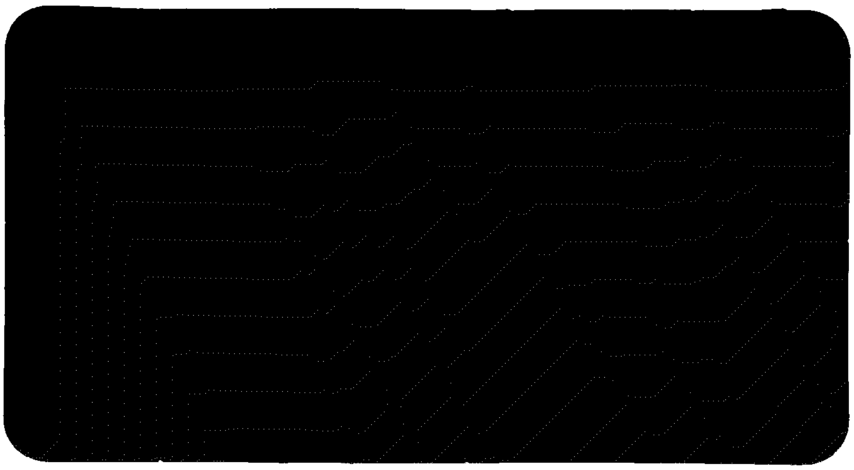
WORKING PAPER

Overseas
Development
Institute

10-11 Percy Street London W1P OJB
Tel: 01-580 7683



WORKING PAPER

No. 11

2

THE EUROPEAN DEVELOPMENT FUND AND ITS FUNCTION IN THE EEC'S DEVELOPMENT AID POLICY

Adrian Hewitt

Research Officer, Overseas Development Institute

0 85003 087 0 August 1982

INTRODUCTION

The European Community has its own development aid policy. Alongside the national aid programmes of the EEC Member States, it maintains four distinct aid programmes administered by the Brussels Commission and designed to assist economic development in Third World countries. These may be distinguished as:

- project aid, technical assistance and financial support from the European Development Fund (EDF) for a select group of mainly African countries under time-bound contractual agreements (currently the second Lomé Convention);
- individual aid agreements with the Mediterranean littoral states;
- a programme of financial aid to the so-called 'non-associates' - the countries of Asia and Latin America;
- a world-wide food aid programme, from which could be separated for technical reasons emergency aid (provided in either cash or kind).

The four programmes - three loosely 'regional', only one global, emerged at different times as a specific response as much to the Community's internal requirements as to international circumstances and perceptions of the Third World's development needs. They contain several innovative elements worthy of study and possibly of emulation, and the overall EEC 'aid package' is rightly portrayed as unique, quite unlike the aid programme of any bilateral donor, and yet not properly multilateral. In practice, however, the four programmes, having been developed in a haphazard manner partly through historical accidents and as a result of intra-Community policy trade-offs, manifest a severe imbalance in resource allocation (the Lomé countries, representing barely a tenth of the Third World's population receive half of the aid spending and the food aid programme absorbs most of the remainder). They display certain archaic features, including a self-perpetuating aid administration with its own protected budget and which until recently was not subjected to the normal process of policy reform. They lack any long-term guiding principle now that the rhetoric of partnership has abated. The aid programmes sit uneasily with many of the Community's other policies on agriculture, trade and payments, where these affect the Third World, and they integrate very little with the aid programmes and policies of the Member States, other than France.

EUROPEAN COMMUNITY AID RELATED TO AID FROM EEC STATES AND OTHER DONORS

The Community's aid programme is not among the largest programmes of development assistance, particularly when compared with national aid programmes. But its volume in current prices more than doubled over the five years from 1975 to 1980, partly as a result of the implementation of the 1975 Lomé Convention. Taking net oda disbursements, the comparative figures produced by the Development Assistance Committee of the OECD show that the Community aid programme was $1,257.3m in 1979, falling slightly in terms of dollars to $1,246.8m in 1980. This is smaller than each of the aid programmes of the United States, France, West Germany, Japan, the United Kingdom, Saudi Arabia, the Netherlands and the Soviet Union (see Table 1). The net expenditure was somewhat larger than that under the aid programmes of Kuwait, Canada and Sweden. The Community's total aid programme is very similar in size to the programme of soft credits administered by the World Bank's International Development Association, which showed net disbursements of $1,278m in 1979.

Table 1. Net Disbursements of Official Development Assistance, 1979

	US $m	% of GNP
USA	4684	0.20
France	3370	0.59
Federal Rep. of Germany	3350	0.44
Japan	2638	0.26
UK	2067	0.52
Saudi Arabia	1956	3.13
USSR	1432	0.14
Netherlands	1407	0.93
EEC	1257	not applicable
Kuwait	1099	5.14
Canada	1026	0.46
Sweden	956	0.94

Source: OECD, Development Co-operation, 1980 Review, Paris.

These figures are a good indicator of the size of operations, but they involve an element of double-counting. It is the governments of the EEC Member States which supply the resources for expenditure under Community aid programmes. This is done through two separate mechanisms: normal annual budgetary contributions to the Community (to finance aid to Mediterranean countries, food aid, emergency aid and aid to non-associates) and direct contributions outside the Community's general budget to finance the European Development Funds established under the Lomé Convention. These contributions to the Community form part of the relevant governments' aid expenditures and count towards their national overall aid performance, as do contributions to the multilateral agencies. The proportions in each channel for the main EEC donors shown in Table 2 reveal further imbalances: as well as allocating proportionately the least to multilateral agencies, France's financial support for EEC aid is relatively slight; Italy's aid programme in the late 1970's existed largely thanks to its EEC obligations, and so on.

The aid programme has nevertheless represented a significant item of Community expenditure in recent years (see Table 3). Development policy is one of the Community's more prominent and substantial actions in any sphere of creative rather than regulatory policy. New entrants to the Community have been notoriously slow in realizing that DG VIII, the directorate-general for development in the Commission, is a major spending department. In the Community's own terms, expenditure on overseas aid each year exceeds expenditure from either the European Social Fund or the European Regional Development Fund inside the Community. The EDF alone accounts for just under 3% of Community expenditure, to which should be added aid costs charged to the budget (food aid, Mediterranean and non-associates aid) representing a further 2.8% (figures are for 1979). In contrast, the European Social Fund, established to 'improve job opportunities' and 'help raise living standards' within the Community - its priority regions include the Mezzogiorno, the Republic of Ireland, Northern Ireland and the French Overseas Departments (DOM) - was allocated 4.1% of Community expenditure. The European Regional Development Fund, charged with 'narrowing the gap between economic wealth and performance within the Community' absorbed 3.6% of expenditure. Of course, the European Agricultural Guarantee and Guidance Fund (known as the FEOGA) which finances the Common Agricultural Policy, absorbs most of the budget (over 70% in normal years) and is

Table 2. Aid Programmes of the Main EEC Donors, by Member State (1979)
(Net oda disbursements $m and %)

	Belgium	Denmark	France	W Germany	Italy	Netherlands	UK
Bilateral programmes	69%	55%	83%	65%	8%	69%	72%
Contributions to multilateral agencies other than EEC	18%	39%	10%	26%	32%	23%	16%
Contributions to EEC programmes (EDF plus payments from EEC budget)	13%	6%	8%	10%	59%	9%	12%
Total	631	448	3,370	3,350	273	1,404	2,067
(% of Donor's GNP)	(0.56)	(0.75)	(0.59)	(0.44)	(0.08)	(0.93)	(0.52)

Source: OECD, Development Co-operation, 1980 Review, Paris.

Note: National percentages do not all sum to 100 because of rounding.

usually at least fifteen times as large as the EEC's aid spending. But we need some perspective. Total expenditure under the EEC budget plus the non-budgetised EDF still represents less than 1% of the Community's gross domestic product, so Community oda as such represents less than 0.05% of Community GDP.

Table 3. Net Disbursements of European Community Aid, 1976-80 (US $m)

	1976	1977	1978	1979	1980
Total	501	549	805	1257	1246
of which food aid[a]	132	209	314	303	436

Source: OECD, Development Co-operation, 1980 and 1981 Reviews, Paris.

Note: [a] valued at world market prices

The Member States themselves spend relatively more on aid than other major economic powers. Measuring 'aid efforts' as the ratio of aid disbursements to gross national product, the Netherlands, Denmark, France, Belgium and Germany all spent more than the DAC average (0.37% of GNP, in 1980). Thus the main European national aid efforts are substantially stronger than those of the USA, Japan or the Soviet Union.

ORIGINS OF THE EDF AND THE OTHER EEC AID PROGRAMMES

Of the four EEC aid programmes, only aid to the ACP (African, Caribbean and Pacific) countries via the European Development Fund has its roots in the Treaty of Rome and can thus be said to have been a consistent programme of assistance dating from the inception of the Community.

The other aid programmes evolved later. The Community food aid programme began as a result of the bilateral undertakings of Member States' governments under the 1967 International Food Aid Convention; emergency aid began somewhat later. Association agreements with countries in the Mediterranean basin began, with Greece and Turkey, in the early 1960s and were followed from 1969 onwards with a series of co-operation or association agreements (including aid arrangements) concluded individually with all the Mediterranean littoral and island states and Jordan, except Albania and Libya. Finally, a programme of aid to non-associates (basically the developing countries of Asia and Latin America, plus non-signatories of the Lomé Convention in Black Africa) was created in 1976, largely on the initiative of the European Parliament.

When the EEC was formed in 1957, the eighteen African territories which later became associated states of the Community during the 1960s were still European colonies - mostly colonies of France, but also territories administered by Belgium and in one case by Italy. Even one North African French possession - Algeria, which in 1957 was constitutionally part of France - was added to the EEC's African portfolio under the terms of Part IV of the Treaty of Rome. It is significant that these African states did not elect to associate themselves with the EEC: lacking sovereignty, they were associated by a decision taken in Europe. Had the Treaty of Rome been signed a few years later, independent African governments would have been in a position to determine and bargain for their own type of relationship with this new would-be economic superpower. As it was, they inherited a formal economic relationship with the EEC which as independent states they merely endorsed during the 1960s - the first and second Yaoundé Conventions (1964 and 1969) were the result. Only Sekou Toure's Guinea declined the offer of association (though it too joined the ACP states in signing the Lomé Conventions later on) and Algeria distanced itself from formal ties with France and the EEC after a bloody civil war.

The policy of association did not have the wholehearted support of the other states forming the EEC-Six in 1957. The Germans in particular were reluctant to be inveigled into actively subsidising French colonialism and were not impressed by the prospect of a market of 170m people in 'Overseas France' who had little purchasing power. Without a compromise on the favourable treatment of her overseas colonies in the Treaty of Rome, however, France made it clear that EEC itself would not come into being. The European Development Fund, created under the Implementing Convention attached to the Treaty of Rome, represented part of this compromise.

In exchange for the opening up of the previously closed markets of overseas France, the EEC member states agreed to pay into a fund to be used, initially as grants only, for schemes for the economic and social development of the overseas countries and territories, which would generate works and supply contracts for their own firms. A separate European Development Fund was established under this and subsequent agreements as follows:

- EDF I (1959-64): co-operation under Part Four of the Treaty of Rome: 580m units of account [1]
- EDF II (1964-70): Yaoundé I (first Yaoundé Convention): 730m u/a
- EDF III (1971-76): Yaoundé II: 900m u/a
- EDF IV (1976-80): Lomé I (first Lomé Convention): 3,150m Eua
- EDF V (1981-85): Lomé II: 4,542m Eua.

In this way the die was cast. Exclusively throughout the 1960s and predominantly to the present day, the EEC's aid focus has been on Africa. The Dutch did not press for special measures in favour of Indonesia. Links appeared too remote in time and space and the country was then considered too much of a 'burden' for the young Community to shoulder. The Indonesian case was no doubt an important precedent which prompted Harold Macmillan to agree in the early 1960s (when the UK made her first attempt to join the EEC) that Britain's ex-colonies in Asia would not be included in any special relationship offered by an enlarged EEC. Special status for the African Commonwealth members but only a 'Joint Declaration of Intent' for the Asian Commonwealth was the result of this undertaking a decade later. Other events show clearly the trend of EEC-Six initiatives towards Eurafrica. An association agreement was signed between the EEC and Nigeria in 1966. It was, however, never ratified, partly because of subsequent French military support for Biafran secession and recognition of the Biafran régime by an existing EEC associate, the Ivory Coast. In 1969 the East African Community states - Kenya, Uganda and Tanzania - signed the Arusha Treaty giving them trade access

---

1 The unit of account was the equivalent of the US dollar until 1971. Since then, the rate of the u/a and Eua has fluctuated. In 1976 Eua 1 \$1.24, in 1980 Eua 1 \$1.39. At the time of writing (April 1982), the Eua was approximately the same as the dollar.

to the markets of the Six (but without financial aid). Mauritius even joined the EEC's associated African states before the expiry of the Yaoundé II Convention. Other association agreements with North African states blossomed during the 1970s. And when Britain negotiated, successfully this time, to join the Community, protocol 22 to the Treaty of Accession made it clear that a line had to be drawn between the 21 Commonwealth countries which were 'associable' and the Asian Commonwealth states - often larger, more economically powerful but also including some of the poorest sections of the Third World - which were not. All the African Commonwealth states fell in the former category (though many were adamant in rejecting the 'association' tag itself) as did the small economies in the West Indies and in the Pacific area. Guinea-Conakry returned to the EEC fold, and the EEC's offer was extended to the remaining independent sub-Saharan African states - Sudan, Liberia, Ethiopia, Equatorial Guinea and later, to Guinea-Bissau. By the time the first Lomé Convention was signed in 1975, the EEC had binding economic ties with every independent state in Black Africa. Zimbabwe later joined, although Mozambique and Angola have resisted the EEC's advances. There are now 63 African Caribbean and Pacific (ACP) states under the second Lomé Convention. The African countries account for 97% of the population of the ACP group.

The Community's aid programmes tend to be divided along geographical lines (only food aid and emergency aid are administered worldwide). Lending to developing countries from the Community's European Investment Bank (EIB) is also restricted to ACP and Mediterranean countries at present. Furthermore, the status of the aid programmes varies. Expenditure under the EDF forms part of a contractual and time-bound agreement (the Lomé Convention) and disbursements are matched by obligatory direct contributions from the Member States; cereals food aid is based on contractual international arrangements; and aid provided under the various Mediterranean financial protocols is mostly pledged on a five-year basis to individual recipient countries, though made available from the Community budget annually. In contrast, dairy food aid, aid to the non-associates and other minor aid programmes are autonomous. This means that there is no formal continuing commitment on the part of the Community to provide aid under these programmes, nor certainty on the part of individual recipients that they will receive aid.

PERFORMANCE OF THE PROGRAMMES SINCE 1975

a) The Lomé Convention

Because of its size and its privileged position in Community aid thinking, the EEC's most important programme is its contractual programme of aid to the ACP countries under the Lomé Convention. The first Lomé Convention was signed in 1975 and was valid for five years. Lomé II was signed by the then nine Member States and fifty-nine ACP countries in October 1979, entered into force on 1 January 1981, and is due to expire in March 1985. It is a treaty of co-operation between supposedly equal partners which includes trade access provisions, aid, agreements on investment guarantees and undertakings on political co-operation and consultation.

Concessional assistance offered under Lomé I totalled 3,150m Eua (£1,312.5m), provided through the European Development Fund in the form of grants and soft loans, mainly for projects. The EDF also covered expenditure under a novel scheme called 'Stabex', designed to stabilize ACP export earnings on sales to the EEC of certain (mainly agricultural) commodities. The comparable amount offered as aid from the new five-year European Development Fund under the second Lomé Convention is 4,542m Eua (£2,930m). In addition, the ACP countries are promised access to loans of up to 380m Eua (£158m) under Lomé I and up to 685m Eua (£442m) under Lomé II from the resources of the EIB. Stabex has been continued in the new Convention and a new scheme called 'Sysmin' has been established to safeguard minerals production capacity in ACP countries against involuntary factors. The latter is as much if not more in the interest of the Community's Member States than of the ACP countries.

The contractual nature of the Lomé Convention has resulted in elaborate joint consultation procedures and the ACP group have a formal negotiating status with the Community - not only with respect to implementing, renewing or renegotiating their Convention but also with respect to certain matters of EEC external economic policy affecting ACP interests. This prerogative is not given to the Community's other aid recipients, although it exists in embryonic form in the case of the Mediterranean countries.

A new European Development Fund is established for the life of each five-year Convention, but commitment and disbursement of the resources of the Fund are spread over a longer period. Five stages can be identified in EDF operations:

- the original pledge of aid to the ACP by a commitment to establish a European Development Fund of a certain size;
- division of the programmable part of this aid between the ACP states on the basis of population and GNP, but also according to political criteria as assessed by the Commission;
- earmarking of the amounts in individual country programmes for projects or, more recently for sectors, acceptable to the EEC;
- commitment, when the Community undertakes to provide funds for specific projects in individual countries; and
- payment, when the Community actually transfers funds during or on completion of a project or as a Stabex transfer.

The long-term nature of the aid pledge can have substantial advantages for the ldc planning process. But the longer the gap between the original pledge and the final payment, the more the real value of the aid which the ACP have signed for is eroded.

Disbursements of EDF aid run well behind the rate of commitment. At the end of 1980, cumulative payments from EDF IV (relating to Lomé I) totalled 1,455m Eua; the fund was then 45% disbursed. In 1980, the ACP countries received concessional aid from EDF IV to the value of 459m Eua. But the Fund can continue disbursing after the expiry of the five-year Convention to which it relates; and the obligation on Member States to contribute to the Fund also continues. Table 4 shows how EDF IV disbursements were distributed among different economic sectors, and Table 5 shows the main beneficiary countries.

Table 4. Net Sectoral Disbursements of EDF IV (at end 1979)

	mEUA	%
Transport and communications	139.0	14.0
Rural production	137.0	13.8
Education and training	34.7	3.5
Industrialization	167.9	16.9
Health and water supply	33.0	3.3
Miscellaneous[a]	187.0	18.8
Stabex	296.6	29.8
TOTAL	995.2	100

Source: Commission.

Note: [a] Main component: expenditure on Commission Delegations in ACP countries

Aid from the EDF is generally used to finance individual projects in the sectors described in Table 4. The traditional emphasis was on transport infrastructure, now it has shifted somewhat into agricultural production (food and export crops) and agro industry. A disproportionately large share, in disbursement terms, was taken by Stabex during the five years of operation of Lomé I and the first two years of Lomé II. Projects are put forward by ACP countries, after consultation with the local EEC Delegate and in accordance with an 'indicative programme' for each country agreed with the Community at the outset of a new European Development Fund. Approval for individual projects is granted by the Commission in Brussels after consulting the EDF Committee, which consists of representatives of the Member States and is chaired by the Commission. Work on the projects is then frequently carried out by private contractors from EEC or ACP countries after competitive tendering. Payments from the EDF to stabilize ACP countries' export earnings under Stabex are not related to specific projects and consequently are made more rapidly than project aid disbursements. Transfers are made in free foreign exchange and in most cases are not reimbursed. This influences the pattern of disbursements shown in Table 5 considerably; the four countries receiving the largest overall disbursements out of EDF IV (in column 3) were the four largest beneficiaries from Stabex.

Table 5. Comparison of Lomé Indicative Programmes and Actual Receipts of Aid, as at 31 December 1979, by ACP state, Ranked in Order of Volume

	(1) Lomé I Indicative Programme Allocation		(2) Of which disbursed at 31 Dec 1979		(3) Total EDF IV disbursements (including Stabex) at 31 Dec 1979	
	Amount (mEUA)	Rank	Amount (mEUA)	Rank	Amount (mEUA)	Rank
Ethiopia	117.8	1	14.6	19	29.0	9
Tanzania	103.4	2	23.9	10	44.6	4
Zaire	96.5	3	27.4	5	27.4	12
Sudan	90.6	4	15.3	17	17.9	19
Uganda	73.6	5	2.4	43	16.1	24
Mali	73.0	6	30.5	2	36.4	5
Kenya	72.0	7	28.8	4	28.8	10
Madagascar	69.2	8	13.5	20	16.4	22
Niger	68.5	9	42.9	1	65.6	2
Upper Volta	68.0	10	26.9	6	34.1	6
Malawi	67.2	11	21.6	12	21.6	18
Guinea	64.0	12	12.8	22	12.8	27
Somalia	63.6	13	13.3	21	15.2	25
Senegal	59.0	14	26.1	7	91.2	1
Rwanda	58.7	15	29.0	3	29.6	8
Barundi	58.1	16	15.5	16	17.0	21
Cameroon	55.3	17	24.7	9	28.8	10
Chad	51.9	18	25.2	8	25.2	12
Ghana	48.0	19	11.1	23	16.3	23
Zambia	45.1	20	22.8	11	22.8	17
Benin	44.3	21	8.5	25	23.9	15
Ivory Coast	40.0	22	14.9	18	29.9	7
Central African Republic	37.3	23	9.5	24	10.4	29
Togo	35.7	24	20.0	13	23.6	16
Mauritania	33.6	25	16.2	15	53.2	3
Sierra Leone	31.1	26	4.9	32	8.9	31
Congo	25.0	27	17.2	14	24.6	14
Liberia	25.0	27	6.2	29	13.8	26
Lesotho	22.0	29	5.6	31	5.6	35
Guinea Bissau	20.0	30	8.4	26	17.2	20

Table 5, continued

	(1)		(2)		(3)	
	Lomé I Indicative Programme Allocation		Of which disbursed at 31 Dec 1979		Total EDF IV disbursements (including Stabex) at 31 Dec 1979	
	Amount (mEUA)	Rank	Amount (mEUA)	Rank	Amount (mEUA)	Rank
Jamaica	20.0	30	5.9	30	5.9	34
Botswana	19.0	32	6.7	27	6.7	32
Suriname	18.0	33	1.3	48	1.3	51
Mauritius	15.3	34	4.9	32	4.9	37
Guyana	12.8	35	2.7	40	2.7	44
Swaziland	12.0	36	6.4	28	9.8	30
Gambia	11.3	37	2.7	40	5.2	36
Solomon Islands	10.7	38	0.1	56	2.3	47
Trinidad and Tobago	10.3	39	3.1	39	3.1	43
Papua New Guinea	10.0	40	3.3	38	3.3	42
Fiji	9.9	41	4.6	34	6.7	32
Gabon	9.0	42	4.3	35	11.0	28
Equatorial Guinea	7.0	43	0.3	54	0.3	56
Comoros	6.3	44	2.6	42	4.5	38
W Samoa	4.6	45	1.4	46	4.2	39
Cape Verde	4.0	46	1.7	45	2.5	45
Djibouti	3.9	47	1.2	49	1.9	50
Kiribati	3.5	48	-	57	2.3	47
Saint Lucia	3.2	49	0.5	51	0.5	53
Tonga	3.2	50	1.4	46	2.5	45
Barbados	2.6	51	2.0	44	2.0	49
Dominica	2.5	52	4.1	36	4.1	40
Seychelles	2.4	53	0.7	50	0.7	52
Grenada	2.0	54	0.2	55	0.2	57
Bahamas	1.8	55	0.4	53	0.4	55
Sao Tome and Principe	1.8	56	0.5	51	0.5	53
Nigeria	0.9	57	4.0	37	4.0	41
Tuvalu	0.6	58	-	57	0.2	57
Saint Vincent	-	59	-	57	-	59
Total (59 ACP states)	1,929.4		606.7		901.6 90	

Source: Commission and Court of Auditors

Note: Column (3) does not include disbursements of 85.6m EUA for the benefit of more than one ACP country. Disbursements include expenditure on Delegations in ACP countries.

b) Mediterranean Aid

The Community has concluded individual association or co-operation agreements with the Maghreb (Algeria, Morocco and Tunisia) and Mashreq (Egypt, Jordan, Lebanon and Syria) countries of North Africa, with the Mediterranean island states and with certain other Middle East countries (including Israel but excluding OPEC members). These agreements have financial protocols covering development assistance. Most were being renewed in 1981 and 1982, although the financial protocols with Cyprus and Malta expire in 1983. The Community's relationship with these countries partially reflects the contractual relationship between the EEC and the ACP established under the Lomé Conventions. However, the aid component is less important in the Mediterranean agreements, not only in comparison with the trade issues covered in the agreements, but also, generally, in comparison with non-concessional financial provisions (in particular, loans from the European Investment Bank).

The expiring financial protocols with the Mediterranean developing countries cover pledges of Community aid (in the form of grants and soft loans from the EEC budget) to the value of 547m Eua. The EIB provided loans from its own resources to these countries under the same protocols to the value of up to 488m Eua.

Community aid commitments to Mediterranean developing countries amounted to 182.23m Eua during 1978 and 1979, but net disbursements reached only 45.46m Eua. (£29.33m) (see Table 6). Thus relatively little money has yet been disbursed as aid to Mediterranean developing countries. As with aid under the EDF, the funds are used to finance individual projects to promote development but there is no export earnings stabilisation facility.

Table 6. Net Community Aid Disbursements to Maghreb, Mashreq and other Mediterranean Countries[a] (1978 and 1979)

		mEUA
Turkey		31.92
Egypt		7.09
Tunisia		3.11
Syria		2.11
Jordan		0.82
Malta		0.36
Morocco		0.05
Lebanon		0.00[b]
Algeria		nil
Cyprus		nil
	TOTAL	45.46

Source: Court of Auditors

Notes: a. Excluding Greece, Portugal and Yugoslavia. Israel also excluded because audited figures not available.
b. Less than 0.05

c) Aid to Non-associates

Expenditure under this recently established annual programme covers financial aid and technical assistance to those developing countries not associated with the Community under Lomé or the Mediterranean agreements. The countries eligible to receive Community aid under the non-associates programme include the whole of developing Asia and Latin America, plus Haiti, Mozambique and, in theory at least, Cuba, Angola and the Maldives. Hence this group includes some of the largest and poorest countries in the world, including India, Bangladesh and Indonesia, and countries which have been prominent leaders in the Group of 77. Yet the Community's programme of financial and technical aid for these countries is much smaller than that devoted to the ACP countries under the European Development Funds and much less efficient in its operation.

By 1980, a total of 24 individual developing countries had received Community aid under this programme: 73% of the allocation had been made to Asian countries, 20% to Latin America, and 7% to Africa. The allocations have concentrated on the agricultural sector and on rural development projects. They have often been made through regional bodies and in co-financing arrangements with other donors. The annual allocation of funds for this programme in the Community budget, which started from a very low base of 20m u/a in 1976, reached 138.5m

Eua in 1980 and 150m Eua in commitment appropriations for 1981. The resources, however, remain greatly under-used. Cumulative disbursements from 1976 to the end of 1980 totalled only 74.8m Eua. With a staff of seven to administer a programme covering most of the Third World (compared with several hundred in Brussels and a network of 42 overseas offices for EDF aid under Lomé), this initiative is often regarded as the 'Cinderella' programme of the EEC's overall development strategy.

d) Food Aid

The Community's food aid programme is open to all developing countries. It can best be described by separating it into cereals (foodgrains) and other commodities (mainly dairy products). The EEC as a body is committed to providing 1,287,000 tonnes of cereals food aid annually under the 1971 International Food Aid Convention. This amount was raised to 1,650,000 tonnes in 1980[1]. The obligation is shared between the Member States, who provide 44% of the total out of their national budgets, and the Community's general budget which finances 56%, administered by the EEC itself as 'Community actions'.

The rest of the Community's food aid programme - 150,000 tonnes of dried skimmed milk powder, 45,000 tonnes of butteroil[2] and a small amount of sugar in 1980 - is administered by the Commission, charged to the Community budget and executed as a purely Community programme. Unlike cereals, this part of the programme is dominated by the objective of surplus disposal.

Community food aid is costed at prevailing world prices. This is normally reasonable in the case of foodgrains, but in the case of surplus commodities, notably dairy produce, it creates a noticeable divergence

---

1 By 1982, the cereals allocation approved by the EEC Council of Ministers had risen to 1,927,000 tons. Deliveries are always considerably below the volumes initially earmarked.

2 The same amounts of both products for 1981 and 1982.

between the real cost of the programme to the Community and the higher budgetary charge to the Member States via the Community budget. The value of the aid to the recipient countries is more difficult to assess, but represents a completely different figure. Partly due to the budgetary constraints and in the absence of an agreed management regulation for food aid, the Community's food aid programme is still executed on an annual basis.

In 1979, food aid disbursements (valued at world market prices) totalled 259m Eua. To this could be added export refunds on food aid charged to Chapter 6 of the Community budget, to the value of 300.69m Eua in the same year.

It could be argued that food aid goes some way towards correcting the geographical bias in Community aid towards ACP countries. But food aid has such shortcomings both as a form of aid and in the manner in which the EEC programme is administered that no straight comparison can be made with project aid or Stabex payments.

e) Emergency Aid

This small Community programme overlaps both the aid programme to ACP states and the worldwide food aid programme. Under the first Lomé Convention provision was made for 'exceptional aid' to ACP countries of up to 150m Eua (£62.5m) from the EDF; this was increased to a maximum of 200m Eua (£129m) under the second Lomé Convention. In addition, the Commission is entitled under Article 205 of the Treaty of Rome to decide on the allocation of funds in support of international relief operations from the general budget of the Community. These funds may go either to ACP states or to other developing countries. The two components can nevertheless be seen as a separate Community programme conceived to permit an instant response on the part of the Community to natural disasters, or comparable extraordinary circumstances. The aid in question is usually provided in the form of food or essential supplies; sometimes allied transport facilities are provided and works projects have on occasion also been included under the programme. If the Community cannot provide suitable food from its own contingency reserve, it may buy food for emergency aid on the world market. This rarely happens, but in

1980 the Community bought red beans as emergency aid for Nicaragua. Disbursements of emergency aid in 1979 totalled 30.1m Eua. The 'instant response' cannot be vouched for with such exactitude.

AIMS AND MOTIVES OF EEC DEVELOPMENT AID

Given that we have portrayed the EEC's development policy in isolation from its trade and political components as a somewhat incoherent sum of disparate aid initiatives, lacking internal balance and propelled by a momentun of ex-post response to changing international circumstances, it may be queried whether the Community does have an overall set of aims for its aid policy and whether its aid objectives are of particular relevance to the Third World. Paradoxically for an aid programme not primarily determined by the narrow confines of national interest, the objectives in relation to the 'donor constituency' do seem to be paramount. We therefore treat these first.

a) Dominant Policy Aims in Relation to Donor Interest

For the EEC, having a separate Community aid programme is its own justification. Although initially inherited from its member states' colonial era, aid programmes give the EEC qua Community (happily free of a colonial past) the justification for having a development policy, and one which carries considerable weight among Community institutions. One of the fourteen Commissioners is responsible for development, and a whole directorate-general in the Commission is in practice devoted solely to aid administration. Aid policy occupies an increasing share of the time and activities of the European Parliament, the Economic and Social Committee and the European Court of Auditors. Apart from regulatory actions relating to the Common Agricultural Policy, aid and development policy, impinging on the EEC's international trade policy and on political issues such as the Euro-Arab dialogue, probably has the highest profile overall among Community policies. Its merits may be poorly recognised even in some member states (UK, Germany) but in many African countries the 'FED', at least, is taken to be the sole, and solely positive, outward manifestation of the Community.

This leads us to identify a second motive for EEC aid: to fulfil a representational function. Unlike nation states, a basically economic grouping such as the EEC has no network of ambassadors and no independent foreign policy. But as a result of the early association arrangements, EEC aid has provided the vehicle for highly visible representation in the Third World. This takes various forms:

- delegations in nearly every ACP country (until recently staffed and financed from the recipient's aid allocations) plus two regional offices representing the Community in Bangkok and Caracas;
- a propensity for highly visible aid projects of the 'concrete and tar and railway track' variety, sometimes in disregard of the recipient country's priority needs, absorptive capacity or related manpower and recurrent cost considerations;
- inflated attention to self-publicity (perhaps attributable to the Community's still being a relatively young institution and therefore somewhat unsure of itself) as evidenced by the highly uncritical Courier magazine produced in Brussels for free distribution in Europe and the ACP countries (subsidies being, again, drawn from the EDF aid fund); the development of a personal role for the Commissioner (at least in Cheysson's days) in determining aid arrangements with individual African heads of state; and the raising of expectations making subsequent negotiations much more difficult (the Lomé conventions are purportedly signed 'on the basis of complete equality between partners'; Stabex is portrayed as a 'sickness benefit' and 'unemployment benefit' insurance scheme, etc.)

Using the aid programme as the ambassadorial vehicle for the Community throughout the Third World has moreover provided a justification for the tentative 'globalisation' of Community aid, adumbrated in the Commission's 1974 'Fresco' and initiated in the late 1970s. Without the new, albeit small, programme of financial aid to non-associates the Community as such would have no presence in Asia and Latin America other than that provided by the perceived benefits of the Generalised System of Preferences (rather modest), occasional deliveries of food aid and some regional co-operation agreements (e.g. with ASEAN) which remain at the level of declarations of intent.

Returning from the still inchoate global approach, one clear objective of EEC aid remains to further the Europeans' alleged comparative advantage in economic and political relations with Africa. It is not obvious why the EEC - and particularly the Commission - should have latched on to this somewhat nineteenth century role with neo-colonial and paternalistic overtones, but as a result, the two continents - and the area between them, the Mediterranean - are deemed to be natural partners due to historic and cultural traditions, and to be economically complementary. Africa is still marked down as a 'zone of privileged intervention' for EEC aid, as the Community itself spreads southwards and attempts are made through the Euro-Arab dialogue and association agreements with individual Mediterranean countries to develop a continental zone of influence. Such crude geopolitical strategy may seem naive; it has little to do with an assistance policy determined by development need; but it remains an inherited frame of reference within which the Member States are still prepared to work. The ACP's growing dissatisfaction with the Lomé arrangements (inadequacy of Stabex funds within the EDF to meet legitimate claims, conflicts over market access over products such as textiles, sugar and animal feeds, where the economic interests of the two parties were already not complementary) and the fact that the African countries longest associated with the EEC aid programme include many of the Third World countries with the poorest development performance, indicates that the longstanding African focus of EEC aid has not been a resounding success in development terms, though the 'burden-shouldering' and the vestiges of neo-colonialism may have been an obligation thrust on the EEC in the early stages. To some of the main agents on the donor side of the aid relationship this might not of itself be considered a shortcoming, since a further characteristic of EEC aid is that it is more to do with <u>co-operation</u> than with <u>promoting development</u>. Co-operation means harmonious relations at high government level, the proceeds of which accrue on the political plane to nation states in the conduct of their foreign policy and military strategy, and in the commercial sphere to private operators in trade and investment outside the realm of the immediate aid programme. On the other hand, some components of EEC aid - not least the maladministered parts of the food aid programme and certain of the EDF's past prestige projects which the current Commissioner, Edgard Pisani, refers to as 'cathedrals in the desert' - have been clearly anti-developmental.

Finally, what of the EEC's basic economic objectives in running this large and complex aid programme? Disbursement of public funds provides commercial spin-offs, shared disproportionately (see Table 7) between Member States' firms (France and Italy being major net beneficiaries under EDF and food aid supply and transportation procurement rules); but one-third of EDF contracts are now awarded to 'local' ACP firms, a share not attained by many other aid donors. Under the terms of the Lomé Convention moreover, ACP governments have a theoretical right to go further, since they themselves formally select the winning tender and are obliged to choose not the cheapest but the 'most economically advantageous' tender, which could clearly be interpreted as the one with the greatest local content or the one generating the most employment over the long term.

Table 7.

Contributions to EDF IV by Member States	%	Award of contracts by nationality of enterprise (ACP excluded) under EDF IV, as at 30 June 1980	%
France	25.95	France	33.05
Italy	12.00	Italy	19.00
W Germany	25.95	W Germany	17.22
UK	18.70	UK	11.23
Belgium	6.25	Belgium	9.89
Netherlands	7.95	Netherlands	7.41
Denmark	2.40	Denmark	1.19
Luxembourg	0.20	Luxembourg	0.51
Ireland	0.60	Ireland	0.50
	100		100

Source: Commission.

The aid projects selected have been concentrated on developing public utilities which could never attract commercial lending (particularly transport infrastructure) though the result of the subsidised investments has often had a predominant export slant, as has the share of aid allocations made to agriculture. Stabex transfers were designed as a means of ensuring stable low-cost supplies of African commodities for European markets though by deft footwork the ACP negotiators delinked the transfer use from the triggering sector and converted the Stabex part of the EDF into largely untied budgetary and balance of payments support, in striking contrast to the strictly end-use tied project aid approach employed by the EEC elsewhere.

Considerations of surplus disposal govern the dairy part of the food aid programme though this does not preclude it from having beneficial effects under favourable circumstances (e.g. Operation Flood II in India) whereas EEC cereals food aid (mostly wheat) has proved a costly option for some African nations now heavily dependent on imported food, whose governments have studiously neglected to offer remunerative prices to their rural producers. Finally, security of supply of mineral resources has been a guiding factor for the more recent EEC aid initiatives. Confronted by a submission from European mining companies lamenting the downturn in new non-oil mineral investment in Africa (compared with investments in the rest of the world) the Commission and the Member States responded with a new production support scheme - Sysmin - (only loosely modelled on the Stabex earnings guarantee scheme for agricultural products), an attempt to devise Community-level guarantees (i.e. implying sanctions) against nationalisation or expropriation, and an additional tranche of lending for the mining sector.

What could most obviously be expected from the EEC as an aid donor-encouragement of economic groupings and regional trade agreements within the Third World - has not in fact happened. The ACP group exists only for EEC purposes and acts as much as departure from Group of 77 principles as a means towards South-South co-operation. The fact that aid relations with the larger Third World countries such as India, Indonesia and even Nigeria (the last-named alone among the ACP not to have drawn capital aid during Lomé I) are kept to a minimum indicates that the EEC is much more at ease dealing with small, familiar governments, even though the aid policies of its member states may take quite different directions.

b) Policy Aims of Special Interest to Developing Countries

For those developing countries in the ACP group, the EEC's development policy offers more than just the rhetoric of partnership, though the semblance of negotiation on equal terms is in itself no doubt attractive to many governments. Under the Lomé arrangements they are offered a package of development measures - preferential trade access, various forms of aid and institutional support and the right to be consulted on certain EEC policies (such as the annual GSP offer, enlargement of the Community) which may have an indirect impact on ACP development prospects. These are important considerations which have yet to be fully exploited due mainly to poor co-ordination among the ACP countries.

The aid component is particularly attractive for the ACP governments concerned because it is offered on very soft terms and it is 'programmed' over five years.

Nearly four-fifths of EDF aid is provided as grants (more for the least developed category of countries - a list which for EEC-Lomé purposes is actually longer than the official UN list of least developed countries worldwide) and the remainder attracts only a maximum of 1% interest with repayment being phased over 40 years with a 10 year grace period. Stabex transfers are made in foreign exchange, very few countries reimburse in practice and those which do pay no interest.

'Indicative programming', despite its Vichyist overtones, is appreciated by the ACP government recipients since it allows them to plan development spending with reasonable certainty that funds already earmarked will be made available. The initial Lomé I experiment with indicative aid programmes in the form of project lists has however been abandoned in favour of a more flexible - and more realistic - pre-allocation of funds by sector. Above all, the indicative aid programme enables the government to fix with the donor the overall amount of EEC soft finance available for commitment over the five-year period - few other donors are as forthcoming, particularly with some of the less favoured governments in Africa. Any other aid mechanisms brought into play under the Lomé arrangements (Stabex drawings, 'regional' aid for more than one country, emergency assistance, Sysmin loans) are additional to the programmable part and are thus regarded by the recipient as a bonus. Overall the aid package looks highly seductive to ACP governments, and appears to entail fewer obligations than, say, politically shaded bilateral aid, IMF balance of payments support with matching conditionality, or even World Bank loans and IDA credits. For those outside the ACP group, however, few of these favourable conditions apply. Even for the Mediterranean countries, terms are stricter overall and disbursements slower, although attempts to plan aid over a five-year framework have been made. For the rest (including food aid) aid allocations can be planned only on an annual basis and the recipient lacks any of the legal guarantees to its aid entitlement.

Secondly, the Third World recipients tend to see EEC aid as a means of relieving some of the Community's harsher trade policies - on agricultural protectionism, for instance. In the long term they may well be the losers, however. Food aid continues, say EEC spokesmen, because there exists an ever-expanding demand for it. The demand comes often from governments whose support is drawn almost solely from the privileged urban areas. EEC aid to develop domestic sugar production (whether for import substitution of for export) is no longer available and while the ACP states and India are offered guaranteed access for quotas of cane at 'negotiated' prices, the market price obtainable by the rest of their (and the Third World's) cane sugar production is depressed by the EEC's unrelenting beet sugar export drive. The EEC is now the world's second largest sugar exporter. The EEC has been less keen to promote effective structural adjustment measures in cane-dependent economies. Although aid was available to finance infrastructure and promote industrial projects, Mauritius found itself obliged to conclude 'voluntary' export restraint agreements with the EEC on textiles as soon as its more diversified export economy started to prove an efficient competitor.

Lastly, EEC aid has traditionally treated the local costs issue quite favourably; moreover in the past year the EDF Committee has begun to approve projects with a high maintenance cost element.

Diversity brings its own rewards to the favoured aid recipients. For the ACP, at least, not only does the EEC aid machine offer a wide range of aid types (project aid, Stabex, technical assistance, training, institutional support) but it also appears to act as an 'eleventh donor' in European terms, so small has been the progress on intra-community aid co-ordination to date - in marked contrast to EEC external trade policy.

PRINCIPLES OF THE EEC AID PROGRAMME

a) Country Concentration

By now it should be clear that the geographical focus on Africa, inherited and adapted over the years, has been elevated into a basic principle for the EEC's development policy. This has arisen from a number of causes: France's overriding political interest in Africa, crucially at the time of signing the Treaty of Rome, and consistently ever since; the adoption of a quasi-colonial policy of political association and its adaptation into a co-operation relationship between the EEC and African states; and the belief that Africa, the continent where the super-powers hold less sway, remains fertile ground for continuing European assistance and influence.

The geopolitical focus on Africa has been modulated only slightly by the inclusion of small Third World countries in the Caribbean and the South Pacific in the special relationship since 1975. One could in fact argue that it has simultaneously been strenghtened by the growing importance attached to the co-operation agreements with the individual states of North Africa along the Mediterranean coastline.

Africa's primary role in the EEC's aid strategy is reinforced by another set of principles evolved by the EEC. Firstly the principle that those initially favoured (the original francophone African associates) should have their privileges maintained indefinitely: the principle of 'maintenir l'acquis'. Thus, they now believe themselves entitled to compensation from the EEC (in cash or in terms of new policy initiatives) should the Community take any new measures in favour of other Third World countries. Secondly, membership of the favoured ACP group itself is determined by the somewhat nebulous principle of admitting only states having 'comparable economic structure and production' to the existing ones. Clearly the principle does not bear close scrutiny - among the longest-serving EEC associates, Gabon's economic structure and production (GNP per head in excess of £3,500 per annum; agriculture accounting for less than 5% of GDP; the mining sector - oil, manganese and uranium - providing 90% of exports) is hardly comparable to that of a poor agriculture-based economy such as Chad or Upper Volta. Nevertheless, the principle was invoked to exclude from the Lomé arrangements such states as Bangladesh, while admitting an array of small islands outside Africa. It could be used again to prevent globalisation of the Community's development policy.

Some would question whether the 'maintenir l'acquis' principle has any operational effectiveness nowadays. The original associates are not specifically favoured by the Community at the level of trade or tariff policy monetary policy (except under bilateral arrangements with France), with regard to theCommunity's policy on commodity arreements, and so on. The francophone associates are now outnumbered by the other ACP states, which also have a far larger cumulative population. But it is precisely in respect of aid receipts (project aid and Stabex transfers) that the original francophone recipients do maintain their privileges. Table 5 shows how well Senegal, Niger, Mauritania, Mali, Upper Volta and the Ivory Coast do out of the EEC's aid disbursements compared with the other Lomé signatories (themselves far in advance of other Third World countries). Their relative benefiss are further enhanced if calculated on a per capita basis (Gabon would then, paradoxically, rank among the leading beneficiaries) and if disbursements from previous EDFs during the Lomé I operational period were included.[1] They have thus ensured that their aid advantages have not been eroded. This implies that the EEC's main aid programme - the EDF - remains somewhat the prisoner of its past and can respond only with difficulty both to changed international economic and political circumstances and to advances in development theory. What are the instruments of this conservatism? They lie within the separate decision-making framework erected ab initio for the EDF which gives the Commission[2] (and not the

---

1 During 1976-80 (Lomé I, funded through EDF IV), over 450m u/a from EDFs I to III were disbursed to the original associated African states and Madagascar.

2 Perhaps one example will suffice here. Allocation between ACP countries of the programmable portion of the EDF (about $3m in the current Lomé II exercise) is determined solely by the Commission and not by the governments which are to provide the funds.

funding governments) direct control over the bulk of the Community's financial aid programme and also substantial discretion in awarding Stabex payments. This, it must be said, is an unusual role for an unelected body, and one endowing its officials with considerable power, so far exercised largely in the absence of control and evaluation by outside bodies (the Parliament and the Audit Court have more control over aid programmes drawing on the Community's budget than they do over the EDF).

b) Poverty Focus

Aiding the poorest countries is not an overriding principle for the Community though it remains a statement of intent. The Mediterranean states are not among the most aid-needy, while the poorest countries in Asia receive only modest amounts of financial aid. But 21 of the 31 least developed countries on the UN list are in Africa and are consequently countries of aid concentration for the EEC. About two-thirds of EDF aid, according to the indicative programmes of Lomé I and II, goes to the 35 least developed countries on the EEC's own, more extended, list. Because the grant element is very high, this aid is limited more by the donor's perceptions of absorptive capacity than by credit-worthiness.

By the nature of the multilateral operation and its origins, EEC aid has been more at ease on big public works projects - roads, railways, urban hospitals, hydroelectric dams - than on small aid projects which directly affect the poorest people. But there has been a laudable attempt in recent years to launch 'micro-projects' (tripartite ventures involving local communities), and to cofinance projects with NGOs, not only in ACP countries. Sometimes these ventures have suffered from being subjected to the same criteria and centralised chain of command as the traditional projects.

The Commission's delegations in ACP countries are urban-based and usually remote from the problems of the poorest people; delegates have relatively few powers to approve aid spending and are barely involved in Stabex operations. Nearly every decision has to be referred back to Brussels. The newer programme for the non-associates is more flexible since much of the aid goes as joint finance or parallel finance with other donors, though even here there is a residual reluctance to use the field offices of the EEC's own member states. Despite the new policy declarations in favour of aid to promote domestic food self-sufficiency, most of the agricultural spending goes on export crops produced by the better-off farmers and food aid rarely benefits producers of local staple crops.

c) Partnership

It could be claimed that the present attempt to analyse the aid programme separately is misguided since it forms only a part of a co-operation package, replete with a panoply of different instruments in the case of the ACP, a little more austere, perhaps, for the other Third World countries. For both sets of countries, co-operation with the EEC implies some form of partnership, which, we are led to believe, goes beyond the traditional donor-recipient relationship seen elsewhere with bilateral aid. This can best be tested with respect to the ACP countries, where the partnership principle is at its most highly developed. The partners are bound by a legal contract to co-operate and for this purpose joint institutions are set up. Moreover, the Lomé relationship when launched was described as a model to be emulated by other North-South groupings.

In fact, the partnership principle has not been extended to joint decision-making. Only one of the EEC's aid bodies having an executive function, the Committee for Industrial Development, is jointly managed with the ACP states - and this is an area which has been starved of funds. The reality of consultation and 'joint decision-making' is quite different from the façade. Individual ACP countries have as much say in determining priority projects for aid funding under some bilateral aid programmes (e.g. from the Scandinavian donors) as they do under the Commission's indicative aid programming. 'Consultation' over how to resolve the problem of Stabex claims in 1981 and 1982 was limited more to devising methods for reducing the claims fairly rather than raising the full revenue to meet them. On enlargement, Greece was admitted as a new EEC member before the ACP were consulted on measures to protect their interests and the same is likely to happen when Spain and Portugal join - with potentially devastating effect, particularly on some of the southern Mediterranean economies. Overall, developing ocuntries are no more partners under the EEC's aid programme as they are under bilateral aid. But as client states in an aid relationship they need not share the responsibilities of partnership either.

d) Legalism

Unlike nation-states, the EEC exists by virtue of legal treaties. It is therefore not surprising to find that aid arrangements are based on legal principles and governed by legal contracts. In the case of the Lomé convention, this endows the aid relationship with a favourably distant time horizon (five years), although most other aid has to be planned from year to year and can sometimes be the victim of the Parliament's own budgetary (if not legislative) procedures.

The five-year contractual relationship is not however without drawbacks. Far too much time and multilingual paperwork is expended for gatherings of over 70 states (63 ACP, 10 EEC) reviewing the existing convention and, barely a couple of years after it enters into force, beginning to negotiate a new one. Moreover, all the EEC's aid programmes have by now been invaded by formality and legalism, often to the detriment of developmental effectiveness. For instance, twenty-two stages can be enumerated in the response to a request for food aid under the regular procedure. For emergency food aid the number of stages is reduced to eighteen. Instances can be cited where emergency food aid arrived one and half years after the emergency in question had passed. Legalism is clearly the enemy of flexibility of response. On the other hand, reinforcement of the legal link between aid supply to governments and the observance of minimum standards of human rights was mis-handled by the Commission in 1978/79 and, having rebounded on the EEC, has since failed to be developed as a policy.

e) Co-ordination or innovation?

Since the harmonisation of internal market rules and procedures has been a function of the EEC's executive institutions, one might expect that it fell to the EEC's development agencies to harmonise, or at least co-ordinate, the aid policies of the member states. This has not in fact occurred. Member states' bilateral policies are as diverse as ever and their remaining aid channelled through the World Bank, UNDP and financial support through the IMF often appears to be in competition with EEC aid (for instance, Stabex transfers and drawings from the IMF's Compensatory Financing Facility address a similar problem: payments from each can sometimes overlap, but the EEC offers much softer terms; similarly, the EIB has been known to pick up and finance agro-industrial and mining projects rejected by other multilateral lenders).

Instead, the Community has attempted to distinguish its aid programme not only from those of the member states but in particular from those of the multilateral agencies, judged in Brussels and Paris to be dominated by American interests. Thus, though the Community is now big enough and important enough to have a world-wide aid programme, the EEC maintains that this would cause its aid to be spread too thinly (yet it is not at all sure that the concentration on Africa has been to Africa's advantage). Instead of conditionality - recognised as an inherent part of the aid business for every donor and lender - the EEC likes to pretend that it alone acts with its selected partners in a spirit of unfettered co-operation. Many of the innovative features are little more than cosmetic changes devised to overlay the legacy of the association policy and to lend distinction to the EEC programme per se. Those which have more substance tend not to be offered to the developing countries which could benefit the most from their provision.

ISSUES FOR THE 1980s

Claude Cheysson's elevation from EC Commissioner to the External Affairs Minister in the Mitterand government in 1981 left a gap at the apex of the EEC aid/co-operation hierarchy which, under the terms agreed between the member governments, another Frenchman had to fill. Commissioner Pisani thus inherits a highly personalised and distinctive but internally unbalanced aid programme, for which reform is overdue, but at the same time has to preserve some of the features of obvious benefit to French interests. He has to develop the existing Lomé relationship at a time when aid resources are likely to be scarcer as a consequence of recession and when the ACP themselves have become increasingly disenchanted by the Lomé relationship. Renegotiation with the ACP starts in 1983 and the Community's position has to be established through consultation between the EEC governments during 1982. Further regionalisation after the manner of the renewed Maghreb/Mashreq accords is likely, with increased Community attention to the developing states of Central America already floated as a possibility (not merely as a French ploy to annoy Washington). Pledges to increase aid to the least developed countries will probably not translate as offering Bangladesh aid terms as generous as those to EDF recipients, but any move to focus aid spending on the poorer developing countries would not only be a welcome new initiative from the EEC but could represent the beginning of a reversal of the trend now observable among bilateral donors towards the use of aid budgets for export promotion predominantly designed to bend GATT rules and to sell surplus capacity goods and services in middle income ldcs.

It is clearly time for the EDF itself to undergo reform, both to render its decision-making processes more transparent and to permit the endogenisation of learning from past mistakes and to let the experience of other donor agencies feed back more freely and in manageable form towards the policy makers. Within the EDF, the Stabex mechanism, greatly appreciated by most of the ACP governments as a free foreign exchange windfall without any strings attached, requires a clarification (by ACP-EEC consensus) of its objectives, securer funding and stricter control.

The needed Reform will not be without pitfalls. More EEC aid concentration on the Maghreb/Mashreq states may end up as a residual and merely face-saving component of a still very confused EEC Mediterranean strategy, not helped by the fact that the southward creep of the Community itself, originally masterminded by the French under Pompidou may be halted by a new French government which finds the prospect of internalising an expanding Spanish production economy (despite the concomitant prospect of market of 37m consumers) too much of a challenge - not, in the first instance for the Southern Mediterranean associates, but for France herself. The present quandary arising from seeing mare illorum as mare nostrum has led to Community schizophrenia, particularly within the Commission, in the attempts to formulate both a Mediterranean regional and development policy. Community food aid is bound to continue, probably in enlarged amounts even for dairy foods, despite the doubts expressed by a wide range of evaluators - not least the Court of Auditors in their 1981 special report - because the demand from many ldc governments continues to strengthen. The least one can hope for is that administrative and managerial procedures (which are a proximate cause of the EEC's food aid failures) will be radically revised. Lastly the Commission itself - having accrued, as well as having been vested with - abnormally extensive powers over aid decision making as regards the EDF, needs to subject itself to much closer scrutiny or failing that open itself to policy and performance audits by outsiders. A small start has been made by the aforementioned European Court of Auditors. In the British constitutional model, one would expect a backbench Parliamentary Select Committee to be the prime mover in policy, as opposed to mere financial, audit, but the equivalent Community body, the European Parliament's Development and Co-operation Committee chaired by Prince Michel Poniatowski, has so far failed to perform this role at all adequately. The ACP, whether through their Secretariat or collectively at other levels have exerted little real influence for reform since the mid 1970s - vested interests weigh heavily here; while the much more important non-associated ldcs have only a very narrow channel of communication on trade access issues, and none at all on aid matters. For the EDF in particular, already near to its silver jubilee and longer in the tooth than the World Bank's IDA, much still remains to be done to improve performance.

BIBLIOGRAPHY

BARON, F. and VERNIER, G., Le Fonds Européen de Développement, PUF, Paris, 1981.

BOURRINET, Jacques (ed.), Le Dialogue Euro-Arabe, Economica, Paris, 1979.

CABLE, V. and WESTON, A., South Asia's Exports to the EEC, ODI, London, 1979

Commission of the European Communities, European Development Fund Procedures, Office for Official Publications of the European Communities, Luxembourg, 1981.

Commonwealth Secretariat, The Lomé Convention and the Common Agricultural Policy, Commonwealth Economic Papers: No. 12, Commonwealth Secretariat, London, 1978.

COSGROVE-TWICHETT, C., Europe and Africa: From Association to Partnership, Saxon House, Farnborough, 1978.

COSGROVE-TWICHETT, C., A Framework for Development: The EEC and the ACP, George Allen and Unwin, London, 1981.

Court of Auditors,, 'Annual Report concerning the financial year 1980 (1979)' Official Journal of the European Communities, Office for Publications of the European Communities, Luxembourg, 1980, 1981.

Court of Auditors, Special Report on European Community Food Aid, Mimeo, Luxembourg, 1981.

Development Assistance Committee of the OECD, Development Co-operation Annual Reviews, OECD, Paris, 1980, 1981.

DG VIII, 'Development Aid: Fresco of Community Action Tomorrow', Bulletin of the European Communities, Supplement 8/74, Office for Official Publications of the European Communities, Luxembourg, 1974.

DURIEUX, Jean, The Courier, passim, notably special editions Nos. 31 and 58 containing texts of the two Lomé Conventions, Commission of the European Communities, Brussels, 1975 and 1979.

European Communities, Treaty Establishing the European Economic Community and Implementing Convention, brought up to date as at 1 January 1973, Office for Official Publications of the European Communities, Luxembourg, 1973.

FABER, Gerrit, The European Community and Development Co-operation, van Gorcum, Assen, 1982.

FOCKE, Katherina, From Lomé I towards Lomé II, Office for Official Publications of the European Communities, Luxembourg, 1980.

FABER, Mike and BROWN, Roland, 'Changing the Rules of the Game', Third World Quarterly, January 1980.

FABER, Mike and BROWN, Roland, 'Reply' to A. Macleod-Smith 'Is the International Mining Industry Necessary to Africa?, both in ODI Review No. 1, ODI, London, 1981.

GALTUNG, Johan, 'The Lomé Convention and Neo-capitalism'. The African Review, Vol. 6 No. 1, 1976.

HEWITT, Adrian, 'European Aid Donors' in J de BANDT, P. MANDI and D. SEERS (eds.), European Studies in Development, Macmillan, London, 1980.

HEWITT, Adrian, 'The Lomé Conventions: Myth and Substance of the Partnership of Equals', in M. CORNELL (ed.), Europe and Africa: Issues in Post-Colonial Relations, ODI, London, 1981.

HEWITT, Adrian, 'EEC policy towards the least developed countries: an analysis', in C. STEVENS (ed.), EEC and the Third World: A Survey 2 Hodder and Stoughton, London, 1982.

HEWITT, Adrian, Synthesis Report on the overall impact of Stabex Operations 1975-79, forthcoming, 1982.

HILLS, John, 'The European Development Fund: Proposals for the Re-negotiation' in A. RIDDELL (ed.), The Renegotiation of the Lomé Convention, CIIR, London, 1978.

House of Commons, Report of the Select Committee on Overseas Development (with minutes of evidence), HMSO, London, 1979.

House of Lords, Development Aid Policy, Twenty-First Report of the Select Committee on the European Communities, with minutes of evidence, HMSO, London, 1981.

IMAGAWA, T., 'The Effects of Enlarged EC on its Trade Partners in West Africa', Journal of Economics Vol. XXI No. 5, Tokyo, 1980.

JENKINS, Roy, 'Europe and the Developing World', ODI Review No. 1, 1979.

KONATE, T., The Lomé Convention and the non-associated countries, paper presented to the Novib conference, The Hague, Mimeo, 1982.

LONG, Frank (ed.), Contribution to the Political Economy of EEC Relations with African, Caribbean and Pacific States, Pergamon, Oxford, 1980.

MCQUEEN, Matt, 'The Lomé Convention' in P. MAUNDER (ed.), Case Studies in Development Economics, Heinemann Educational, London, 1982.

MCQUEEN, Matt, 'Lomé and the Protective Effect of the Rules of Origin', Journal of World Trade Law, March - April 1982.

RAJANA, C., 'Lomé II and ACP-EEC relations: A Preliminary Assessment', Africa Development, Vol. V No. 3, 1980.

RAVENHILL, John, 'Asymmetrical Interdependence: renegotiating the Lomé Convention', International Journal, Vol. XXXV No. 1, 1980.

SHAW, Tim, 'EEC-ACP interactions and images as redefinitions of Eurafrica: exemplary, exclusive and/or exploitative, Journal of Common Market Studies, Vol. 18 No. 2, December 1979.

SUTTON, Mary, The EEC and the Developing World - A changing relationship, Trocaire/Irish Commission for Justice and Peace, Dublin, 1976.

WESTON, A., CABLE, V. and HEWITT, A., The EEC's Generalised System of Preferences: Evaluation and Recommendations for Change, ODI, London, 1980.

World Bank, Accelerated Development in Sub-Saharan Africa: An Agenda for Action, IBRD, Washington DC, 1981.

The Georgetown Agreement, Georgetown, Mimeo, 1975.