

# COMMISSION OF THE EUROPEAN COMMUNITIES

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## SIXTH REPORT FROM THE COMMISSION TO THE COUNCIL:

on the implementation of the programme of financial and technical assistance to non-associated developing countries. (as of 31 December 1982).

COM(83) 535 final.

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## I GENERAL

### I.a. Introduction

The Regulation governing the Community's programme of financial and technical assistance to non-associated developing countries <sup>1)</sup> calls for the Commission to provide Parliament and Council, each year, with information on the administration of this programme. The present document represents the 6th such implementation report, and covers the implementation of all the annual non-associates programmes from 1976 on, during the year ending 31 December 1982 <sup>2)</sup>.

The report includes a comprehensive review of the 1982 programme, as well as detailed information on overall commitments and disbursements during the calendar year 1982, and comments on other significant developments during this period.

It has been suggested that the annual report should also go in some detail into the experience gained with particular projects. However, it would obviously be impossible to do more than scratch the surface of this question within the context of a regular annual report, given that already more than 200 separate projects have been financed under this programme.

Consequently, the present report is intended only to establish the key statistics of programme implementation, and to comment on any particularly important issues which may have arisen. For the future, though, it may be possible to annex to the report certain occasional assessment papers, covering the experience obtained in one particular country or with one particular type of project. This may provide a more convenient method of making this important information available.

### I.b. Programme objectives and procedures

As noted in previous reports, the financial and technical cooperation programme with non-associated developing countries began in 1976. Its basic policy objectives were laid down in Council Regulation 442/81 <sup>3)</sup> and these are amplified in the general guidelines determined annually by the Council acting on a proposal from the Commission and after consulting the European Parliament. Briefly, these policy guidelines may be summarised as follows:

- the aid shall be directed to the poorest developing countries and the poorest groups in their populations, and shall be aimed essentially at developing the rural sector, with particular emphasis on improving food supplies;

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1) Council Regulation 442/81

2) The 5th report (COM (82) 500) covered the year ending December 1981, while the 4th report (COM (81) 691) provided a detailed overview of the first 5 years of the non-associates programme.

3) Although this Regulation was only formally adopted in February 1981, the basic policy guidelines set out there had in fact been strictly applied from the 1978 programme onwards.

- a subsidiary part of the funds shall be directed towards regional projects (in which case projects outside the rural sector may be considered), and a further proportion shall be set aside for exceptional measures, particularly post-catastrophe reconstruction projects;
- the aid shall be in grant form, and may be used to cover both foreign and local costs; projects may be financed autonomously, or in cofinancement with Member States or international organisations;
- the allocation of funding shall help to maintain a Community presence in the major regions of the developing world.

The Regulation also lays down the procedures by which projects are decided upon. Since the 1981 programme (when this procedure was first applied), the financing decisions for individual projects are taken by the Commission after having obtained the opinion of a financing committee comprising representatives of the Member States and chaired by the Commission.

This Committee meets several times a year, and projects can thus be processed in batches as and when they are ready. Five such meetings were held in 1982 (the first of which dealt with residual 1981 projects), with three meetings in the first half of 1983.

## II THE 1982 PROGRAMME

### II.a. Programme guidelines

The annual guidelines for the 1982 programme were formulated by the Commission in September 1981<sup>1)</sup>, and adopted by Council in January 1982. In addition to making a brief review of the experience gained in previous years, these guidelines reiterated the basic policy objectives set out in the Regulation, and amplified certain points of detail. In particular, it was indicated that:

- the geographical allocation of funds should be broadly similar to the pattern followed in previous years, with 75% for Asia, 20% for Latin America, and 5% for Africa (compared to 73/20/7% under the 1981 guidelines). These percentages are calculated after deduction of the various general provisions (post-catastrophe projects, international agricultural research, and expert assistance), which can not properly be split by continent;
- eligible countries would be the same as in previous years, with the possible addition of Bhutan, Colombia and (on an exceptional basis) Costa Rica. For regional actions, emphasis would continue to be given to ASEAN and the Andean Pact;
- sectorally, the major emphasis would continue to be with the rural sector;
- the reserve for post-catastrophe actions would be set at between 5% and 7% of total funding (compared to 5%-10% in 1981), while

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1) COM (81) 536

the special provisions for expertise and control would be set at 3% and 1% respectively (compared to 2% and 1% in the 1981 guidelines).

In addition to these basic guidelines, however, certain special guidelines were established later in the year, in connection with the Special Action programme for Central America. These special guidelines were adopted by the Council in November 1982, following a proposal from the Commission in July 1982<sup>1)</sup>, and provided that projects to be financed under this heading would be essentially concerned with increasing agricultural production in the context of existing national programmes of agrarian reform.

#### II.b. Allocation of funding

The total funding available for the 1982 programme amounted to 258.94 M ECU, comprising:

- 15.94 MECU in credits remaining available under the 1981 budget
- 185.00 MECU initially provided under the 1982 budget
- 58.00 MECU in a supplementary budget approved in October 1982.

In line with the normal budgetary procedures for dissociated credits, the 1981 credits (15.94 MECU) had to be committed before the end of 1982, while the 1982 credits (185.00 plus 58.00 MECU) could be committed during 1982 or 1983.

Of the overall amount available, a total of 19.2 MECU was set aside for certain general provisions:

- 9.7 MECU for four post-catastrophe projects. This is equivalent to 5.2% of initial 1982 credits, at the lower end of the 5-7% bracket foreseen in the guidelines
- 5.5 MECU for international agricultural research activities, in the CGIAR framework<sup>2)</sup>. This represents 3.0% of initial budget credits, compared to 3.7%, on average, over the period 1976-81
- 4.0 MECU in a special provision for external expert services. This represents 2.2% of initial 1982 budget credits, compared to the 4% foreseen in the guidelines.

The only one of these provisions requiring special comment is the provision for expert assistance, since this has been presented in a slightly different fashion than in previous years. For simplicity, the two separate provisions made under this general heading in previous years have now been combined into one global provision, covering both expert assistance and small-scale studies. This global provision of 4.0 MECU has been split into an allocation of 2.5 MECU for short-term expert services (for project preparation and control visits, and small studies and technical assistance actions), and an allocation of 1.5 MECU for medium-term expert services (covering

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1) COM (82) 481 and COM (82) 257

2) These research activities had previously been included within the geographical allocations, depending on the region in which a particular institute was located. However, given that their work is genuinely international in scope, and not purely regional, it has been felt more appropriate to classify them as a general provision.

the installation of development specialists in key recipient countries, responsible to the Commission for supervising project implementation and providing general guidance to recipients). At the same time, the ceiling for studies on technical assistance actions to be financed under this provision has been raised from 300 000 to 500 000 ECU, in line with the similar EDF provision (however, the average cost of such studies has been of the order of 50 000 ECU).

After deducting the 19.2 MECU set aside for these general provisions, a total of 239.74 MECU remained available for normal projects in the 3 geographical regions served by the programme. The initial allocation of these funds, following the geographical criteria laid down in the guidelines, is shown in Table 1 below.

T.1 1982 programme, basic breakdown of funding

	1981 Credits	1982 Credits (initial)	1982 Credits (supplementary)	Total
General Provisions	-	19.2	-	19.2
Asia	-0.35	124.35	21.00	145.00
Latin America	6.69	33.16	35.60	75.45
Africa	9.60	8.29	1.40	19.29
Sub-Total	15.94	165.80	58.00	239.74
TOTAL	15.94	185.00	58.00	258.94

- Notes:
- Residual 1981 credits were allocated so as to complete the geographical allocation foreseen under the 1981 programme
  - Initial 1982 credits (185.00 MECU) were allocated according to the 75/20/5 split foreseen in the 1982 guidelines, after deducting general provisions (post-catastrophe, research, expertise)
  - Of the supplementary 1982 credits (58.00 MECU), 30.00 MECU was allocated to Central America (Special Action), and the remainder according to the 75/20/5 split foreseen in the 1982 guidelines.

In the light of the basic geographical breakdown outlined above, individual projects were selected in accordance with the policy objectives set out in the Regulation and guidelines, the priorities expressed by recipients, and the state of preparedness of individual projects. Full account was also taken of the relative needs of the eligible recipients, and of the experience obtained in implementing projects in these countries in previous years.

Every effort was made to commit the full amount of funding available as early as possible. In practice, however, technical problems appearing during the appraisal of certain projects, coupled with the fact that a relatively large part of the available credits was confirmed only in October of 1982, meant that it was necessary to carry some 48.7 MECU forward to the 1983 programme <sup>1)</sup>.

This carry-forward is considerably larger than in previous years (15.94 MECU in 1981, or 11.0 MECU in 1979), but will be entirely absorbed during the second half of 1983. Projects affected included actions in Bangladesh, Pakistan, Nepal, ASEAN, North Yemen, Peru and Nicaragua.

Overall, however, the total volume of funding committed under the 1982 programme amounts to 210.204 MECU, distributed as in Table 2 below.

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1) This carry-forward from one programme to another is an essentially artificial arrangement, arising from the need to report on the content and coverage of a particular programme some considerable time before the period available for committing funds under the relevant budget has in fact expired. All funds provided under the 1982 budget will be committed during the two-year period fixed in the Commission's financial regulations; either during 1982 or early 1983, for projects in the 1982 programme, or later in 1983, for projects in the 1983 programme.

T.2 1982 programme commitments (MECU)

I <u>Funding available</u>	1981 credits	15.940
	1982 credits (initial)	185.000
	1982 credits (supplementary)	58.000
		258.940
II <u>General Provisions</u>	Post catastrophe	9.700
	International agricultural Research	5.500
	Outside expertise	4.000
		19.200
III <u>Normal projects</u>	Asia	105.620
	Latin America	65.976
	Africa	19.408
		191.004
IV <u>Totals</u>	Total committed	210.204
	Carried forward	48.736
		258.940

Note: The amount carried forward may be broken down into 39.380 MECU reserved for Asia, 9.474 MECU reserved for Latin America, and (as a very minor adjustment) -0.118 MECU for Africa. These amounts represent the difference between the original allocation for each region and the amount actually committed under the 1982 programme.

II.c. The content of the 1982 programme

As noted above, total commitments under the 1982 programme amounted to 210.204 MECU, covering a total of 33 separate projects or actions, and serving 21 different recipients (14 countries and 7 regional organisations).

Commitments by recipient are summarised in Table 3 below. A full list of individual projects and actions is given in Annex I, and a list of recipient allocations from 1976 to date in Annex II. More detailed comments on the Special Action programme for Central America are given in Annex III.

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T.3 1982 programme, commitments by recipient (MECU)

India	46.000	Angola	8.750
Bangladesh	23.600	Mozambique	<u>10.658</u>
Bhutan	3.400		
Nepal	3.700	Total AFRICA	19.408
Indonesia	11.670		
Thailand	17.220		
ASEAN	<u>0.030</u>		
Total ASIA	105.620	Post-catastrophe	9.700
		Research	5.500
		Expertise	<u>4.000</u>
		Total	19.200
Costa Rica	18.000	General	
Dominican Republic	12.000	Provisions	
Haiti	6.600		
Honduras	16.900		
Nicaragua	9.800		
Andean Pact	0.676		
CIMMYT	<u>2.000</u>		
Total LATIN AMERICA	65.976	Grand Total	<u>210.204</u>

Principal recipients

As shown in the above table, the principal recipient under the 1982 programme was India, with total funding of 46.0 MECU (not including the two post-catastrophe projects in that country), equivalent to 21.9% of total funding committed under the 1982 programme. Other major recipients were Bangladesh (23.6 MECU, or 11.2% of committed funding), Costa Rica (18.0 MECU or 8.6%), Thailand (17.22 MECU or 8.2%), and Honduras (16.9 MECU, or 8.0%).

Together, these five largest recipients accounted for 58% of total committed funding (compared to a 55% share for the 5 largest recipients from 1976-81). The 10 largest recipients in 1982 (the above countries plus the Dominican Republic, Indonesia, Mozambique, Nicaragua and Haiti) accounted for 82% of total funding (compared to 75%, on average, from 1976-81).

Obviously, the relatively large share taken by several Central American countries in the 1982 programme is a reflection of the Special Action programme mounted this year, and is not otherwise a departure from normal funding patterns.

Four new recipients were included in the 1982 programme for the first time: Bhutan, South Yemen, and Costa Rica, plus CIMMYT (Centro de Investigacion y Mejoramiento de Maiz y Trigo, an international agricultural research institute based in Mexico City).

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1) South Yemen was included only under the post-catastrophe reserve

Several recipients figuring regularly in previous years were not included in 1982, either because significant funding had been provided in 1981 (Burma, Philippines), or is foreseen for 1983 (Sri Lanka, North Yemen), or because projects originally intended for financing in 1982 could not in fact be fully appraised in due time for inclusion in the programme (Pakistan, ASEAN). A further action which was not continued in 1982 was the technical assistance programme with ADB, where differences in procurement rules have made it necessary to seek another form of financing if this valuable activity is to be maintained.

As in previous years, the bulk of programme funding continued to be directed to the poorest developing countries<sup>1)</sup>. Those countries with per capita GNP of \$ 740 or less (1980 IBRD data) accounted for 75.3% of total funding (compared to an average of 76.8% for a slightly different group, from 1976-81).

Countries in the World Bank's low-income group (pc GNP of \$ 410 or less) accounted for only 44.7% of total funding (significantly less than the 63.0% average of 1976-81), but this reflects the temporary impact of the large Special Action projects in Central America.

Finally, the share of funding going to countries on the United Nations LLDC list rose slightly to 17.8% of total funding (compared to 15.0% on average 1976-81). This figure necessarily remains low in absolute terms, however, given the small size of the countries concerned (with the exception of Bangladesh, which has consistently been the second-largest recipient under the non-associates programme).

#### Sectoral breakdown

The overall breakdown of 1982 commitments by sector is given in Table 4 below:

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1) The list of countries having received assistance under the non-associates programme is as follows:

- in the UN LLDC list: Afghanistan, Bangladesh, Bhutan, Haiti, Laos, the Maldives, Nepal, North Yemen, South Yemen
- in the IBRD "low-income" group : the above countries (except the two Yemens) plus Burma, India, Mozambique, Pakistan, Sri Lanka and Vietnam
- with pc GNP of \$ 740 or less : all those in the low-income group, plus Angola, Bolivia, Honduras, Indonesia, Nicaragua, Philippines, Thailand the two Yemens, and Zimbabwe
- with pc GNP above \$ 740 : Costa Rica, Dominican Republic, Ecuador and Peru.

T.4 1982 programme, Sectoral breakdown

	1976-81	1982
Total committed funding (MECU)	517.560	210.204
Of which:		
- Agricultural production	68.3%	61.8%
- Agricultural services	18.0	19.7
- Utilities	6.5	14.6
- Social Development	4.6	1.9
- Industry	0.8	-
- Expertise and technical assistance	<u>1.8</u>	<u>1.9</u>
	100.0	100.0

As in previous years, the 1982 programme was almost entirely concentrated on the rural sector, and continued to give particular emphasis to food production. Agricultural production and services (taken together) accounted for 81.5% of total committed funding (compared to 86.3% in previous years). A further 14.6% was accounted for by the utilities sector, but of course the great bulk of this is also accounted for by rural-sector activities, in terms of village-level water supply and sanitation.

The most important sub-sectors were integrated rural development (31.5%), rural credit (14.5%), irrigation and drainage (13.5%), and water supplies and sanitation (12.8%). Obviously, the balance among the different sub-sectors may vary considerably from year to year, depending on the particular projects included in the programme.

Cofinancing

Cofinancing with Member States and other aid agencies continued to play an important part in the 1982 programme, with a total of 12 cofinanced projects, accounting for 75.4 MECU in EEC funding (35.9% of total programme funding). Cofinancing partners included four Member States (5 projects, with total EEC funding of 36.9 MECU), the CGIAR research institutes (4 projects, totalling 5.5 MECU), the ADB (1 project, 3.0 MECU), and the IBRD (2 projects, 30.0 MECU) <sup>1)</sup>.

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 1) One of the 5 projects cofinanced with a Member State (Bangladesh, Deep Tubewells II) also included a substantial participation from IBRD and Australia), while the two projects cofinanced with IBRD (India, ARDC IV and Indonesia, Bank Indonesia TA) also included contributions from certain Member States.

T.5 Cofinancing under the 1982 programme

Partner	no. of projects	Funding pattern (MECU)			
		EEC	Other	Government	Total
Member States	5	36.90	125.59	33.28	195.77
CGIAR	4	5.50	15.39	-	20.89
ADB/IBRD	3	33.00	432.2	1278.3	1743.5
TOTAL	12	75.4	573.18	1311.58	1960.16

The overall share of cofinancing in total programme commitments was slightly lower in 1982 than in previous years (35.9% as compared to an average of 50.3% from 1976-81)<sup>1)</sup>. However, this decline is not particularly significant, since it simply reflects the mix of projects coming forward in the pipeline at a particular time. A considerable and continuing effort has in fact been made to identify proper and effective opportunities for cofinancing (particularly with Member States), and the total figure would have been considerably higher if certain projects originally considered for cofinancing under the 1982 programme had not encountered technical difficulties at the appraisal stage, and were thus carried forward to the 1983 programme. There is also one project for which EEC financing under the 1982 programme has already been approved (Dominican Republic), for which cofinancing possibilities are under active consideration.

Further, it should be borne in mind that formal cofinancing is not always the most appropriate or practical method of ensuring proper donor coordination, and that formally autonomous projects may in fact have very close links with related activities funded by other donors. A collaborative approach of this kind is no less important than formal cofinancing in augmenting and coordinating the flow of funding available to recipients, and can avoid some of the administrative problems frequently associated with formal cofinancing.

The pattern of cofinancing under the 1982 programme is also rather different from that of previous years, with Member-State cofinancing accounting for a higher proportion of the total, and only one relatively small project cofinanced with ADB. It is true that particular efforts have been made to strengthen our cooperation with Member-State aid agencies in this respect, but it must be stressed that the sharp increase in the number of Member-State

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1) The 50.3% average share of cofinancing given here is slightly higher than the figure shown in previous reports, following the re-classification of certain projects already underway.

cofinanced projects, and the decline in cofinancing with ADB, is a purely transient phenomenon, linked with the state of preparedness of particular projects in the pipeline. The overall mix of Member-State and other cofinancing is likely to remain fairly stable in the long term even if it can vary considerably from year to year.

Finally, it might be noted that cofinanced projects naturally tended to be larger than the average, and the share of EEC in total project cost correspondingly lower. Even if one excludes the massive ARDC project in India, cofinanced projects had an average total cost of 24 MECU, with EEC funding accounting for 18% of the total; for autonomous projects, the corresponding figures were 7 MECU and 85%. However, the EEC's share of total project costs was much larger for those projects cofinanced solely with Member States (50%, with 20% provided by the cofinancing partners), than it was for projects cofinanced with ADB, IBRD or CGIAR (where EEC funds covered only 18% of total project costs, and the other donors 61%).

#### Other Remarks

Regional projects accounted for 11.406 MECU under the 1982 programme, or 5.4% of total committed funding. Principal recipients were the CGIAR research institutes (4 projects, accounting for 5.5 MECU), and the Andean Pact (1 direct project, for 0.5 MECU, plus a 2.0 MECU research programme to be carried out by CIMMYT on their behalf). In addition, a project financed under the post-catastrophe heading covered the reconstruction of a bridge linking 2 Central American countries after this had been seriously damaged by floods.

No major projects were included for ASEAN in 1982, due to delays in the appraisal of certain proposed projects. As a result, the overall share of regional projects in total programme funding was rather lower than in previous years (5.4% as opposed to 12.0% between 1976 and 1981).

Post-catastrophe projects accounted for 9.7 MECU, with 2 projects in India, 1 in South Yemen, and one regional project serving Honduras and Nicaragua. Together, these projects accounted for 4.6% of total programme funding, again rather lower than in the past (8.1%, on average, between 1978 and 1981). Obviously, however, the call for such funding varies considerably from year to year, and it is possible that the share of resources devoted to such actions may decline slightly as overall programme funding increases.

Studies and technical assistance accounted for 12.836 MECU, or 6.1% of total programme resources. This is virtually identical to the 6.2% allocated to such actions, on average, between 1976 and 1981. It should be noted though that this figure does not include all technical assistance actions, but only those mounted as separate projects. If the various technical assistance components subsumed

within normal projects were also included, the overall figure would obviously be significantly higher.

The average size of EEC grant made under the 1982 programme was 6.2 MECU, slightly higher than the 5.7 MECU average in 1981. Obviously, however, this average conceals a wide range of variation (from 0.5 MECU to 21.7 MECU under the 1982 programme). Also, the inclusion in 1982 of a number of relatively large integrated area development projects in Central America, under the Special Action programme, certainly helped to increase the overall average.

The total cost of 1982 projects (ie including contributions made by other donors and by the recipients as well as the EEC contribution) amounted to some 1950 MECU, though this figure is dominated by one particularly large project in India, which alone had a total cost of some 1670 MECU. If that project is excluded, it may be seen that EEC funding generally accounted for about 50% of the total cost of the various actions included in the programme.

#### II.d. Summary statistics, 1976-82

Commitments made or foreseen under the 1982 programme bring the total of funds committed under the non-associates programme since it began in 1976 to some 727 million ECU, covering 211 separate actions, in 28 different recipient countries (plus 17 recipient organisations).

The total population of these recipient countries is of the order of 1350 million; their average per capita income was \$ 310 (1980 IBRD data), with a range from \$ 80 for Bhutan, to \$ 1730 for Costa Rica. The average per capita income of recipient countries in Asia was \$ 290, in Africa \$ 320 (excluding Zimbabwe), and in Latin America \$ 900.

### III PROGRAMME IMPLEMENTATION

#### III.a. Commitments

As noted earlier, the Community's financial regulations permit the credits made available under a particular annual budget to be committed either in the year of that budget or the one year following <sup>1)</sup>. The rate of commitment achieved under the various annual programmes from 1976 to date is shown in Table 5 below.

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1) This was not the case with the 1976 and 1977 programmes, when funds had to be committed within the budget year.

T.5 Programme commitments, 1976-82

Year	Budget credits (MECU)	Commitments (all programmes) (MECU)	Commitment rates cumulative % of relevant budget			
			Budget year		Following year	
			July	Dec	July	Dec
1976	20.0	20.000	-	100		
77	45.0	45.000	-	100		
78	70.0	63.100	-	90	90	100
79	110.0	86.900	1	73	81	100
80	138.5	133.900	8	75	93	100
81	150.0	154.530	14	80	89	100
82	243.0	132.784	1	42		
Totals	776.5	636.214				

Note: For 1976 and 1977, commitments were made in Units of Account (UA), which differed slightly in composition and value from the European Unit of Account or European Currency Unit (EUA/ECU) used in subsequent years. For clarity of presentation, no adjustment has been made here, with all units being taken as equivalent. However, it may be that the figures given here can differ very slightly from the exchange-rate adjusted figures used for accounting purposes and appearing in budget reports.

As shown in the above table, total commitments during the year ending 31 December 1982 amounted to 132.784 MECU. This comprised 14.13 MECU in completion of the 1981 programme (1981 budget credits), plus 118.654 MECU under the 1982 programme (of which 15.94 MECU in 1981 budget credits outstanding, and 102.714 MECU in 1982 budget credits).

The balance of 140.286 MECU in 1982 budget credits remaining available has been or will be committed during 1983, partly for outstanding projects under the 1982 programme (91.550 MECU, committed during the first half of 1983), and partly for certain projects foreseen under the 1983 programme (48.736 MECU, for commitment during the second half of 1983).

It is apparent from the above figures that the overall rate of commitment under the non-associates programme declined significantly during 1982. Only some 42% of 1982 budget credits had in fact been committed by the end of the year, compared to 80% in 1981. Further, the absolute level of commitments recorded during 1982

(132.784 MECU) was rather lower than that achieved in 1981 (154.53), and comparable to the level of 1980 (133.9 MECU).

This decline in the rate of commitment during 1982, though certainly disappointing, can in fact be largely explained by the special circumstances prevailing during that year:

- firstly, some 25% of 1982 budget credits (58 MECU) was only approved in October 1982. While a major effort was made to ensure that the bulk of this supplementary funding could be committed as quickly as possible (particularly for the Special Action projects in Central America), it was not in fact possible to absorb the whole of this substantial increase in commitment credits before the end of the year;
- secondly, a major internal reorganisation of the Commission's services was implemented in the autumn of 1982, at the time when the majority of programme commitments would normally have been prepared. Unavoidably, this reorganisation had a temporary effect on the rate of commitment during this period.

Further, it must be stressed that the delay in commitments during 1982 has already been very largely made up during the first half of 1983. Taking account of further commitments made under the 1982 programme during the first half of 1983, a total of some 80% of 1982 budget credits has in fact been committed by July of 1983 (compared to 89% of 1981 budget credits committed by July 1982).

Despite this catching-up, however, and despite the special circumstances prevailing during 1982, it is apparent that the very rapid increase in non-associates credits in recent years (from 138.5 MECU in 1980, to 243.0 MECU in 1982) should have been accompanied by a realistic increase in the staffing resources available. This is an essential prerequisite for maintaining the very satisfactory commitment rates achieved in past years.

#### II.b. Disbursements

Total disbursements under all the annual programmes from 1976 to date are shown in Table 6 below.



T.6 Total funds disbursed, as of 31 December 1982 (MECU)

Programme	Funds Committed	Funds disbursed								Proportion disbursed %
		1976	77	78	79	80	81	82	Total	
1976	20.0	-	6.1	3.3	4.3	1.3	1.9	1.4	18.3	91.5
77	45.0	-	-	5.0	6.9	12.0	6.9	3.2	34.0	75.6
78	63.1	-	-	-	9.0	7.8	11.1	6.4	34.3	54.4
79	105.9	-	-	-	0.2	18.9	27.1	18.2	64.4	60.8
80	145.3	-	-	-	-	1.2	40.6	29.1	70.9	48.8
81	138.26	-	-	-	-	-	-	7.0	7.0	5.1
82	118.654 1)	-	-	-	-	-	-	1.7	1.7	1.4
TOTAL	636.214	-	6.1	8.3	20.4	41.2	87.6	66.9	230.5	36.2

1) Not including a further 91.55 MECU committed under the 1982 programme during the first half of 1983.

During the year ending 31 December 1982, total disbursements under all past programmes amounted to 66.9 MECU. This brought the total amount disbursed to date to 230.5 MECU, or 36.2% of the total amount committed.

Total disbursements during 1982 were thus rather lower than in the previous year (66.9 MECU, as compared to 87.6 MECU in 1981). However, this decline is not in fact a significant one, since it entirely reflects minor variations in the timing of certain major payments falling due around the end of the year.

Thus for one major project included in the 1981 programme, payments amounting to more than 30 MECU were originally foreseen for December 1982, but the request for payment by the recipient was in fact delayed for a few weeks. This delay was not at all significant as far as the actual implementation of the project was concerned, but it obviously had a major impact on the disbursement statistics, since the payment was actually made in the first quarter of 1983 rather than the last quarter of 1982.

Variations of this kind apart, the overall pace of disbursement continues to be a satisfactory one. The ratio of total disbursements to total commitments reached 36% (compared to 33% by the end of 1981), and the cumulative proportion disbursed under individual annual programmes ranges from 92% for the 1976 programme, to 49% for the 1980 programme. For the 1981 programme, only 5% of programme funding had been disbursed by December 1982 (but this figure jumped to around 30% within the first couple of months of 1983, with the one large payment referred to above).

For the 1982 programme, of course, disbursements are as yet very small, (1.7 AECU during 1982, or just over 1% of commitments made to the end of the year). However, this is only natural, given that the great majority of projects were committed only during the latter part of the year, and that little or no actual spending can normally be expected during the first few months of project implementation.

#### Disbursement patterns

Having considered the overall status of programme disbursements, it may be useful to examine briefly the pattern of disbursement among different types of project and different recipients. The following two tables show the ratio of disbursements to commitments as of 31 December 1982, for all projects included in the 1976 to 1981 programmes. The first table distinguishes between projects in Asia, Latin America and Africa, and between autonomous and cofinanced projects, while the second table gives disbursement ratios for major individual recipients under the 1976-81 programmes.

Projects committed under the 1982 programme have been excluded from the calculation, since disbursements here are still very small. Also excluded are the special provisions for technical assistance and expertise, and the annual grants to various CGIAR research institutes, since the pattern of spending here is quite different <sup>1)</sup>.

#### T.7 Disbursements as % of commitments 1976-1981 projects, as of 31.12.1982

All projects 42%			
Projects in Asia	43%	Autonomous projects	50%
Latin America	34%	Cofinanced projects	30%
Africa	52%		

Naturally, such figures can only give a fairly crude representation of disbursement rates, since both the flow of commitments over time, and the nature of the projects involved, can differ widely from recipient to recipient. With this qualification in mind, however, certain interesting comparisons can still be made.

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1) Taking together the special provisions for expertise and studies, and the CGIAR research grants, the ratio of disbursement to commitments was of the order of 90%, compared to an average of 42% for normal projects.

The average ratio of disbursements to commitments for all projects amounted to 42%. Among the different regions, Latin America seemed to be slowest, with 34%, while Asia was on average (43%) and Africa rather above-average (52%).

However, it is unlikely that these differences are in fact significant. The overall average is obviously dominated by Asia, with more than 70% of total funding, and within Asia, India alone accounts for almost 40% of total commitments. Given that in recent years the great bulk of funding for India has been concentrated on rapid-disbursing programme aid, this is likely to have a considerable distorting effect on the figures. If India is removed from the calculation, however, the overall average falls to 36%, and the Asian average to 34%, identical to the figure for Latin America.

The rather higher disbursement rate shown for Africa may also be a statistical aberration, since the number of projects involved is very small. Also, a large part of total African commitments represents the reconstruction funding involved for Zimbabwe in the 1980 programme, and the special nature of these projects may also have influenced the average figure for Africa.

Overall, therefore, it seems reasonable to conclude that there has been no significant difference in the average rate of disbursement between the three principal regions served by the programme.

If one considers the type of financing, however, certain significant differences do appear. Compared with the overall average of 42%, autonomous projects showed an average disbursement rate of 50%, and cofinanced projects an average of 30%. (No significant difference appeared between projects cofinanced with Member-States and with other agencies, the average disbursement rates for these two types of project being 32% and 29% respectively).

Again, the influence of large, fast-spending projects in India has to be taken into account, but this does not entirely remove the difference. After excluding India from the calculations, the average disbursement rate for autonomous projects falls to 43%, compared with an overall average of 36% and an average for cofinanced projects of 30%.

This difference is not large, but it does tend to confirm the suggestion that cofinanced projects may require a longer preparatory phase of implementation, and may be administratively more complex, thus leading to a slower overall rate of implementation and disbursement.

Turning to individual recipient countries, it was not practical to make a similar calculation for every single recipient (such a calculation would in any case be rather misleading, in the case of countries having received aid only under one or two annual programmes).

However, the following table shows the ratio of disbursements to commitments as of December 1982, for the 13 largest recipients over the period 1976-82 (covering all countries having received more than 10.0 MECU in committed funding during this period). Together, these 13 recipients accounted for some 75% of total programme funding during this period.

T.8 Disbursement ratios, major recipients, 1976-81

Country	Total Commitments 1976-81 MECU	Total disbursements (as of 31.12.1982) as % of commitments
India	122.40	57%
Bangladesh	44.70	23%
Indonesia	38.60	35%
Pakistan	36.30	35%
Thailand	22.70	42%
Sri Lanka	21.70	59%
Philippines	15.10	21%
Honduras	14.80	51%
Zimbabwe	14.50	52%
Andean Pact	13.63	60%
Haiti	12.90	6%
Burma	11.40	22%
Nicaragua	11.05	36%
TOTAL	379.78	44%

Among these major recipients, the most rapid disbursement rates were recorded by the Andean Pact, Sri Lanka, India, Zimbabwe and Honduras (all with disbursement ratios over 50%). Countries with an average performance included Thailand, Nicaragua, Indonesia and Pakistan (all between 35% and 42%), while countries with relatively slow disbursement included Bangladesh, Burma, the Philippines and Haiti (all below 30%). Of these, Haiti showed by far the lowest figure, with only 6% of total commitments disbursed by the end of 1982.

Obviously, a crude calculation of this kind makes no allowance for variations in the original flow of commitments. If this is taken into account, both Burma and the Philippines should better be considered as average rather than slow-disbursement countries, given that in both cases almost 50% of total funding was committed in 1981 alone. Also, Nicaragua's disbursement ratio of 36%, close to the average, is in fact very creditable when one considers that almost 75% of commitments for this country were made only in 1981.

After making due allowance for these distortions, however, the general pattern revealed by these figures is rather what one would expect. The implementation of development projects tends to be faster in those countries with high per capita incomes or particularly strong administrations, while it is slowest and most difficult precisely in those poorest countries where the aid is most required.

### III.d. Administrative questions

#### Project preparation and control

The disbursement data referred to above generally confirm one key point which has been stressed in previous reports; given the limited absorptive capacity of many developing countries, it is essential for donor agencies to provide substantial assistance at all stages of project preparation and implementation.

For the poorest developing countries such assistance is absolutely imperative if the available funding is to be utilised at all effectively. Even for more advanced developing countries, with higher incomes or stronger administrations, substantial donor activity is still required if projects are to be executed properly and without undue delay.

It is for this reason that a small but significant proportion of total programme resources has been directed specifically towards the recruitment of outside experts for assistance with project preparation and supervision (in addition to any technical assistance components provided within the framework of a particular project). Since the first of these special provisions was made in 1977, the total funding set aside for these purposes has amounted to 13.5MECU, or 1.9% of total programme resources.

In part, these funds have been used for the short-term recruitment of individual experts or consulting firms to assist with project preparation or control missions, or to carry out small studies or technical assistance actions.

The remainder has been used to establish full-time development advisors in certain key recipient countries, to help control the implementation of ongoing projects, and to provide general assistance to recipient administrations with project preparation and implementation. Three such advisors are currently in place, attached to the Commission's regional delegations; one man in Bangkok (covering South-East Asia); one in Caracas (covering Central and South America) and one in Dhaka (covering Bangladesh, but administratively attached to the Bangkok delegation). In addition, a consulting firm has been used to establish a full-time technical advisory service in Honduras.

Detailed information on the overall utilisation of these special provisions is provided in Annex IV, along with a list of small studies and TA actions financed under this heading since July 1981 (updating and completing the information supplied in the Fourth Implementation Report for the period up to July 1981).

In summary, it might be noted that of the 9.5 MECU made available under these special provisions from 1977 to 1981, a total of 8.87 MECU (93%) had been drawn down by December 1982. The balance of 0.63 MECU, coupled with the new credits made available under the 1982 programme (4.0 MECU, approved in the early months of 1983) remained available for utilisation during 1983.

Of the 8.87 MECU so far drawn down, some 3.87 MECU (44%) has been used for small studies and TA actions, 1.74 MECU (20%) for shortterm expert visits for project preparation and control, and 3.26 MECU (37%) for establishing development officers in regional delegations. Generally, therefore, one can say that roughly half the funding has been used for project preparation, and half for project supervision and control. The total funding allocated to project preparation is of course much greater than the amount shown here, however, since all studies above the 300 000 ECU threshold have been financed as separate projects.

These special provisions for outside expertise obviously play an essential role in helping to ensure the effective implementation of the non-associates programme, permitting both the shortterm recruitment of high-level technical expertise to assist with the preparation or control of particular projects, and the establishment of a small number of full-time development advisors in the field. Naturally, such outside expertise cannot in any sense replace or substitute for the work of the Commission's own services, but it does provide an essential complement to this work in the specific fields mentioned.

However, it should be noted that the Commission's presence in the field is still far from adequate, in relation to the volume of projects being implemented and the geographical coverage of the programme. Compared to the experience of other agencies, or indeed of the Commission itself under the EDF, the current establishment of 3 full-time development advisors in the field can only be considered as a very first step.

Further, reference must again be made to the problem of inadequate staffing levels within the Commission. In 1982 as in previous years, staffing levels in the various Commission departments concerned with the implementation of the non-associates programme remained inadequate, and the problem has become progressively more serious as the volume of funding and the number of projects has grown.

This situation may perhaps be partially resolved during 1983, when a small number of new posts will be made available. But if current volumes of funding are to continue to be effectively implemented, with proper attention paid to project preparation and control, it will be essential to keep the staffing question under constant review.

Administrative Framework Agreements

Another significant development during recent years has been the signature of "administrative framework agreements" with certain major recipient countries. So far, such agreements have been concluded with Thailand (in October 1981) and with Indonesia (August 1982), while Bangladesh and the Philippines have also expressed interest in a similar arrangement.

These agreements are intended solely to facilitate project implementation, and do not make any financial commitment on the part of the Community, or mark any special treatment for the signatories as compared to other non-associate countries.

Instead, these framework agreements are intended simply to consolidate once and for all, with a particular recipient, the general provisions relating to project implementation. The matters dealt with are essentially legal or technical, covering such points as disbursement procedures, procurement eligibility, taxation and exchange control, inspection and audit, etc.

The introduction of these framework agreements has considerably simplified the process of concluding project financing agreements with the countries concerned. So far, only the four countries mentioned above have requested such framework agreements, but there is no reason why the practice should not be extended to other major recipients should this be appropriate.

#### IV CONCLUSIONS

The Community's programme of financial and technical assistance for non-associated developing countries has grown rapidly since its inception in 1976. A total of 776.5 MECU has been made available for this programme over the period 1976-82, and it has come to represent an important component of the Community's overall development cooperation policy, and one which is very much appreciated by the countries to which it is addressed.

The 1982 programme has recently been finalised, and follows the same general lines as in previous years, with a continued emphasis on rural development projects in the poorest developing countries. Under this programme, a total of 210.204 MECU has been committed for some 30 separate projects in Asia, Latin America and Africa. The allocation of resources among the major recipients has been broadly similar to the pattern followed in previous years, with the exception that a special effort was made this year for certain Central American countries, drawing on the additional credits made available for the Special Action programme for this region. The breakdown by sector and type of project also followed a similar pattern to that established in previous years, and cofinancing continued to play an important role (with substantial resources devoted to cofinancing with EEC Member States).

Programme implementation continues to be generally satisfactory. Cumulative commitments and disbursements (as of 31 December 1982) reached levels of 636.2 MECU and 230.5 MECU respectively. Commitments and disbursements during 1982 (132.8 MECU and 66.9 MECU respectively) showed a slight decline from the record levels reached in 1981, but this was very largely compensated for in the early months of 1983.

However, it is clear that the staffing problem referred to in previous reports has grown progressively more serious as the volume of resources devoted to this programme has grown.



SIXTH IMPLEMENTATION REPORT

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ANNEXES

- I List of projects included in the 1982 programme
- II Allocations by recipient, 1976-82
- III The Special Programme for Central America
- IV Special provisions for outside expertise

## NON ASSOCIATES PROGRAMME 1982

## LIST OF PROJECTS COMMITTED

RECIPIENT AND TITLE	SECTOR	TYPE OF FINANCING	TOTAL COST (MECU)	EEC GRANT (MECU)
<u>I ASIA</u>				
<u>Bangladesh</u>				
Construction of fertilizer godowns	Agriculture (storage)	Joint cof. NL	4.00	2.00
Development of seed production	Agriculture (general)	Parallel cof. D	8.80	3.60
Fertilizer supply counterpart project: Deep tubewells II	Agricultural (irrigation)	Parallel cof. UK/ADB	(15.00) 152.60	(15.00)* 15.00
Bhola irrigation project	Integrated area development	Parallel cof. ADB	44.40	3.00
<u>Thailand</u>				
Oil seed crop development programme	Agriculture (general)	Autonomous	4.20	3.30
Sukhothai groundwater development	Agriculture (irrigation)	Parallel cof. UK	25.60	13.40
Preliminary crop development (supplementary provision)	Agriculture (general)	Autonomous	-	0.52*
<u>India</u>				
Fish farming pilot project	Fisheries (general)	Autonomous	1.40	1.00*
Fertilizer supply counterpart projects:			(45.00)	(45.00)*
Drinking water Tamil Nadu	Water supplies and sanitation	Autonomous	17.00	17.00
Drinking water Punjab	Water supplies and sanitation	Autonomous	6.30	6.30
ARDC IV	Rural credit	Joint cof. IBRD & others	1 669.00	21.70
<u>ASEAN</u>				
Timber study (supplementary provision)	Forestry	Autonomous	-	0.03*
<u>Bhutan</u>				
Plant protection services	Pre-and post-harvest services	Autonomous	3.40	3.40

RECIPIENT AND TITLE	SECTOR	TYPE OF FINANCING	TOTAL COST (MECU)	EEC GRANT (MECU)
<u>Indonesia</u> Pilot project for artisanal fisheries	Fisheries (general)	Parallel cof. I	4.77	2.90
TA to Bank Indonesia for SEDP II	Rural credit	Parallel cof. IBRD & others	23.50	8.30
Bank Indonesia SEDP II first phase (supplementary provision)	Rural credit	Autonomous	-	0.47
<u>Nepal</u> Village water supplies	Water supplies and sanitation	Autonomous	4.80	3.70*
	<u>SUB TOTAL ASIA</u>		<u>1969.77</u> =====	<u>105.62</u> =====
<u>II LATIN AMERICA</u>				
<u>Andean Pact</u>				
Energy Cooperation	Energy	Autonomous	0.66	0.50
Wood technology research (supplementary provision)	Forestry	Autonomous	-	0.14
Technical cooperation programme (supplementary provision)	Industry	Autonomous	-	0.04
<u>Dominican Republic</u>				
Agrarian reform and integrated rural development	Integrated area development	Autonomous	13.60	12.00
<u>Haiti</u>				
Integrated development of Jeremy region	Integrated area development	Autonomous	7.40	6.60
<u>Honduras</u>				
Agrarian reform and integrated rural development	Integrated area development	Autonomous	17.70	16.90
<u>Nicaragua</u>				
Agrarian reform and integrated rural development	Integrated area development	Autonomous	12.00	9.80
<u>Costa Rica</u>				
Agrarian reform and integrated rural development	Integrated area development	Autonomous	25.80	18.00
<u>CIMMYT</u>				
Applied agricultural research	Agricultural research	Autonomous	2.00	2.00
	<u>SUB TOTAL LATIN AMERICA</u>		<u>79.16</u> =====	<u>65.98</u> =====

RECIPIENT AND TITLE	SECTOR	TYPE OF FINANCING	TOTAL COST (MECU)	EEC GRANT (MECU)
<u>III. - AFRICA</u>				
<u>Angola</u>				
Rehabilitation of fish processing plant	Fisheries (processing)	Autonomous	2.25	2.25
Integrated development of fisheries and fish processing in Namibe province	Fisheries (general)	Autonomous	8.01	6.50*
<u>Mozambique</u>				
Artisanal fisheries development	Fisheries (general)	Autonomous	2.96	2.96
Seed potato production plant	Agriculture (general)	Autonomous	8.18	7.10*
Beira fish-canning plant (supplementary provision)	Fisheries (processing)	Autonomous	-	0.60
<u>SUB TOTAL AFRICA</u>			21.40 =====	19.41 =====
<u>IV POST CATASTROPHE RESERVE</u>				
<u>South Yemen</u>				
Flood damage reconstruction Dhalla	Agriculture (general)	Autonomous	2.50	2.50
<u>India</u>				
Cyclone protection shelters Andhra Pradesh	Emergency services	Autonomous	3.00	3.00
Cyclone protection shelters Tamil Nadu	Emergency services	Autonomous	1.00	1.00
<u>Honduras/Nicaragua</u>				
Bridge reconstruction	Transport infrastructure	Autonomous	3.20	3.20*
<u>SUB TOTAL POST CATASTROPHE</u>			9.70 =====	9.70 =====

RECIPIENT AND TITLE	SECTOR	TYPE OF FINANCING	TOTAL COST (MECU)	EEC GRANT (MECU)
<u>V. AGRICULTURAL RESEARCH</u>				
CIAT (Colombia)	Agricultural research	Parallel cof. CGIAR	9.27	1.60*
CIP (Peru)	Agricultural research	Parallel cof. CGIAR	1.75	0.90*
IRRI (Philippines)	Agricultural research	Parallel cof. CGIAR	8.17	1.70*
ICRISAT (India)	Agricultural research	Parallel cof. CGIAR	1.70	1.30*
	<u>SUB TOTAL AGRICULTURAL RESEARCH</u>		20.89 =====	5.50 =====
<u>VI. SPECIAL PROVISIONS</u>				
Services of external experts	-	-	4.00	4.00*
	<u>TOTAL COMMITTED</u>		<u>2109.92</u> =====	210.20 (2) =====

Notes: 1) An asterisk beside the EEC grant amount indicates that the project was approved during the early part of 1983. All other projects were approved during 1982.

2) All figures have been rounded to two decimal places. For two projects, the precise amount granted was slightly different from that shown above (Andean Pact, technical cooperation programme, 0.036 MECU; Mozambique, artisanal fisheries, 2.958 MECU). Total committed funding amounted to 210.204 MECU.

## ALLOCATION OF FUNDING BY RECIPIENT, 1976-1982 (MECU)

	1976	1977	1978	1979	1980	1981	1982	TOTAL 76/82
<u>I. NORMAL PROJECTS</u>								
Afghanistan	-	1.00	-	-	-	-	-	1.00
Bangladesh	2.50	5.00	6.60	8.00	10.60	12.00	23.60	68.30
Bhutan	-	-	-	-	-	-	3.40	3.40
Burma	-	1.00	-	4.90	-	5.50	-	11.40
India	6.00	12.00	15.40	25.00	28.00	36.00	46.00	168.40
Indonesia	1.00	2.00	5.50	9.90	8.20	12.00	11.67	50.27
Laos	-	-	2.00	2.10	-	-	-	4.10
Maldives	-	-	-	-	0.50	-	-	0.50
Nepal	-	-	3.00	-	2.20	-	3.70	8.90
Pakistan	3.00	4.00	4.80	6.70	5.80	12.00	-	36.30
Palestine (O.T.)	-	-	-	-	-	1.65	-	1.65
Philippines	-	-	-	4.50	3.50	7.10	-	15.10
Sri Lanka	2.00	2.00	2.00	0.30	15.40	-	-	21.70
Thailand	-	1.00	0.30	5.70	13.50	2.20	17.21	39.91
Vietnam	-	2.40	-	-	-	-	-	2.40
Yemen (North)	-	2.00	-	1.10	-	5.20	-	8.30
ADB	1.50	0.40	1.20	1.20	-	1.00	-	5.30
ASEAN	-	-	0.60	0.30	-	7.10	0.03	8.00
Mekong Committee	-	-	-	0.40	-	-	-	0.40
Sub-total ASIA	16.00	32.80	41.40	70.10	87.70	101.75	105.61	455.36
Bolivia	2.00	1.80	1.90	3.00	-	-	-	8.70
Costa Rica	-	-	-	-	-	-	18.00	18.00
Dominican Republic	-	-	-	-	-	-	12.00	12.00
Ecuador	-	-	-	2.90	-	3.00	-	5.90
Haiti	-	-	2.40	5.00	5.50	-	6.60	19.50
Honduras	-	1.00	2.40	3.20	8.20	-	16.90	31.70
Nicaragua	-	-	-	-	2.80	8.25	9.80	20.85
Peru	-	-	-	2.00	-	-	-	2.00
Andean Pact	-	3.60	2.70	0.30	2.00	5.03	0.68	14.31
BCIE	-	1.80	0.43	0.50	0.50	-	-	3.23
CATIE	-	-	0.57	1.10	0.20	-	-	1.87
CFAD	-	-	1.80	-	-	-	-	1.80
CIMMYT	-	-	-	-	-	-	2.00	2.00
IDB	-	-	-	-	2.00	-	-	2.00
IICA	-	-	-	-	-	1.60	-	1.60
INCAP	-	1.80	-	-	-	-	-	1.80
OLADE	-	-	0.60	-	0.60	0.53	-	1.73
Sub-total LATIN AMERICA	2.00	10.00	12.80	18.00	21.80	18.41	65.98	148.99
Angola	-	-	0.50	0.90	-	-	8.75	10.15
Mozambique	-	-	3.00	-	-	-	10.66	13.66
Zimbabwe	-	-	-	-	14.50	-	-	14.50
Sub total AFRICA	-	-	3.50	0.90	14.50	-	19.41	38.31
TOTAL NORMAL PROJECTS	18.00	42.80	57.70	89.00	124.00	120.16	191.00	642.66

	1976	1977	1978	1979	1980	1981	1982	TOTAL 76/82
<u>II POST CATASTROPHE PROJECTS</u>								
Dominican Republic	-	-	-	-	4.80	-	-	4.80
India	-	-	2.00	4.50	4.40	7.00	4.00	21.90
Nicaragua	-	-	-	2.50	-	-	1.60	4.10
Pakistan	-	-	-	-	-	2.70	-	2.70
Peru	-	-	-	-	1.50	-	-	1.50
Sri Lanka	-	-	-	3.00	-	-	-	3.00
Zimbabwe	-	-	-	-	4.00	-	-	4.00
Central America	-	-	-	1.10	-	-	-	1.10
Honduras	-	-	-	-	-	-	1.60	1.60
Yemen (South)	-	-	-	-	-	-	2.50	2.50
Total Post-Catastrophe	-	-	2.00	11.10	14.70	9.70	9.70	47.20
<u>III AGRICULTURAL RESEARCH</u>								
CIAT	-	-	0.80	1.00	1.15	1.40	1.60	5.95
CIP	-	-	0.40	0.50	0.60	0.80	0.90	3.20
IRRI	-	1.00	0.80	1.00	1.20	1.50	1.70	7.20
ICRISAT	2.00	1.00	0.80	0.80	0.95	1.20	1.30	8.05
Total Research	2.00	2.00	2.80	3.30	3.90	4.90	5.50	24.40
<u>IV SPECIAL PROVISIONS</u>								
Services of external experts	-	0.20	0.60	2.50	2.70	3.50	4.00	13.50
Total Committed Funding (I+II+III+IV)	20.00	45.00	63.10	105.90	145.30	138.26	210.20	727.76

Note: Figures have been rounded to two decimal places.

THE SPECIAL PROGRAMME FOR CENTRAL AMERICA

1. Given the relatively large share of total 1982 programme funding devoted to the various projects in Central America, it was felt that it would be useful to provide a special report on the preparation and implementation of this additional programme. The following comments outline the manner in which the programme was decided, the scale of funding and the nature of the projects involved, and the current status of programme execution.
2. The Community's concern with the increasingly unstable situation prevailing in Central America led it to propose a number of new initiatives in this field.<sup>(1)</sup> After full debate in Parliament and Council, the latter agreed on 22 November as follows:

"Further to the statements made by the European Council in March and June 1982, the Council agreed to increase the Community's technical and financial assistance to Central America in 1982. From the additional funds recently made available for aid to the non-associated developing countries, 30 MECU will be used for this purpose. The aid increased in this way will mainly be devoted to measures designed to increase agricultural production in the countries concerned by means of the existing agricultural reform programmes".

3. While this discussion was taking place, the Commission had, since July 1982, been undertaking various investigations aimed at concretising the particular actions which could be implemented under this programme, in line with the objectives outlined above. These investigations were carried out as a matter of the utmost urgency, and required an exceptional effort both from the Commission services concerned and from the outside experts recruited to help with this task.

However, after final negotiations with the authorities of the recipient countries, and after having obtained the opinion of the Financial Committee, the Commission was able on 22 December to formally approve 4 specific projects within the Special Action programme.

Total Community financing for these projects amounted to 56,7 MECU, representing 26,7 MECU from normal credits available under the 1982 Budget, and 30 MECU in supplementary credits made available in October 1982. The following table gives an outline of the 4 projects concerned.

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(1) For example, the conclusions of the European Council of 29 and 30 March 1982, the various resolutions of the European Parliament, and the Commission's proposal to Council in June 1982 (COM (82) 257) ./.:



Country	EEC grant (MECU)			Government Contribution (MECU)	Total cost (MECU)
	Foreign	Local	Total		
Costa Rica	4.4	13.6	18.0	7.8	25.8
Dominican Republic	3.5	8.5	12.0	1.6	13.6
Honduras	5.3	11.6	16.9	0.8	17.7
Nicaragua	2.9	6.9	9.8	2.2	12.0
TOTAL	16.1	40.6	56.7	12.4	69.1

A further integrated area development project was approved at the same time for Haiti (with an EEC grant of 6.6 MECU).

Note: The EEC contribution to project local costs is made in the form of certain essential imported commodities. The counterpart funds arising from the sale of these commodities is then used for local-cost expenditures required for the projects.

The four projects approved share the following key characteristics:

- all are linked with existing agrarian reform programmes, and are aimed at helping with the installation of small farmers in new settlement areas specifically designated for each project
- all programmes are concerned with integrated rural development; agricultural development is the main objective of each project, but proper attention is given also to the project's social impact and to the possibilities of diversifying local agricultural production, thus improving nutritional levels. With this in mind, the financial and technical support will include associated actions in the field of infrastructure, health, education etc.
- apart from their medium-term impact on the agrarian structures of these countries (each project will have an implementation period of 5 years), the projects also provide a direct short-term support to the balance-of-payments situation. Part of the EEC grant is used to cover the import of certain essential commodities of European origin (fertilizers, insecticides, pesticides etc.), and the counterpart funds generated by the local sale of these commodities is then used to cover the local-cost expenditures of the Community-funded integrated development programmes. Special arrangements have been instituted here to ensure proper management of these counterpart funds in each country

- finally, it should be noted that these projects have been designed to have an important demonstration effect. While the volume of funding for each project is very limited compared to the overall needs of the country concerned, the demonstration effect of these projects, and their consequent impact on the effectiveness of other government programmes, should be an important additional benefit.
4. The implementation of these projects is already well advanced. In almost all cases, financing agreements had already been signed during the first quarter of 1983, the first concrete works will begin during the summer of 1983, and the supply of commodity inputs foreseen under the projects should generally take place during the second half of 1983.

Given that projects of such size and complexity require careful attention to implementation procedures and to supervision and control, the Commission has already taken the necessary steps to establish in each country a team of technical experts who will be responsible for assisting the recipient authorities in the implementation of these projects.

Generally, the preparation and commencement of these projects has been achieved in record time. While this is only appropriate, given the seriousness of the problems to which the projects are directed, it has still required a very major effort on the part of the Commission's services and the authorities of the recipient countries.

Special provisions for outside expertise

Overall utilisation and list of actions

I Overall utilisation

Between 1977 and 1980 a total of 6.0 MECU had been made available under these special provisions. As of 31 July 1981, some 3.52 MECU of this had been drawn down, leaving a balance of 2.48 MECU. Of the amount drawn down roughly 1.89 MECU had been used for small studies and technical assistance actions, 1.15 MECU for short project supervision and control missions, and 0.48 MECU for the initial establishment of full-time development advisors in Commission regional delegations. A full breakdown of these figures, along with a complete list of the small studies and technical assistance actions, was provided in the 4th Execution Report (COM (81) 691).

A further 3.5 MECU was provided under the 1981 programme, which with the balance of 2.48 MECU from previous years gave a total available amount of 5.98 MECU. Of this, some 5.35 MECU had been drawn down as of 31 December 1982, leaving a balance of only 0.63 MECU.

New credits provided under the 1982 programme (approved only in the early months of 1983) amount to 4.0 MECU. Together with the previous balance of 0.63 MECU, this leaves a total of 4.63 MECU currently available for such actions.

Of the 5.35 MECU drawn down since the last report, 1.98 MECU has been used for small studies and technical assistance actions, a full list of which is given below. Shortterm supervision and control visits accounted for 0.58 MECU, and 2.78 MECU was used for the development officers established in certain key recipient countries.

II Small studies and technical assistance actions; list of actions  
 undertaken since 31 July 1981

Country	Title	Cost (000 MECU)
SADCC 1)	Evaluation of energy sector	38
Andean Pact	Preparation of regional project (wood)	18
N. Yemen	Evaluation of consequences of earthquake	14
Haiti	Rural development situation report	12
India	Afforestation and conservation	28
Pakistan	Baluchistan water resources	17
Bangladesh	Improved cereal seeds - production and distribution	26
Honduras	Improved cereal production	68
North Yemen	Rural roads study	15
Asean	Fisheries resource evaluation	31
Hispaniola 2)	Hurricane surveillance programme	9
South Yemen	National seed production	57
Honduras	Integrated artisanal fisheries	6
Thailand	Cassava action plan	50
Asean	Potential for non-conventional energy	5
Thailand	Oilseeds development study	11
Dominican Rep.	Project identification	35
Thailand	Action Plan project elaboration	48
Nicaragua	Production of ethyl alcohol	29
Philippines	Dairy development	70
India	Village trout-farming design	38
Central America	Regional cereals reserve	59
Haiti	TA for Jeremy rural development project	102
Asean	Container terminal operations	43
Zimbabwe	TA to Planning Ministry	115
Peru	Drainage and irrigation	30
Ecuador	Staff training for water conveyance tunnels	185
Costa Rica	Rural development programme identification	118

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1) Southern Africa Development Coordination Conference

2) Dominican Republic and Haiti

Country	Title	Cost (000 MECU)
Honduras	Production and distribution of cereals	88
Honduras/ Nicaragua	Cyclone damage report	17
Nicaragua	Waslala integrated rural development	64
Bangladesh	Cereal seeds development	103
Asean	Aquaculture (supplement)	8
India	High technology storage	31
Haiti	Jacmel IRD II (supplement)	9
Angola	Tombera fishing industry	119
Maldives	Hydrological survey	266
<b>TOTAL</b>		<b>1982</b>

Adding to this the small studies and TA actions listed in the 4th report (1.891 MECU), a total of 3.87 MECU has been used for such actions since 1978.

This covers a total of 70 such actions, ranging in size from 3000 ECU to 267 000 ECU, but with an average cost of only 55 000 ECU (compared to the ceiling of 300 000 ECU, now raised to 500 000 ECU).

Some 38% of this funding has been used for actions in Asia, 54% for Latin America, and 7% for Africa. The relatively high share accorded to Latin America essentially reflects the large amount of preparatory work required for the various Special Action projects in Central America (this sub-region accounting for 43% of total small-study funding).

The sectoral distribution of such actions has followed broadly the same lines as the programme as a whole, with 81% of total funding being concerned with agricultural projects (production and support services). Key sub-sectors were integrated rural development (21%), agricultural support services (18%), livestock, forestry and fisheries (16%), general agriculture (14%), irrigation (12%) and water supplies and sanitation (12%).

In interpreting these figures, however, it must be remembered that these small actions account for only a part of the total programme funding allocated to project preparation, given that studies costing more than 300 000 ECU (500 000 ECU from 1983) are financed separately, as normal projects, and do not appear in the present figures.