



European Communities

EUROPEAN PARLIAMENT

# WORKING DOCUMENTS

English Edition

1986-87

5 March 1987

A SERIES

DOCUMENT A 2-247/86

## REPORT

drawn up on behalf of the Committee on  
Development and Cooperation

on the proposal from the Commission of  
the European Communities to the Council  
(COM(86) 568 final - Doc.C 2-142/86)  
for a decision determining the general  
guidelines for 1987 concerning financial  
and technical aid to Latin American and  
Asian developing countries

Rapporteur: Mr A. SIMPSON

PE 111.232/fin.  
Or.EN



By letter of 17 November 1986, the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a decision determining the general guidelines for 1987 concerning financial and technical aid to Latin American and Asian developing countries.

On 8 December 1986, the President of the European Parliament referred this proposal to the Committee on Development and Cooperation as the committee responsible and to the Committee on Budgets for an opinion.

At its meeting of 26 November 1986, the Committee on Development and Cooperation appointed Mr Anthony Simpson rapporteur.

The committee considered the Commission's proposal at its meeting of 15 December 1986 and the draft report at its meeting of 24 February 1987.

At its meeting of 26 February 1987, the committee decided unanimously to recommend to Parliament that it approve the Commission's proposal without amendment and adopted the motion for a resolution as a whole unanimously.

The following took part in the vote: Mr McGOWAN, Chairman; Mrs CASSANMAGNAGO CERRETTI, Mr WURTZ, Mrs DALY, Vice-Chairmen; Mr SIMPSON, rapporteur, Mr BAGET BOZZO, Mr BEYER DE RYKE, Mr BENCOMO MENDOZA (deputizing for Mr CHINAUD); Mr CAMPINOS, Mrs CINCIARI RODANO, Mr CLINTON, Mr COHEN, Mrs DE BACKER VAN OCKEN, Mr DURAN CORSANEGO, Mrs EWING, Mrs FOCKE, Mr FILINIS (deputizing for Mrs CASTELLINA); Mrs GARCIA ARIAS, Mr HABSBURG (deputizing for Mrs RABRETHGE); Mr Ch. JACKSON (deputizing for Mr de COURCY LING); Mr KLEPSCH (deputizing for Mr LUSTER); Mrs PERY, Mr PONS GRAU (deputizing for Mr ESTRELLA PEDROLA); Mr POULSEN, Mr SABY, Mrs SIMONS, Mr TRIVELLI, Mr VERGES

The opinion of the Committee on Budgets is attached.

The report was tabled on 27 February 1987.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

CONTENTS

	<u>Page</u>
A. MOTION FOR A RESOLUTION .....	5
B. EXPLANATORY STATEMENT .....	9
Opinion of the Committee on Budgets .....	15

The Committee on Development and Cooperation hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

A

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the proposal from the Commission of the European Communities to the Council for a Council decision determining the general guidelines for 1987 concerning financial and technical aid to Latin American and Asian developing countries

The European Parliament,

- having regard to the proposal from the Commission to the Council<sup>1</sup>,
- having been consulted by the Council (Doc. C2-142/86),
- having regard to the report of the Committee on Development and Cooperation and the opinion of the Committee on Budgets (Doc. A 2-247/86),
- having regard to the ninth report from the Commission to the Council and the European Parliament on the implementation of financial and technical assistance to Latin American and Asian developing countries and other non-associated developing countries<sup>2</sup>,
- having regard to the communication from the Commission entitled "Industrial cooperation with certain developing countries in Latin America, Asia, the Gulf and the Mediterranean",
- having regard to the communication from the Commission entitled "The European Community and Latin America",

---

<sup>1</sup> OJ No. C317 of 10.12.1986, p.4

<sup>2</sup> COM (86) 626 final

- having regard to the commitments entered into by the EEC in the cooperation agreements with the countries of Central America and the Andean Pact and the conclusions of the Guatemala Conference (San José III),
- having regard to its previous resolutions on this programme, formerly known as financial and technical aid to non-associated developing countries, and in particular its resolution of 21.2.1986 closing the procedure for consultation of the European Parliament on the proposal from the Commission of the European Communities to the Council for a decision determining the general guidelines for 1986 concerning financial and technical aid to non-associated developing countries<sup>3</sup>,

- A. whereas this programme was instituted at the initiative of the European Parliament,
  - B. regretting the progressive reduction of this initiative, following the decrease of budgetary provisions following previous failure to utilize resources approved,
1. Notes with approval that the Commission has renamed this programme "financial and technical aid to Latin American and Asian developing countries", as proposed by the European Parliament,
  2. Agrees that aid under this programme should be concentrated on the poorest Latin American and Asian developing countries, and be directed particularly towards the poorest sectors of the population in these countries;
  3. Points to the need to establish aid structures for training, education, research and health ;

---

<sup>3</sup> Rapporteur: Mrs Pery, Doc. A2-222/85, OJ No. C68, 24.3.1986, p.186

4. Requests the Commission to draw up a review of the programmes financed and a report assessing the needs and priorities for aid to Asia ;
5. Welcomes the possibility of aid under this programme, in conjunction, where appropriate, with food aid, being made available for the preparation and implementation of general agricultural policies similar to the food strategies being carried out in certain ACP countries;
6. Favours the use of assistance under this programme being used to support regional integration, both at institutional level and with regard to industry, trade and communications, whenever valid programmes exist or can be promoted with assistance from Community funds ;
7. Reiterates its call for closer cooperation with Latin America which should take the form of increased aid by the Community, while insisting that this must not be at the expense of Asia, given the level of poverty obtaining in many Asian countries ;
8. Endorses, accordingly, the Commission's proposal that the geographical allocation of funds under the programme be Asia, 75%, Latin America, 25%, with a reserve, forming part of this allocation;
9. Insists, in view of the considerable importance of this programme and the real needs of the recipient countries, on a regular annual increase in the budgetary appropriations earmarked for cooperation with Latin American and Asian developing countries, especially in Article 930;
10. Notes that the level of utilisation of appropriations earmarked for this programme in 1986 was unsatisfactory, whereas an acceptable 82% of the payment appropriations available were used, only 268.6 mECU (59%) of the 455.2 mECU commitment appropriations available were utilised, resulting in 186.6 mECU being carried over into the following year; condemns the Commission for its failure in this respect and urges that, in future, fuller use be made of the funds available, while pointing out that this inadequate level of commitment has resulted in a reduction in the volume of commitment appropriations entered in the 1987 Budget compared with 1986;

11. Recognises that the unsatisfactory level of utilisation of appropriations is to some extent due to the insufficient number of staff assigned to the administration of this programme; consequently calls for a substantial increase in the relevant personnel;
12. Stresses the difficulties experienced by the Latin American countries in embarking on new investments because of the very high level of their debts and calls for Europe to accord special aid in this sphere, notably by granting loans with interest rate subsidies or development loans through the EIB;
13. Calls once more on the EEC institutions and the Member States, in accordance with the joint declaration of Guatemala and in order to ensure the effectiveness of their aid, to work within the framework of organizations such as UNCTAD and GATT to secure more remunerative and more stable raw material prices ;
14. Reiterates its criticism of the decision-making procedure provided for in the framework regulation<sup>4</sup> for this programme, whereby a committee composed of representatives of the Member States is empowered to decide on the projects to receive assistance;
15. Calls for the establishment of more Commission delegations and development experts in Latin America and Asia, with particular responsibility for the poorer developing countries where assistance may be required with project formulation and implementation;
16. Calls for continuous and effective assessment of the results of projects and programmes financed or co-financed in Latin American and Asian developing countries;

---

<sup>4</sup> Council Regulation (EEC) No. 442/81 of 17.2.1981, OJ No. L48, 21.2.1981, p.8



17. Approves the proposal for a Council decision;
18. Instructs its President to forward to the Council and Commission, as Parliament's opinion, the Commission's proposal as voted by Parliament and the corresponding resolution.

B.

EXPLANATORY STATEMENT

The Committee on Development and Cooperation is consulted each year on the annual guidelines concerning financial and technical aid to Latin American and Asian developing countries.

It is pleased to note that the Commission has followed the proposal made by the European Parliament in its report on the 1986 guidelines and renamed the programme "financial and technical aid to latin American and Asian developing countries", its former title "non-associated developing countries" sounding almost disparaging. Furthermore the accession of Angola and Mozambique to the Lome Convention now excludes Africa from this programme so all the recipients are in either Asia or Latin America including Haiti and the Dominican Republic.

The Commission's proposals for 1987 largely maintain the general guidelines applicable to recent years. As laid down in Article 2 of the basic regulation<sup>1</sup> in 1987 once more aid under the programme will, as a general rule, be directed towards the poorest developing countries, and towards the most needy sections of the population in the countries concerned. Cooperation with the People's Republic of China will also continue.

In the explanatory memorandum to its proposal the Commission agrees with the suggestion made by Parliament in last year's report that the possibility of helping Latin American and Asian countries to prepare and implement agricultural policies similar to the food strategies applied in certain ACP States should be examined.

There is, however, a lack of clarity regarding the geographic break-down of this aid. This could be rectified by subdividing budget Articles 930 into two separate items, covering assistance earmarked for Asia and for Latin America respectively.

---

<sup>1</sup>Council Regulation (EEC) No. 442/81 of 12.2.1981, OJ No. L28 of 21.12.1981

The Community has a separate agreement with certain Central American countries, and in the San Jose (September 1984) and Luxembourg (November 1985) conferences agreed to a substantial increase in aid to Central America. Annexed to the Cooperation Agreement signed in Luxembourg on 12 November 1985 is a declaration concerning development cooperation<sup>2</sup> which reads:

"The Community, as was affirmed at the ministerial meeting in San Jose, Costa Rica, on 28 and 29 September 1984, intends to contribute to the fullest possible extent to the economic and social development of the region of the Central American Isthmus.

In the context, with reference to Article 6 of the Agreement, the Community reaffirms its intention to give priority assistance to regional projects and declares itself willing to ensure that the total volume of aid, in all forms, granted to the region of the Central American Isthmus is increased substantially during the initial period of the Agreement within the framework of the relevant Community procedures."

Nevertheless the proportion of aid under this programme that will go to Central America as distinct from the rest of Latin America is still not clearly discernable, despite Parliament's request to this effect in Mrs Pery's report on the 1986 guidelines. It is proposed that, in future budgets, in respect of the item covering assistance to Latin America the Commission should indicate in the remarks column in volume 4, and again in volume 7, the level of appropriations intended for Central America and for the rest of Latin America.

With regard to Central America, the 20 million ECU supplementary aid voted for 1985 has been used fully. As far as the normal programme is concerned, it appears from the report on the implementation of this programme in 1985 that about 3/4 of the appropriations for Latin America have gone to three Central American countries (Costa Rica, Honduras and Nicaragua), a regional institution (CADESCA) and a regional programme benefitting Costa Rica, Guatemala, Honduras, Nicaragua, Panama and El Salvador. The intention formulated at the San Jose Conference and reflected in the declaration quoted above appears to have been put into effect in the 1985 and 1986 programmes,

-----  
<sup>2</sup>OJ No. L172 of 30.6.1986, p.10

though it must be stressed that this programme accounts for only part of the overall Community aid to that region. The drastic reduction compared with last year's budget in commitment appropriations earmarked for Article 930 in the 1987 budget as voted by the European Parliament on 11.12.1986 (175 mECU as opposed to 280 mECU in 1986) could however, lead to a regression in the volume of new commitments that can be undertaken in the course of the coming year, even though the unacceptably high level of commitments carried over from the previous year accounts for this reduction.

As far as the utilisation of appropriations under Article 930 is concerned, the situation with regard to payments is satisfactory. 1985 payments have been fully used, and 82% of the 1986 payments were disbursed by the end of the year. It is probable that almost all these payments will be used before the end of the first quarter of 1987. The situation with regard to commitment appropriations is much less satisfactory. On 31.12.1986 some 187 mECU in commitment appropriations out of the 455 mECU available had not been used, and had to be carried forward into 1987.

Much of this delay in utilising appropriations is due to the nature of projects and programmes assisted under this programme, difficulties on the ground due partly to lack of sufficient Community delegations with development specialists in the countries concerned, and the inadequate number of staff available in D.G. I to deal with this programme.

In its first reading of the 1987 draft budget on 31.11.1986 the European Parliament voted an amendment to Article 930 tabled by the Committee on Budgets which differed from the amendment tabled by the Committee on Development and Cooperation in proposing an addition to the remarks. The first paragraph of this addition, which met with the agreement of the Council, reads as follows:

"resources shall be allocated to Latin America and Asia in similar proportions, taking account of the undertakings made in the San Jose agreement and at the Summit of 26-27 June 1986 at The Hague."

In the Commission's proposal, as in 1986, the geographical breakdown of aid under this programme would remain

Latin America 25%

Asia 75%

with a 5% reserve to come out of the above.

These figures met with the approval of this Committee in the past, and were tacitly accepted for 1987 in the formulation of our amendment to budget Article 930. The Committee must now consider the advisability of endorsing the proportional breakdown contained in the Committee on Budgets amendment.

In taking its decision on this critical matter, the Committee should bear in mind the following facts.

The population of Latin America as understood in the programme in question is some 300 million, while that of Asia as understood in the programme, excluding China, is some 1300 million. The average per capita income of Latin America is \$900, that of Asia excluding China \$300. If we take the figure for commitment appropriations voted on 11 December, i.e. 175 million ECU, it would mean, with a 25:75 ratio, that assistance per capita under this programme would be Asia 0.10 ECU; Latin America 0.15 ECU (50% more) and with a 50:50 ratio: Asia 0.07 ECU, Latin America 0.29 ECU (314% more).

The accession of Spain and Portugal to the Community must of course serve to strengthen its bonds with Latin America. It should, however, be borne in mind that the Community has, and has had over many years, close links with countries in Asia.

The European Parliament has repeatedly called for increased aid for Latin America, yet this should not be at the expense of the poor countries of Asia. Any such reduction would have serious political consequences. Already, in per capita terms, Latin America has been receiving 40% more than Asia. The implementation of the remarks voted by Parliament in the first reading of the budget would lead to a quite unacceptable curtailment of our already limited aid to Asia, and would further exacerbate this discrimination. In addition, one wonders, if, in 1987, such an increase could be utilised in Latin America.

It should be noted that, juridically, the remarks section in the budget is merely indicative, and not legally binding. Given that our Committee did not favour the 50:50 breakdown, your rapporteur proposes that the Committee support the 72:25 breakdown put forward by the Commission.

At the meeting of the Committee on Development and Cooperation on 24, 25, 26 November 1986, Commissioner Cheysson introduced two papers which have most important implications for the countries assisted under this programme. These papers were

- (1) A communication entitled "The community and Latin America", and
- (2) A communication entitled "Industrial cooperation with certain developing countries in Latin America, Asia, the Gulf and the Mediterranean".

In both Mr Guermeur's report on the 1985 General Guidelines and in Mrs Pery's report on the 1986 General Guidelines, the Commission was requested to prepare a document assessing future requirements and priorities with regard to aid to Latin American and Asian developing countries. The "Community and Latin America" would appear to meet the requirement in respect of this continent. A parallel document on relations with Asia would be welcome.

Though of considerable interest the two documents introduced by Mr Cheysson are, strictly speaking, not within the scope of the present consultation. Your rapporteur proposes that these be the subject of two separate reports during the first part of 1987.

OPINION OF THE COMMITTEE ON BUDGETS

Letter from the committee chairman to the chairman of the Committee on Development and Cooperation.

Brussels, 30 January 1987

Subject: Proposal for a Council decision determining the general guidelines for 1987 concerning financial and technical aid to Latin American and Asian developing countries (COM(86) 568 final - Doc. C 2-142/86)

Dear Mrs Focke,

The Committee on Budgets considered the proposal referred to above at its meeting of 27 and 28 January 1987.

The Committee on Budgets noted the objectives and priorities determining the general guidelines for 1987 concerning financial and technical aid, as well as the additional information provided by the Commission.

The Committee on Budgets took the view that the Commission's proposal of 28 October 1986 should be altered to take account of the amendment to the relevant item in the 1987 budget, adopted by the two arms of the budgetary authority, which lays down in particular that resources shall be allocated to Latin America and Asia in similar proportions.

It also held that establishing the allocation of funds by means of legislation was incompatible with the Commission's powers in respect of the implementation of the budget as laid down in Article 205 of the Treaty and the need for proper flexibility in the management of funds.

Consequently, the Committee on Budgets adopted by 13 votes to one, with 3 abstentions the following amendment replacing Article 2 of the proposal :

Article 2 - Geographical allocation

'The need to increase Community aid to the poorest countries of Latin America in accordance with objective development criteria is a significant factor in determining the geographical allocation of funds.'

Subject to this amendment, the Committee on Budgets approved the Commission's proposal.

Yours sincerely,

(sgd) Jean-Pierre COT

Present

Mr COT, chairman; Sir James SCOTT-HOPKINS and Mr CORNELISSEN, vice-chairmen; Mr ARIAS CANETE, Mr ARNDT, Mr BARON CRESPO, Mr CERVETTI, Mr CHRISTODOULOU, Mr COLOM I NAVAL, Mr DANKERT, Mr ELLES, Mrs FUILLET, Mr LUIS PAZ, Mr MARTIN, Mr O'MALLEY, Mr d'ORMESSON, Mr PRICE, Mr ROSA, Mr SCHÖN (deputizing for Mr Langes), Mr STEVENSON and Mr TOMLINSON.