability are increasing and there is a crying need for aid on both a short- and a long-term basis. The authorities can no longer count on mineral resources and are looking to the development of traditional agriculture (subsistence farming, mainly of cereal and potato crops, and herding) in the mountain areas and export crops (soya, cotton and sugar) in the tropical zones. Not only does external aid have an effect on development in Bolivia. It also helps create a safe climate for foreign investors, particularly given the gradual restoration of economic stability since August 1985.

#### THE EUROPEAN RESPONSE

Bolivia is the poorest country in Latin America, which is why it was the first of the continent to receive financial and technical cooperation (1976). The military coup d'état in 1980 brought the process of democratization to an end, however, and the Community suspended all aid until 1982. Since the return of democracy, it has been running projects of a different kind, second-generation projects as they are called, involving considerable decentralization (of identification and decision-making), firmer management (national and expatriate codirection), autonomy of execution and stronger technical assistance teams. The most important projects are integrated rural development schemes in two successive phases (with no provision for a third).

◆ **Phase one** of these schemes, pre-development so called, involves providing the fastest possible response to the basic (production and social) infrastructure requirements of the peasants. These rural microproject programmes, which are concentrated into a deliberately short period of time (three years), are the opportunity to obtain a closer understanding of the environment and win the confidence of the rural communities.

◆ **Phase two**, the development phase, involves promoting structural improvements and raising the income and standard of living of the population by running small, selective infrastructure schemes linked to production (irrigation in particular), with access to credit, systematic training at all levels (peasants and instructors) and better peasant structures. These rural self-development (or Auto Desarrollo Campesino) programmes, or PAC, which last five years, help make the peasants less dependent on the public services (except in matters of health, education and telecommunications).

Bolivia is the leading recipient of financial and technical cooperation in Latin America

and the sixth in the ALA developing countries as a whole. If this cooperation is related to the number of inhabitants, Bolivia becomes the leading recipient in the ALA developing nations, with a per capita average of ECU 30 in 1976-89.

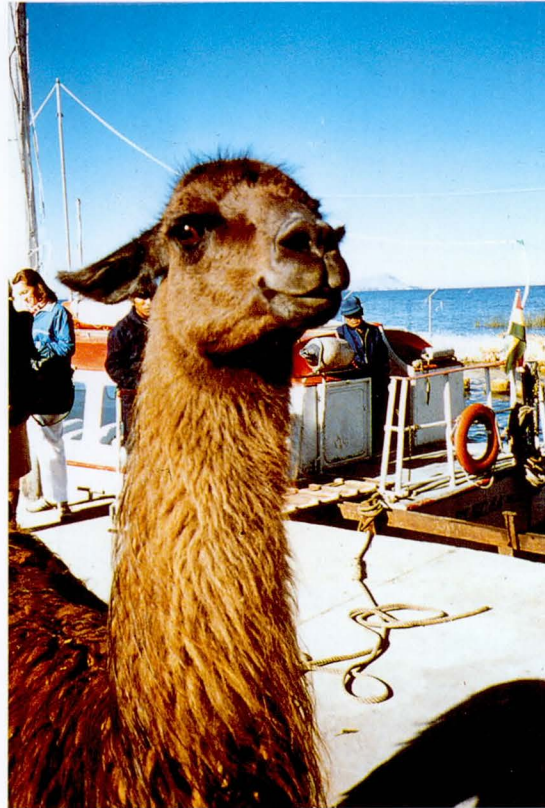
- ◆ *There were 10 ordinary and two reconstruction (after flooding) projects.*
- ◆ *The sectoral breakdown was two projects in agriculture, seven in rural development and one (Lake Titicaca flood prevention) in infrastructure.*
- ◆ *Total Community financing was ECU 97 million for ordinary projects and ECU 110 million if post-disaster reconstruction projects are included.*
- ◆ *The intensity of Community funds was 60%.*
- ◆ *The main external cofinancers were the Federal Republic of Germany, the Netherlands, the IDB and the World Bank.*
- ◆ *The dominant sector was rural development, with 72% of Community funds..*

#### **RURAL SELF-DEVELOPMENT PROGRAMME**

In 1983, as soon as democracy was restored, the Community re-embarked on its projects for the peasants of the Altiplano. The two poorest departments, Potosí and Oruro, had the benefit of rural microprojects (I and II, in 1983 and 1984) and Auto Desarrollo Campesino programmes (PAC I and PAC II, in 1987 and 1989). The programmes, 80% Community-financed, with a total of almost ECU 71 million, have their staff provided by the Bolivian authorities.

The method of implementation and the original scale of intervention are such that these operations are very successful and are winning the confidence of the recipient populations.

- ◆ First of all, the management and decision-making are completely decentralized, the peasants' contact being a regional administrator - obviously more available and more motivated than a technician from the capital.



*Llama on the banks of Lake Titicaca*

- ◆ Then, the units are directed on a joint (Bolivian and expatriate) basis, with the European co-director increasing the credibility of the project and backing the local officials in their dealings with an often cumbersome administrative hierarchy which does not always have enough time for the project.
- ◆ Lastly, the recipients were involved in defining the microprojects and they themselves implement them (providing labour and materials), while the programmes bring them technical skills, organization and equipment.

And, most important, the schemes involve a host of "little things" (hence the name microproject), which combine to reveal aim number one - gradually to enable the peasant classes to take their own development in hand. And many such microprojects are based on rehabilitated traditional technologies.

The projects which have been or are being completed involve:

- ◆ water supplies - the sinking of wells (with and without hand pumps or wind- or solar-powered motors), the construction of surface water catchment devices, the erection of simple dams (with and without flow regulators) with filter channels, reinforcement of banks etc;
- ◆ the renovation of earth and asphalted roads and the construction of small bridges;
- ◆ rural (crops and livestock) production support infrastructure, such as stores and distribution points, silos, greenhouses, animal delousing baths, shearing and marketing rooms for llamas, alpacas and sheep and enclosures, together with communal buildings and health posts and so on;
- ◆ the provision of agricultural credit facilities (operating capital) to encourage the peasants to obtain tools, ploughs, draught equipment, irrigation systems, fertilizer, pesticide, veterinary products etc.

The complete list would be too long!

The evaluation report on the rural micro-projects (1988) indicated that 500 rural communities (20 000 families) had been provided with 400 irrigation systems, 150 wells, 2000 greenhouses, 600 km of (new and renovated) roads and 80 training and storage centres. And 700 000 trees had been planted. Since these figures do not necessarily mean that the goals were reached, it is worth pointing out that the report also says that "with one or two rare exceptions, the standard of this micro-infrastructure is good".

One of the most interesting (and non-quantifiable) results, in fact, is that confidence between the regional developers and the traditional communities has been restored. In respecting the social fabric, the Community has gone for the essential thing as far as development is concerned - dialogue, the basis for PAC I (1987-92) and PAC II (1989-94).

The Community has gained experience from these projects and shown the self-development approach to be well-founded and it is passing this on to other ALA developing countries, such as the Philippines and Sri Lanka, where Bolivian-type projects have been launched.



## PERU

### rural development on the Altiplano



#### THE PARTNER

The treasure of the Incas (mineral wealth) was the bait which drew the Spanish colonizer, Pizarro, to this mountainous (27% of the territory) land in 1532. Peru became independent in 1821 and had a

first period of prosperity (1840-70), based on exporting guano, a phosphate-rich fertilizer derived from bird droppings or fish scraps. Then came mining (13 metals and 25 non-metals) and then there was the anchovy fishing boom (12.5 million t in 1970). But the unreliability of the El Niño ocean current brought catches crashing down (to 5.2 million t in 1986) and now, without this natural resource, Peru is far from being self sufficient in food - which a fifth of the foreign exchange spent on imports goes to buy. The arable land which makes up only 6% of the territory is already 80% under crop and occupies 40% of the working population. The population is highly urbanized (67%) and almost half lives on the Pacific coast (11% of the total area), where, thanks to irrigation, cotton, sugar cane, rice, grapes, fruit and olives can be grown intensively. Peasants in the mountains grow cereals and potatoes and raise animals, but altogether less productively than on the coast.

Like other Latin American countries, Peru has good resources which are badly exploited and distributed. Its mineral wealth is exploited to a mere 5%, estimates suggest, with a billion t of coal unworked, not to mention the hydro-electric, oil and forestry potential unused.

#### THE EUROPEAN RESPONSE

As in Bolivia, Community aid was channelled into microprojects in the traditional communities of the Altiplano.

- ◆ *Financial and technical cooperation began in 1979.*
- ◆ *There were five ordinary projects and two reconstruction schemes (Lake Titicaca flood control).*
- ◆ *The sectoral breakdown was four rural development projects and one reafforestation project.*
- ◆ *The main operation was a series of rural microprojects (67% of Community aid).*
- ◆ *Total Community aid was ECU 84.8 million.*
- ◆ *The average intensity of Community funds was 68%.*
- ◆ *The cofinancers were Italy, the Netherlands and Belgium.*

#### CAJAMARCA PILOT

##### REAFFORESTATION SCHEME

The Peruvian Government embarked upon this vast programme of 11 million ha of tree-planting over the Altiplano 15 or so years ago. The northern Peruvian province of Cajamarca (at an altitude of 2000-4000 m) was due to organize the industrial exploitation of 180 000 ha, with Belgium's help. When interna-



*Development through microprojects has the support of the local population because such projects improve immediate standards of living*

tional funding was sought, the Peruvian Government and Belgium turned to the Community, which, in 1979, agreed to provide 58% of the financing for a pilot project comprising the commercial planting of 6000 ha of pines, as well as socio-economic development, agriculture and grazing operations, involving 500 families and about 3000 inhabitants.

The Peruvian authorities had to cover the costs of supplying the land, creating a forestry sub-district and setting up a forestry fund to take over once the project had been completed (six years). Belgium, with the benefit of its experience in adapting species of trees, financed the experts and provided valuable economic and technical data, while the Community took charge of various agricultural operations and the afforestation proper. The idea was for the project both to achieve its aims and to demonstrate the economic viability of industrial wood exploitation by bringing in as much land as possible without upsetting the peasants - who shared in the redistribution of profits from the sale of wood in exchange for making their plots

available throughout the forestry revolution (12-25 years). In practice, they will be getting 50% of the profits when the time comes, the other half being reinvested in the project via the forestry fund. Agricultural intensification schemes developed as part of the project also enabled them to improve their incomes and leave space available for reafforestation.

The Cajamarca operation, a pilot project which got the province's reafforestation programme under way, used local labour and animal-drawn transport to achieve maximum efficiency with minimum investment. Although implementation dragged, particularly because of institutional problems, the project came to a successful conclusion and was extended on an industrial basis. Alongside this, the Community financed a very important sub-regional wood research and industrial promotion programme (wood technology development programmes with the Andean Pact's Junac), to promote the gradual replacement of imported building materials by local timber.

## CENTRAL AMERICA

### the demands of regional integration



#### THE PARTNER

The six Central American countries involved in financial and technical cooperation not only have their geography in common. Their agricultural organization is similar, they have the same small populations, they are finding it equally difficult to achieve stable democracy and they all have enormous inequalities as a result too - Guatemala, for example, has about 500 000 smallholdings of less than 1.5 ha, while the biggest farms are an average of 1000 ha. Agriculture occupies 40-60% of the working population in these countries and export crops account for 62-80% of export earnings. The main thing they have in common is their small domestic markets, which force them to combine their economic strategies to get on. But the diversity of the political options of the six nations has not been conducive to the establishment of proper community institutions and the Central American Common Market still has a long way to go before it is really economically integrated.

#### THE EUROPEAN RESPONSE

On 12 November 1985, the Community and the six countries of Central America signed a cooperation agreement, on economic and political relations, as an institutional framework for the growing cooperation between the two regions. The aid - financial and technical cooperation, food aid, economic cooperation etc - which the Community transferred to them, as individuals and as a region, in 1976-89 came to more than ECU 600 million. And, in accordance with the agreement, the Commission made "sub-

stantial" increases from 1985 onwards, with financial and technical cooperation commitments for regional schemes going from ECU 1.4 million in 1983 to ECU 49.5 million in 1989.

Central America is the leading regional recipient of financial and technical cooperation overall, with ECU 122 million and more than ECU 170 million of financing for regional organizations (such as the Central American Bank for Regional Integration) is included.

Over and above the financing of ordinary projects (of which we give one or two examples below), the Community has also helped the young democracies (El Salvador and Guatemala) to resettle refugees and displaced persons in conjunction with the UN High Commissioner for Refugees (UNHCR).

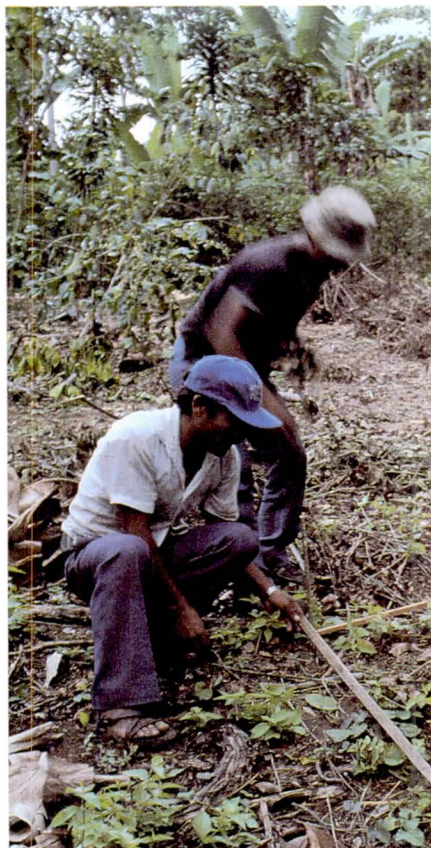
- ◆ *Financial and technical cooperation began in 1977.*
- ◆ *There were 20 ordinary projects plus one emigrant return scheme.*
- ◆ *The sectoral breakdown was 12 rural development projects, two infrastructure projects, one emigration project, one industrial project, two health projects and three regional integration projects.*
- ◆ *Total Community financing was ECU 171 million.*
- ◆ *The average intensity of Community funds was 84%.*
- ◆ *The main projects were a regional payment system (ECU 43.5 million), radar construction (ECU 18.5 million), a child health scheme (ECU 16.5 million), support for SMI (ECU 20 million) and improvements to cooperatives (ECU 22 million), agrarian reform (ECU 95.75 million)*

#### Economic profile of five of the CACM countries

Country	Population 1987 (1000)	Rural pop (%)	GNP 1985 %	Agri. as GDP 1987	Agri as % exp. 1987
Guatemala	8434	67	1240	26	65
El Salvador	4974	57	820	25	68
Honduras	4657	59	730	24	62
Nicaragua	3502	42	840	27	80
Costa Rica	2613	49	1340	20	68

### IMPROVEMENTS TO COOPERATIVES

The 7500 or so cooperatives which combine more than a million people in the six countries of Central America are mainly involved in the agricultural sector, although they deal with such things as credit and savings, cottage industry, craft, fishing and housing too. In spite of the fact that they are properly organized, from the grass roots to the national federations which represent them in their dealings with the authorities, there are still some weaknesses. They have insufficient capital, for example, there are serious deficiencies in their financial and administrative management, their products are not integrated with the markets and they have paternalistic authorities and over-constraining legal frameworks to cope with. And on top of that, there is an international economic crisis and



regional political instability to impede their role as economic operator - which is of course vital to development.

The Community is anxious to foster regional integration and it is acting here through a committee on which the authorities and the cooperative movement are equally represented. With ECU 22 million earmarked for five years (plus ECU 18 million-worth of Spanish co-financing), the Community's main aim is to improve the cooperatives as enterprises.

Practically speaking, Community funds are used to:

- ◆ increase the funds available to productive investment projects;

- ◆ set up guarantee funds to mobilize existing money to help the productive units;
- ◆ set up an expert advice service to help the cooperatives manage their projects;
- ◆ organize cooperative management training schemes.

The "revolving" credit fund puts priority on the smallest cooperatives, but without concentrating on any particular sector and without any national contribution. It is managed by COLAC (the Latin American Savings and Credit Cooperative), based in Panama. The institutional and legal environment of each country's cooperatives is examined and the public bodies are given support in their national task of assisting the cooperatives. Lastly, information exchange, technology transfer and joint venture networks (between the six countries and with European partners too) are being set up in Central America to enable the various cooperative movements to work together.

### THE PAPIC PROJECT

The idea here is to breathe fresh life into industry and banking in the five countries of the CACM. PAPIC (Programme of Support for SMI in Central America), designed in 1985 and launched in 1987, is reserved for firms in the agro-food and manufacturing sectors and involves encouraging people to import technology by providing soft investment credits. The Community has committed ECU 20 million, together with ECU 2.7 million from Italy, into the CABEI (Central American Bank of Economic Integration), one of the CACM's institutions, for this purpose and the European technical assistance specialists, in conjunction with the Central American experts, are encouraging private banks in the CACM countries (except Nicaragua, where banking is nationalized) to use these funds. There are European experts in each country helping the bankers promote SME credit, train businessmen and offer advice on assessing loan dossiers. In phase one of PAPIC, about 50 banks offered about 400

loans - one example is a mango packaging plant in Nicaragua, which was able to obtain Italian machinery without which it could not have envisaged the exports to Belgium which it is developing today. Operating loans tend to be over one year and equipment loans over four years and the interest rate is always better than what is available on the market. In phase two (1989), the project received support from Spain (ECU 1 million) and Sweden (ECU 3.8 million) and the CABEI, now used to this financial system, provided ECU 3.8 million.

#### **INSTALLATION OF AIR TRAFFIC CONTROL RADAR**

Violent storms wash the uplands of Central America in the winter months (May to October), making things very unsafe for air traffic. In 1959, the five CACM countries set up Cocesna, an international association, for the joint management of their air navigation services from the Atlantic to the Pacific and from sea level to 20 000 feet. But the monitoring is still only done by radio and there is no way of keeping a constant check on aircraft entering the zone. In 1982, Cocesna embarked upon a vast modernization plan, phase one of which had Japanese and CABEI support and has just ended with the modernization of the radio communication systems. In 1987, it applied for financial and technical cooperation from the Community for phase two and the Community will now be installing (ECU 18.5 million, plus ECU 9.5 million from Italy) four radar units (two in Honduras, one in Guatemala and one in Costa Rica), an air traffic control centre and a system of communications between the radar units and the control centre.

This efficient equipment will be a technological leap forward for this part of the continent - the only one still without modern radar systems. This is why Eurocontrol, the European air traffic control organization, will be giving Cocesna the benefit of its experience with train-

ing technical staff, over and above the technical assistance with the gradual installation of the new aircraft monitoring system. The present air traffic controllers will have to get used to complex techniques - (digitized) surveillance radar, for example, which calls for very advanced training - gradually. The project will make it possible to train instructors on courses involving, in particular, visits to European airports.

#### **CHILD SURVIVAL**

Portugal, for example, has one doctor for every 400 people, but Central America has an average of six times less and infant mortality there is abnormally high (see Table 28). In 1985, the Community provided 50% of cofinancing with Italy (more than ECU 30 million) for a project aimed at changing health policies and lowering the infant death rate in the long term. It also wanted the project to help boost trade between the countries, thereby fostering the regional integration already taking shape in other areas. This is why the five CACM countries and Panama and Belize (which is in the ACP Group and covered by the provisions of the Lomé Convention) were all involved and the seven national directors given the opportunity to share their experience on an ad hoc committee. There was also what might be called an eighth project, as this committee, originally intended for the exchange of information (on project progress, national health practices, experimentation, needs etc), also initiated one or two operations - financing for general studies, for example, and training schemes - which were of benefit to everybody involved. And since health policies varied considerably from one country to another, the committee proved to be a useful place of discussion.

Preliminary studies highlighted seven major aims. These were to:

- ◆ improve health coverage, i.e. ensure that the public health effort did not just concentrate on the towns and that every village had access to facilities in one way or another;
- ◆ put priority on the development of primary health care instead of channelling the majority of the nation's resources into buying sophisticated equipment for one or two hospitals;
- ◆ improve preventive schemes - prevention, in medicine as in other fields, being better than cure;
- ◆ promote the regionalization of health services, i.e. put more responsibility on the shoulders of local staff outside the usual decision-making centres and thereby enable the rural populations clearly to identify their own health needs in the long term;
- ◆ promote active methods of making the population more responsible for its own health (particularly with preventive measures - i.e. hygiene and nutrition) and ensuring it knows more about primary and emergency care;
- ◆ adapt to local limitations, i.e. give preference to low-cost methods that the countries are likely to be able to support.

The idea throughout the project (1985-90) has been to fit in with the national health policies, give them support and make them more coherent. Information campaigns and training for health staff at all levels are being run to achieve this ambitious aim and reforms of maternity and children's services are being studied and proposed. Mobilization campaigns on particular themes are being organized and, of course, horizontal schemes common to several countries are being run. A monitoring and evaluation system has also been set up.

The Central American public health services now have staff from the rural communities, not just graduates, and at the "lowest" grade of public health care, the first aid posts, which are often a long way from any of the main lines of communication, have been dynamized to the point where they now want their activity planned and are applying to the administration (the nearest health centres or the hospitals) for medicines, supplies, technical assistance and so on to meet the needs of the populations they serve. So national health policies are now taking more notice of the real needs of the population and their effect in the field is more tangible as a result.

#### Health profile of the six CACM countries

	Births per 1000 Inhabitants	Inhabitants per doctor (1987)	UFMR* (1987)
Guatemala .....	363 .....	5700 (1981) .....	103
El Salvador .....	190 .....	3002 (1981) .....	87
Honduras .....	196 .....	2300 (1985) .....	111
Nicaragua .....	155 .....	1456 (1984) .....	99
Costa Rica .....	81 .....	1198 (1982) .....	23
Panama .....	62 .....	878 (1985) .....	35

\* The UFMR (Under Five Mortality Rate) is the number of children who die before the age of five for 1000 births. It varies from 7 (Sweden) to 304 (Afghanistan) and is 12.2 for the European Community (Source: 1989 UNICEF Report).

### SUPPORT FOR AGRARIAN REFORM

The European Community is so far the only international institution to have financed projects to support agrarian reforms in Central America from beginning to end. This is a delicate subject and a source of conflict between the different sections of the population, so any external intervention has to be made with considerable tact. The Community has therefore refrained from any a priori political reasoning and respected the options of the recipient countries - which have very different political profiles. Financial and technical cooperation, which is aimed at encouraging development, focused on this sector for the following three main reasons.

- ◆ Agrarian reform is still of vital importance to these countries.
- ◆ The national political powers recognize the need to iron out inequalities in the system of land ownership.
- ◆ The land redistribution phase slowed down in the eighties.

Agrarian reform is part of the national agricultural policies and the Community's idea in simultaneously financing pilot projects in the five countries concerned (Honduras, Nicaragua, Costa Rica, Guatemala and the Dominican Republic) has been to demonstrate that land redistribution can be a success if it goes hand in

hand with integrated rural development schemes. The resistance and the economic weight of the big landowners and the inexperience of the landless peasants are difficult obstacles to surmount with political measures alone.

And although the prime aim of agrarian reform is indeed to iron out inequality and thereby help reduce social tension, there are two economic aims as well:

- ◆ to boost the national output of basic cereals, given that modern agricultural firms are concentrating more on export crops;
- ◆ to ensure a decent income via production structures which are small, of course, but viable if they have the backing of the authorities.

Although these are global political reforms relating to a whole sector of production, the Community has gone for the demonstration project approach to make it clear what it is doing in the field. ECU 95.75 million were committed to eight integrated rural development projects in 1982-89 to back up agrarian reform measures taken by the authorities.

Each project was designed to take five years and received an average of ECU 10 million (the range was ECU 6-18 million). It had a national director and a European codirector, it was lightly structured, with 50 or so local staff and three to five European experts, and targeting (to 600-2000 families) was always preferred to a mass or more diffuse approach.

In most cases, the zones selected were those where peasants - "asentamientos", usually grouped together into collective production cooperatives - had already been settled as part of the agrarian reform, although, in some cases, small independent producers living in an economically precarious situation in the project area were also involved in the schemes on a subsidiary basis.

**Financing of agrarian reform support projects in the six countries of Central America, 1976 - 1989, Ecu million**



The problems which peasants involved in agrarian reform usually come up against are:

- ◆ unfavourable production conditions, due to small plots (5-7 ha) and the land distributed being not of the best;
- ◆ paternalism or dirigism on the part of the supervisory institutions, which all too often leads to the recipients seeing themselves as "assisted", an attitude which is not conducive to higher productivity;
- ◆ general indebtedness, due to the inexperience of the "asentamientos" and the benevolence of the authorities, which are anxious not to worsen the peasants' situation and have made access to credit facilities too easy;
- ◆ vague or precarious systems of land ownership which encourage people neither to shoulder responsibility nor to invest.

Although it is still too early to measure all the effects, the most important one is to make the authorities very aware of the need to give vigorous support to back-up measures if the aim of agrarian reform - to raise the standard of living of the poorest - is to be achieved.

### Guatemala

The first agrarian reform, set up under the Presidency of Colonel Arbenz in 1952, was defeated in 1954 and the redistributed land

returned to the former owners. Even today, the subject raises such strong feelings that the Government finds it difficult to obtain land for redistribution, although at least 300 000 families need it. Smallholdings (88% with less than 7 ha) account for 16% of the usable agricultural land and large farms (0.2% with more than 350 ha) 34%. The Community is giving fresh impetus to the agrarian reform with an ECU 12 million project launched in 1988 to consolidate two big farms - Arisco (bananas - 1700 ha worked collectively by 330 families) and Chocoma (coffee - 2000 ha worked by 1700 families on individual plots of 7ha each) by providing irrigation infrastructure (700 ha) and running various agricultural and social schemes.

Tracks and rural electricity infrastructure were provided from year one and land law studies were run, showing that the peasants' legal status was the key to their success as security was vital to investments in the long term. Here, the project acted as a catalyst between the peasants and the authorities, which had been in conflict before.

By consolidating a situation left over from the first agrarian reform (in which peasants and State were still at variance), it is also supporting the State in its drive to apply agrarian reform to the rest of the country.



*To give the land to its inhabitants is to encourage them to improve their production*



### Honduras

Agrarian reform here, as in the other countries, coincided with the doctrine of alliance for progress which the USA spread in an attempt to prevent the looming social upheaval by redistributing resources and means of production, but here, it was pressure from the agricultural unions on the banana plantations which was behind the process. Expropriation of the



*Agrarian reform is doomed to fail without an improvement in the standard of living, services and public infrastructure*

very productive estates in the north, to the benefit of well-organized workers' cooperatives, began in 1962 and less good land was distributed to groups of badly-organized peasants in the south and centre. All in all, the agrarian reform promoted almost 2000 cooperatives combining about 50 000 families on 12% of the usable agricultural land. Since the eighties, the process has slowed down a great deal and it is thought that more than 150 000 families need land. The financing for the project implemented in 1983 (ECU 17.7 million, ECU 16.9 million of it from the Community) came mainly from the counterpart funds accruing from the sale of agricultural inputs donated by the Community and it made it possible to build 80 km of roads, provide credit facilities for about 600 farmers and improve rural housing with considerable involvement by the recipients themselves and only a small amount of debt. Although the idea was to reduce dependence on the single basic cereal crop, the part of the project devoted to traditional crops (maize and beans) had only a minimal effect

because of poor weather conditions. When the project came to an end, in 1988, it was extended for a further two years so that the irrigation (300 ha) and drainage (6300 ha) work originally provided for could actually be carried out. As well as helping peasants who had been involved in the agrarian reform, the project reached a further 1150 independent farmers and gave them credit facilities and appropriate technology developed by the research and agricultural extension services working on the scheme.

### El Salvador

The first agrarian reform, launched in 1975, was soon blocked when the coffee oligarchy and the army reacted against it, but it still managed to get part of the big cotton estates on the Pacific coast redistributed to 314 cooperatives of former agricultural workers (almost 30 000 families).

The other two projected phases of the reform were only partly implemented, because of the violent attitudes they triggered, and there are now an estimated 300 000 families in this country in need of land.

The Community has only financed one project in El Salvador so far (in 1987), an ECU 6 million scheme to develop craft in the underprivileged areas, since it could not, for obvious reasons of security, back the agrarian reform in 82.

### Nicaragua

The agrarian reform of the eighties, part of the general process of economic and social change in Nicaragua after the fall of the Somoza régime, was the most radical in the region. It confiscated the land of the former President and big absentee landlords and created a State farm sector (APP). The Law of Agrarian Reform came out in 1981 and a sector of collective production cooperatives was created, partly by redistributing some of the State land, in 1982. At the same time, areas released under the first agrarian reform (1963), representing 18% of the usable agricultural land and involving 33 000

families, were legalized. Land from the State sector (APP), from various over-endowed cooperatives and from further expropriation was distributed in 1986 and then the process was put on ice in 1988. The reformed sector, which accounts for a total of 30% of the usable agricultural land - 14% of it in the State sector (APP), 12% with the collective cooperatives (25 000 families) and 4% with individuals (23 000 families) - is in a state of serious crisis and productivity is very low.

The recipients of the project which got Community support (ECU 11.76 million) in 1983 are 22 cooperatives created by the agrarian reform - 40% of them concerned with crops and 60% with herding (or mixed farming) - and they involve 643 families and 8400 ha of land. The project built 190 houses and supplied drinking water and electricity to a number of villages, produced soil protection works, terraces, wind-breaks, stores, workshops, silos, fences, enclosures etc and purchased agricultural equipment (36 tractors and fittings), trucks, four-wheel drive vehicles, a dozen motorcycles and various other items. Not all the aims were fully achieved, however, because of galloping inflation, the still cumbersome nature of the administration and the lack of agricultural experience of some cooperative members.

### Costa Rica

The Institute of Land and Colonization (ITCO) was set up in 1961 to confirm the colonization of land on virgin territory and settle land disputes by purchasing tracts taken over by the small peasants. Since this first period of land adjustment (rather than agrarian reform in the usual meaning of the term), the Institute of Agrarian Development, set up in 1982, has been



*When they feel safe  
on their land,  
farmers are ready  
to carry  
out community work*

managing "organized" requests for land from 10 000 applicants. The impact is very small (less than 2% of the usable agricultural land), but the needs remain considerable (about 60 000 families).

All the ECU 28.6 million which the Community committed to the two ordinary projects run in this country went into support for agrarian reform. The nationally-instigated Orotina project, costing a total of ECU 25.8 million

(ECU 18 million of them from the Community), began, for a period of five years, in 1983. Almost 30% of the funds went into land purchase (3500 ha), 20% into the creation of infrastructure and 20% into agricultural credit. A total of 662 peasant families were involved and they opted for joint management of the newly acquired land, because the relief was such that the splitting of it into individual plots was out of the question. By forming these groups, they were able to get credit with their joint guarantee, supply inputs, find outlets and even make collective investments in such things as irrigation. One of the most interesting results of the project, over and above the fact that it got the peasants settled, was that it made the producers feel responsible so they tried to diversify their crops to keep risk to a minimum and aim for the national and regional markets with export crops.

The other project, committed in 1985 (ECU 21.6 million - ECU 9.95 million from the Community and ECU 2.6 million from Italy), was to develop agriculture and consolidate the work of the agrarian reform in an area formerly occupied by a North American banana firm but now in a state of economic depression. There are currently almost 600 families living on the estate, now cut up into plots, where the land is good but poorly drained (because the old system has not been maintained), although there is plenty of

rainfall in this South Pacific region. After phase one of the study, installation of a drainage network (of about 5000 ha) began in 1990 and agricultural credit schemes were set up so that farm tools and inputs could be purchased. The cattle credits, which are reimbursed in kind (one heifer and one calf for one cow), and the conventional loans for long-term diversification are working well, but have not reached all the target recipients yet. Season loans will gradually be replaced by cash funds managed by the peasant collectivities - a method which the Community has used a lot in other development projects.

### **Dominican Republic**

Before looking at this country's agrarian reform, let us remember that the Republic, which shares the island of Hispaniola with Haiti, joined the ACP Group in 1989 and will now be covered by the provisions of the Lomé Convention.

In 1963, after the death of the dictator, Trujillo, and the nationalization of his property (10% of the usable agricultural land), a law on agrarian reform was voted through. The Dominican Agrarian Institute then distributed the under-exploited land in plots, but without touching the big sugar estates. Almost 9% of the usable agricultural land was distributed to 60 000 families, but the process slowed down in the eighties and there are still something like 400 000 families needing land.

Over and above the reconstruction schemes (which include the installation of a hurricane warning radar unit), there has only been one Community-financed development scheme

in the Dominican Republic - an ECU 13.6 million (ECU 12 million of them from the EEC) agrarian reform scheme in 1982. The idea here was to develop 2100 ha of a total 5000 ha of irrigable land on which the Government had already installed primary and secondary water supply channels. More than 50 km of channels and 80 km of tracks have already been built.

The original thing about this project was that it did not supply the heavy equipment directly, but enabled the local (private and public) institutions to produce the infrastructure themselves. When it came to agricultural production, the more than 665 families (grouped together into 34 associations) which had been settled on the land by the Agrarian Institute got the means of becoming better integrated in the market economy and the project identified simple, known outlets for such things as cotton (with a cotton company), melons (with an exporter), sorghum (with federations of herdsmen), onions and so on.

On the social promotion front, the project had an ECU 1.3 million credit fund, managed by a private bank, to bring 3000 ha under crop. And a housing estate, designed along urban lines to keep the cost of such things as water and power supplies and health facilities down to a minimum, was built, with 400 units at ECU 4500 each available on soft loans over 15 years. However, when this estate was occupied, it emerged that the absence of vegetable gardens did nothing to encourage the development of "an associative, peasant culture" and so funds to improve the existing houses will be set up in phase two.

## THE JUNAC

### a model for regional integration



#### THE PARTNER

The Junta del Acuerdo de Cartagena (Junac), the technical and administrative integrating body of the Andean Pact (combining Peru, Bolivia, Ecuador, Colombia and Venezuela), is similar in structure and function to the Commission of the European Communities and, like the Commission, it is invited by a Council of Ministers to put things decided at political level (harmonization, standardization, planning, financing, negotiation, statistics, controls etc) into practice. It is directed by three members and has the power to make proposals, have studies run and organize whatever other action is in line with the aims of the Cartagena agreement.

The stringent management and efficient administrative procedures of the Junac are such that a permanent and fruitful dialogue is developing with the Commission. The exceptional similarity of the two organizations make them outstanding partners, both believing that the construction of a community and (economic and political) integration are what will be needed in the increasingly interdependent world of tomorrow.

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#### THE EUROPEAN RESPONSE

In 1983, the Community and the Andean Pact signed an economic and commercial agreement managed by a joint committee.

The Community, the Junac's main funder, began by backing specific (rural technical cooperation, food technology, wood technology and industrial) projects in 1977-83 and then, in 1984, moved on to financing the three-year programmes on aspects of sectoral policy such as the food security-strategy, industry and sub-regional trade which are still going on today.

- ◆ There were 18 projects.
- ◆ The total amount of aid was ECU 55 million.
- ◆ The sectoral breakdown is four rural technology projects, five food technology projects, four wood technology projects, three industrial projects, one energy project and one new technology project.
- ◆ There was no external cofinancing and the Junac committed 35% of the total cost of the 18 projects.
- ◆ NB. In contrast with the projects run to provide direct help for the most underprivileged populations, this is a special form of cooperation which could well be called intellectual input. With experience of running the European institutions behind them, European experts are helping the Junac to achieve its aims by means of advice, studies, analyses, expert reports, recommendations and training schemes. This type of cooperation has a lot of spinoff, just as Council decisions and Commission action in the Community affect the whole of the population of the 12 Member States.

#### INSTITUTIONAL SUPPORT

The social changes now occurring in the Andean countries, with the rural world being abandoned without the necessary job creation in the towns, is forcing the Pact to speed up economic integration. Like the Twelve, the Pact hopes to benefit from the removal of frontiers and get community support for agriculture and industry. With the development of its industry (and the creation of jobs and the reduction of imports) in mind, it is looking at the rationalization and modernization of production and investigating ways of making the real state of the "common" market more transparent. The Community gave help here, in 1985, with an ECU 7 million project to boost productivity, particularly in the SME-SMI, promote investment and innovation, transfer technology and improve trade and business. Andean experts from both public and private sectors have been here to study progress towards the single European market of 1992 and

received advice on setting up an Andean customs union.

But agriculture is still crucial to development and food security is still a major concern.

The Community financed a project (worth ECU 7 million) in this sector in 1984, with the idea of reducing economic dependence in the region, improving potential, making for greater complementarity and boosting trade. The products covered were rice, maize, sorghum and short-cycle oilseeds. Six computer systems (one per country plus one for the Junac) were set up by local (325 man-months) and European (156 man-months) experts to run these programmes.

Another project (ECU 7.3 million, 1988-93) is aimed at boosting regional integration in the light of the Quito Protocol (1988), which amends the Cartagena Agreement and gears the integration process to development, with equal stress on agriculture (in the broadest meaning of the term) and industry (small and medium-sized firms and capital goods). The range of schemes in this project, involving such things as reactivating trade, promoting science and technology and running integration and socio-economic development studies, is even wider. The Simon Bolivar University of the Andes (set up by the Andean Pact in 1985) is getting financial support of ECU 3.7 million to improve its cooperation with the other universities in the region and with the European institutions. The research network which has been set up caters for the priority which the Andean countries give to the dissemination of technological innovation and diversification in agriculture, mining and energy. It also means that the effect of European progress in the fields of biotechnology, new materials, new energy and information technology can be exploited.

Another type of operation provided for in this project is groundwork for the harmonization of the legislation relating to consumer protection, the rules of competition and the elimination of unfair competition. European experts

will be helping with these over the next three years (1990-93).

So far, the Community has contributed to programmes to:

- ◆ set up a computerized food strategy decision-making system (SITOD) in the member countries;
- ◆ set up a sub-regional emergency fund, organized as an Andean system of mutual assistance with food (SASMA);
- ◆ study an information-type system dealing with shortages and surpluses of the main food-stuffs;
- ◆ improve the various national food security systems;
- ◆ analyze and recommend ways of ensuring that food circulates better between the countries belonging to the Andean Pact;
- ◆ analyze the possibility of joint food imports into the member countries;
- ◆ set up two economic confederations (for livestock and agro-industry);
- ◆ update and reorient the industrial development sectoral programmes (in metallurgy, petrochemicals and the automobile industry);
- ◆ carry out the SME-SMI support programme and set up the Andean Confederation of SME-SMI by means of a sub-regional committee;
- ◆ create and launch sub-contracting grants, with the involvement of the private sector;
- ◆ improve the sub-regional system of standardization, quality control and metrology and the Andean information system for SME-SMI.

Lastly, a global econometric model, called Mega and incorporating more than 150 variables, means it is now possible to have and analyze macro-economic data on the region, with a view to forecasting the way the economy is going to behave.



## ASEAN

### building a large market



#### THE PARTNER

ASEAN, the Association of South East Asian States, set up in 1967, combines six countries - Brunei (since 1984), Indonesia, Malaysia, the Philippines, Singapore and Thailand - and has its seat in

Jakarta (Indonesia). Its main aims are to promote peace and economic, social and cultural progress in the member countries.

The Ministers of Economic Affairs handle economic cooperation on five committees (food - agriculture and forestry - finance and banking - industry - mining and energy - communications, trade and tourism) and three more committees deal with culture and information, science and technology and social development.

ASEAN has 302 million inhabitants, with an average per capita income of ECU 504 - a low figure which is partly due to the demographic weight of Indonesia (170 million people, or 76% of the whole organization), where it is only ECU 324. Brunei, however, is one of the richest States in the world.

#### THE EUROPEAN RESPONSE

Cooperation with ASEAN, which began in 1978, has involved both financial and technical cooperation projects (ECU 27.95 million) and economic cooperation schemes (ECU 23 million). Given the diverse economic situations in the countries concerned, financial and technical cooperation has been aimed at strengthening the ties with this economically expanding part of the world. Unlike, say, the Andean Pact countries, ASEAN has no real executive structures, which does nothing to help the implementation of big projects, but a number of multiannual regional operations have been run under the financial and technical cooperation heading, nonetheless, in industry (two projects -

ECU 7.8 million) and in wood technology (two projects - ECU 7.8 million). The Community encouraged private European operators to contribute here to develop industrial norms and appropriate production and quality control technologies jointly with their Asian partners.

After this come fish farming and fisheries (three projects - ECU 7.8 million) and food storage and processing schemes (two projects - ECU 4.6 million).

This is why the overall amount is low in comparison with the size of the target populations (cooperation with ASEAN only represents 1% of the financial and technical cooperation funds the Community committed to this part of the world).

#### DEVELOPMENT OF FISH FARMING IN ASIA

Fish farming in both salt and fresh water has expanded enormously in ASEAN, be it from the point of view of the output, the areas involved, the productivity or the jobs it creates, and it now accounts for 15% of the whole of the organization's salt and fresh water production. The total output of the Philippines, for example, went from 96 000 t in 1970 to 289 000 t in 1980. Production (all species) in the region as a whole is up at 1 million t p.a. and ASEAN is aiming to double this in the nineties, with the biggest increases expected in the Philippines (+90%) and Malaysia (+54%). And Malaysia, which turned to shrimp late in the day, is hoping to increase its output twentyfold by the end of the century. So



the ASEAN countries are putting a lot of faith in fish farming - an ancient practice, maybe, but a recent one from the point of view of the basic knowledge and the technology involved - in their economic development strategies.

If these ambitious but accessible goals are to be attained, then the technology has to be spread to as many small producers as possible. They have to know how to manage reproduction and prevent diseases and epidemics by biological water control. Fish farmers, just like breeders on land, have to control the genetic side of their stock (crossing and selection) and they have to come up with the best possible feed so as to improve its productivity. And lastly, there is no point in developing production without running a proper survey of the markets, both existing and to be created, without taking ecological constraints into account from the word go (this is the concept of lasting development) and without, as already mentioned, making an effort to provide training for the producers.

For fish farming, be it of tilapia, carp, mussels, crab or shrimp, is an activity carried out by various sections of society. Many peasants, for example, raise carp in small canals after the rice harvest. And the huge fish enclosures in Manila Bay give an idea of the size of the population involved in this sector.

The Community has responded to an ASEAN request by financing an applied research programme, the ASEAN-EEC Regional Aquaculture Development and Coordination Programme (AADCP), a five-part scheme. Each part has been taken over by one or more research institutes (Brunei is not involved), working closely with five European research centres, and



all the establishments are in permanent contact through a coordination unit based in Thailand.

The subjects under investigation are as follows.

◆ **Indonesia** -

Improvements to methods of evaluating coastal zones with a view to fish

farming, which involves studying the appropriate technology for each site and looking at the ecological and socio-economic aspects.

◆ **Malaysia** - The same, but in lakes and fresh water reservoirs, for which technological and economic feasibility studies are already under way.

◆ **Singapore** - Research and development of fish food and the management of ocean fish farming.

◆ **Thailand** - Applied research into fish and crustacea genetics with a view to farming and the selection of fast-growth, disease-resistant species.

◆ **The Philippines** - Improvements to ASEAN's specialist fish farmer training potential, the development of fish farming technology and training for producers and technicians.

The Community is contributing ECU 6.7 million to the total cost of ECU 9.32 million for the five years of the project (1987-92).

Researchers in the institutes in the EEC and ASEAN are working together and exchanging information. Various laboratories and experimental stations are being fitted out and put at the disposal of researchers and technicians. Scientific seminars are being held throughout the period of the project and long-term study grants have been allocated to each of the ASEAN countries to enable them to have top

level specialists trained in Europe. So the region is developing considerable potential when it comes to technological innovation and extension work in the peasant environment and it is all being organized coherently by the coordination office in Bangkok. The network of research institutes is strengthening the (thriving) links between the partners in EEC-ASEAN cooperation and encouraging the transfer of appropriate technology. The varied results include the creation of sperm, hormone and marine species

banks, the scientific characterization of some technologies, the inclusion of ecological considerations in the development of sites, the determination of optimum water to production ratios, market surveys, production quality improvement and an increase in the areas which can be used for fish farming. Improvements to this sector are making an important contribution to meeting the food requirements of South East Asia, where the people eat as much fish (17 kg p.a.) as meat.





# CONCLUSION



AS LONG AS THERE IS DESTITUTION  
AND MALNUTRITION, THE COMMU-  
NITY SHALL HAVE TO KEEP IMPRO-  
VING ITS DEVELOPMENT AID POLICY.,  
UNDER PAIN OF BECOMING AN  
ISLAND OF WEALTH IN AN OCEAN  
OF POVERTY.

## AN ENCOURAGING RECORD

**I**N OPTING FOR GRANTS, FINANCIAL AND TECHNICAL COOPERATION HAS SATISFIED REAL NEEDS FOR WHICH OTHER INTERNATIONAL AID OFFERS LITTLE COVERAGE.



### THREE AIMS ACHIEVED

After 14 years of development cooperation, the Community has enough information to evaluate its action in the light of the needs of the ALA developing countries and of its own aims.

The record, overall, is a positive one and there are three reasons for this.

- ◆ The Community has been able to go beyond its privileged relations with the ACP and Mediterranean countries and extend its cooperation to all the developing countries of the world.  
So the "European presence" is now a fait accompli in almost all the developing nations - which was what the Member States of the Community were aiming at.
- ◆ The operational targets - better agricultural production and development of the rural sector in the broadest meaning of the term, a higher standard of living for the poorest and practical encouragement for regional integration - have all been attained.  
Financial and technical cooperation, supplemented by the food aid which the Commission provides direct, has met the obvious needs of the developing countries of Latin America and Asia, particularly the poorest of them.
- ◆ Community aid has been implemented efficiently overall, in spite of the teething troubles which were partly due to the Commission's initial lack of experience in these countries - themselves, by definition, unfamiliar with Community aid.

### FOUR POSSIBLE IMPROVEMENTS

In this publication, we have seen how the Community's political will has been put into practical effect. It would also have been extremely instructive to see how this developed over the period, as the living story would have shown how this policy managed to keep aid to the poorest people firmly in its sights, show flexibility and improve its methods of action and listen to the recipients more from year to year.

But there is still room for improvement, as the needs are still immense.

Schematically, there are four possible improvements.

- ◆ Although there is no point in expecting spectacular change in development, the Community has realized that aid payments could and should be speeded up. On average, projects and programmes run over the period 1976-89 finished six to eight years after the funds were committed.

So only half the available funds have in fact been spent so far and the balance is still at the disposal of projects.

This is partly due to a desire to leave an indelible imprint, to have an effect on the quality of the recipients' everyday life, which means defining and carrying out rural development projects which take a number of years.

And it has to be admitted that it is also due to unavoidable administrative slowness, in both the recipient countries and the Community.

In some cases, a sluggish rate of payment may interfere with the effectiveness of a project, because inevitable fluctuations in the world economy can then well reduce the economic effect.

So, as there can be no question of abandoning the projects and programmes of which the Community now has positive (and sometimes original) experience, quick disbursing schemes have to be developed more and run as often as possible.

- ◆ The various components of financial and technical cooperation have to be integrated better, rather as other cooperation policies (the Lomé Convention, the renewed Mediterranean policy and so on) use a combination of different instruments to achieve the same aim. Structural food aid, for example, has to be provided in harmony with the financial and technical cooperation agricultural production support projects. And if these are to do with export crops, say, then they have to take the Stabex system of compensation for developing countries into account.

Advanced integration of the different instruments can only increase efficiency when it comes to meeting clearly identified needs, particularly since maximum impact has to be sought from what is still a relatively small volume of finance.

- ◆ This integration of existing means obviously has to be achieved outside the Community framework and particularly with the Member States, whose national cooperation policies are in harmony with those described in this publication. So the complementarity and coordination of efforts, amounting to far more than the sum of the financial means, will help increase the European presence throughout the developing world.

- ◆ Although food aid as a percentage of resources allocated should decrease in some countries (particularly in Asia) which are making rapid progress towards self sufficiency in food, the needs of the ALA developing countries are far from being satisfied.

Cooperation between the EEC and the ALA developing countries should therefore be improved, particularly since there will be demographic growth to cater for in the future and more countries will find the way to democracy and want to benefit from financial and technical cooperation.



**THE OUTLOOK FOR COOPERATION  
BETWEEN THE EEC AND THE LAA  
DEVELOPING COUNTRIES**

In producing this 10-year report, the Commission has also tried to think about redefining the guidelines for cooperation between the EEC and the ALA developing countries in the nineties, bearing in mind the opinions of the Member States.

All the activities described in this publication are based on overall policies designed in the mid-seventies, but political, economic and social situations in the ALA developing countries have of course changed since then, as they have in the Community.

On the eve of the establishment of the single market (1993), an event without precedent in Europe, the Commission feels that the sector should be made more coherent and brought closer to its other cooperation policies (with the ACP countries, the third countries of

the Mediterranean, the countries of Central and Eastern Europe, EFTA etc).

And the need has emerged for a fresh balance to be struck between the means of financial and technical cooperation and economic cooperation so that continuing priority on aid for the poorest can be combined with fruitful cooperation with regions where growth potential is high.

**FINANCIAL AND  
TECHNICAL COOPERATION**

This remains absolutely vital and should be made more effective.

So the Community intends continuing with and increasing its work towards the same goal - the poorest countries and sections of the population. But if it is to evolve, it has to take account of specific problems such as women's status and condition, demographic inflation and the problems attendant on the urban explosion,



the environment and the management of natural resources.

So the Commission highlighted six priority sectors for financial and technical cooperation projects and programmes in the 10-year guidelines laid down in the spring of 1990.

They are:

- ◆ the rural sector;
- ◆ the environment;
- ◆ the human dimension of development;
- ◆ the structural dimension of economies;
- ◆ regional cooperation;
- ◆ reconstruction after disasters.

#### **ECONOMIC COOPERATION**

We have already said that, in future, this type of cooperation will be developed in such a way as to forge links which are based on mutual interest and contribute to the emergence of an economic democracy at world level.

Practically speaking, the Commission proposes to concentrate on three major areas of intervention:

- ◆ economic, scientific and technological know-how;
- ◆ the economic environment in the private sector;
- ◆ private firms in all sectors of production and services.

#### **THE EVER-PRESENT SUBJECT OF THE ENVIRONMENT**

The end of the eighties saw a general awakening which geared economic choices towards lasting development based on the rational management of natural resources and the preservation of ecosystems.

This is something which will feature in all development schemes in the field in the future, for it is a yardstick by which the existing instruments (of financial and technical cooperation and economic cooperation) can be adjusted to achieve development that is judicious in the short term and coherent in the long term.

#### **MULTIANNUAL CONSIDERATIONS**

The Commission feels that, if the various instruments of cooperation are to constitute a balanced whole in the future, then it is vital to fix multiannual financial targets so that Community schemes can be fitted into medium-term (five years, say) indicative programming. Just as the ACP Group and the Community confirmed the solidarity of their links by signing Lomé IV for 10 years (as against the previous five), cooperation with Latin America and Asia could be designed in the medium term in such a way as to boost the mutual confidence between the partners and be in a better position to cope with any political or economic upheavals. But let us not forget that cooperation between the EEC and the ALA developing countries is autonomous or that multiannual programming would not threaten that principle of political independence whereby the Community, for example, can decline to provide aid for political régimes which are clearly violating human rights.

#### **CONCLUSION**

Solidarity with the poorest is stronger after 14 years of EEC cooperation with the ALA developing countries and economic relations between the three geographical entities are destined to expand and diversify, with increasing reference to their differences and specific features.

At the time of concluding this report, the above guidelines had still not been formally approved by all the Community authorities (the Council, the European Parliament and the Economic and Social Committee), but there is no doubt that, whatever the political priorities, the Community's commitment to its partners in Latin America and Asia will be neither hindered nor obstructed by other geographical considerations.

## GLOSSARY

- FAO** Food and Agriculture Organisation of the United Nations
- UNCTAD** United Nations Conference on Trade and Development
- WFP** World Food Programme
- WHO** World Health Organisation
- NGO** Non-governmental organisation (such as Oxfam, Médecins sans frontières, Caritas, and so on)
- IBRD** International Bank for Reconstruction and Development
- ADB** Asian Development Bank
- IDA** International Development Association
- IDB** International Development Bank
- WB:** World Bank
- SME-SMI** Small and medium-sized enterprises - small and medium-sized industry
- CABEI** Central American Bank for Economic Integration
- EFTA** European Free Trade Association
- ODA** Official Development Assistance

## ECU

### European Currency Unit

*Exchange rate on 21 May 1990*

<b>1 Ecu =</b>	42,351	BFR/LFR (Belgium-Luxembourg)
	2,049	DM (Germany)
	6,910	FF (France)
	1507,68	LIT (Italy)
	0,764	IRL (Ireland)
	201,993	DR (Greece)
	181,243	ESC (Portugal)
	2,304	HFL (Netherlands)
	127,592	PTA (Spain)
	7,822	DKR (Denmark)
	0,704	UKL (United Kingdom)
	1,236	USD (United States)

## COOPERATION WITH ASIA AND LATIN AMERICA, by category and indication of the type of aid received

### ASIA

(in ECU million, rounded-off figures)

Countries	(FTC) Development cooperation	Other	Economic Cooperation	Humanitarian aid	Total
Afghanistan.....	1,00	2,21	0,00	16,32	19,53
Bangladesh.....	185,03	449,52	4,27	600,34	1239,29
Burma.....	13,35	0,01	0,6	14,18	28,14
Bhutan.....	12,40	0,9	0,06	13,09	26,45
Cambodia.....	-	12,78	0,0	65,88	78,66
China.....	36,5	157,25	29,24	180,76	403,75
West Bank.....	0,00	23,40	0,0	0,0	23,40
India.....	625,57	567,19	22,8	1147,72	2363,28
Indonesia.....	130,21	27,67	5,64	162,69	326,21
Laos.....	17,20	8,94	0,25	27,13	53,52
Malaysia.....	-	0,29	2,75	2,78	5,82
Maldives.....	2,20	0,49	0,77	0,00	3,46
Nepal.....	23,45	7,83	1,41	31,33	64,02
Pakistan.....	138,44	216,31	3,49	26,86	385,1
Philippines.....	71,3	26,55	9,46	3,46	110,77
Sri Lanka.....	69,7	111,04	3,99	2,23	186,96
Thailand.....	179,29	23,23	8,83	13,21	224,56
Vietnam.....	2,40	34,73	0,0	10,70	47,83
South Yemen.....	27,09	18,08	0,13	0,52	45,82
North Yemen.....	2,50	16,39	0,0	0,75	16,94
ASEAN.....	27,95	0,0	23,08	1,94	52,97
Mekong Com.....	1,15	0,0	0,54	0,0	1,69
Regional Asia.....	0,0	0,0	10,08	0,88	10,96

### LATIN AMERICA

(in ECU million, rounded-off figures)

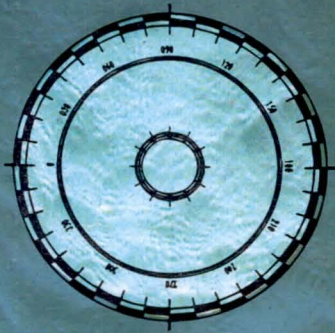
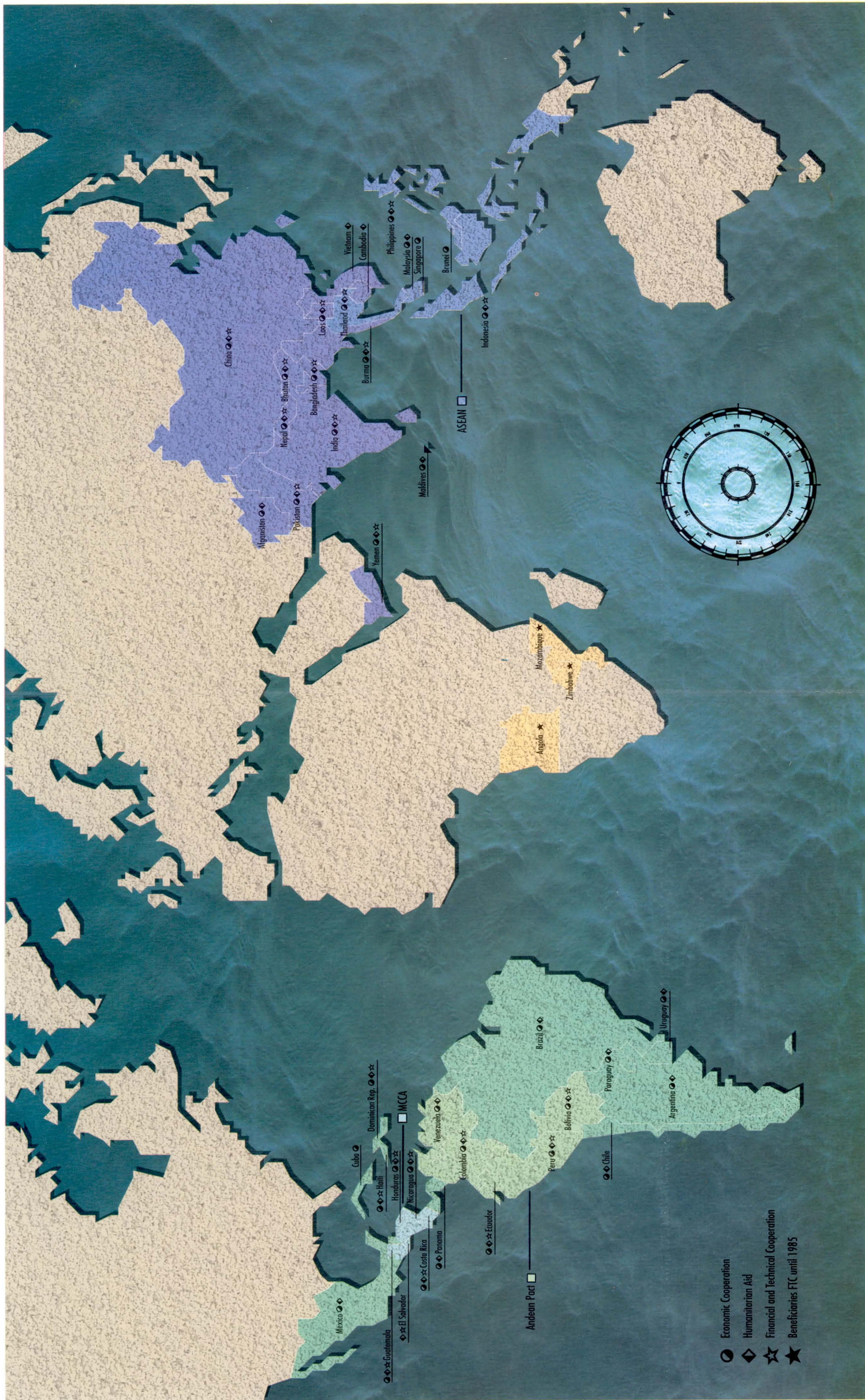
Countries	(FTC) Development cooperation	Other	Economic Cooperation	Humanitarian aid	Total
Costa Rica.....	32,19	1,68	1,71	0,10	35,68
El Salvador.....	21,30	16,10	0,00	8,30	45,70
Guatemala.....	26,00	19,65	1,37	9,69	56,71
Honduras.....	57,95	38,40	0,80	5,81	102,96
Nicaragua.....	38,46	138,00	1,43	11,82	189,71
Panama.....	0,00	0,42	0,36	0,14	0,92
Central Am.....	170,75	0,00	3,83	0,30	174,88
Bolivia.....	96,41	60,92	1,16	2,28	160,77
Colombia.....	7,90	10,21	6,28	4,18	28,57
Ecuador.....	21,25	17,29	5,75	3,07	47,36
Peru.....	56,70	64,35	7,24	2,76	131,05
Venezuela.....	0,00	1,43	0,75	0,50	2,68
Andean Pact+					
OLADE+PEC.....	63,49	0,00	12,04	0,00	75,53
Argentina.....	0,00	3,43	6,19	1,28	10,90
Brazil.....	0,00	24,77	9,66	1,69	36,12
Chile.....	0,00	53,96	0,57	1,64	56,17
Cuba.....	0,00	33,39	0,01	0,00	33,40
Mexico.....	6,24	5,29	10,14	8,84	30,51
Paraguay.....	0,00	7,41	1,13	1,74	10,28
Uruguay.....	0,00	4,78	3,97	0,79	9,54
Haiti.....	30,85	49,15	0,33	2,04	82,34
Dom. Rep.....	18,30	6,10	0,66	0,91	25,97
Regional					
Latin Am.....	0,00	0,00	14,45	0,40	14,85

Countries	Population 1988	GNP in Ecus (1988) (*GNP 1987)	Main exports
<b>ASIA</b>			
Afganistan	19.000.000	210*	Natural gas
Bangladesh	107.000.000	142	Jute by-products
Bhutan	1.450.000	154	Timber
Burma	39.000.000	227	Timber (Teak)
Brunei	210.000	14442*	Oil
Cambodia	7.800.000	112*	Rubber
China	1.100.000.000	221*	Oil
India	795.000.000	259	Resin
Indonesia	170.000.000	324	Oil
Laos	3.780.000	135*	Timber
Malaysia	17.000.000	1456	Oil
Maldives	195.000	254	Tourism
Mongolia	2.080.000	663*	Fluorine
Nepal	17.800.000	138	Carpets
Pakistan	105.000.000	291	Cotton
Philippines	59.600.000	526	Electronic goods
Singapore	2.630.000	3942	Oil products
Sri Lanka	16.580.000	346	Tea
Thailand	54.600.000	793	Rice
Vietnam	63.000.000	154*	-
Yemen	10.000.000	522	Machines

#### LATIN AMERICA & THE CARIBBEAN

Argentina	31.800.000	2646*	Cereals
Bolivia	7.000.000	510	Natural gas
Brazil	114.000.000	1802*	Coffee
Chile	12.650.000	1193	Copper
Colombia	29.800.000	930	Coffee
Costa Rica	2.780.000	1254	Coffee
Cuba	10.400.000	882	Sugar
Dominican Republic	6.900.000	516	Sugar
El Salvador	5.100.000	914	Coffee
Ecuador	10.250.000	955	Oil
Guatemala	8.700.000	663	Coffee
Haiti	5.530.000	291*	Coffee
Honduras	4.800.000	659	Coffee
Mexico	83.000.000	1374	Oil
Nicaragua	3.610.000	647	Oil
Panama	2.310.000	1416	Bananas
Paraguay	4.000.000	1173	Cotton
Peru	21.000.000	1743*	Copper
Uruguay	3.100.000	1926	Meat
Venezuela	18.800.000	1708*	Oil





- Economic Cooperation
- ◇ Humanitarian Aid
- ☆ Financial and Technical Cooperation
- ☆ Beneficiaries FTC until 1985

Andean Pact

IMCCA

ASEAN

China  
Nepal  
Bhutan  
India  
Bangladesh  
Burma  
Thailand  
Laos  
Vietnam  
Cambodia  
Philippines  
Malaysia  
Singapore  
Brunei  
Indonesia  
Yemen  
Moldives

Angola  
Mozambique  
Zimbabwe

Mexico  
Guatemala  
El Salvador  
Cuba  
Honduras  
Nicaragua  
Costa Rica  
Panama  
Ecuador  
Venezuela  
Colombia  
Peru  
Bolivia  
Chile  
Paraguay  
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## EUROPE IN THE WORLD

"Europe will be built through concrete achievements which will first create a de facto solidarity" said Robert Schuman in his declaration of 9 May 1950, which launched the forging of the Community.

That solidarity has now taken on a worldwide dimension, as is borne out by the many achievements described in this brochure, which contains an assessment of 15 years of cooperation with Asian and Latin American countries.

