



COMMISSION OF THE EUROPEAN COMMUNITIES

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95/0165 (SYN)

Proposal for a
COUNCIL REGULATION (EC)
**ON REHABILITATION AND RECONSTRUCTION
OPERATIONS IN DEVELOPING COUNTRIES**

(presented by the Commission)

EXPLANATORY MEMORANDUM

Owing to the proliferation of wars, civil unrest and natural disasters affecting large numbers of developing countries, economic reconstruction and social rehabilitation has become a major component of development cooperation.

In countries emerging from a crisis situation, rehabilitation should gradually replace relief as the focus for aid, paving the way for a return to long-term development cooperation. The aim is to relaunch economic activity, consolidate social and political stability and rebuild the institutional capacity required for the transition.

In May 1993 the Commission presented a Communication along these lines to Parliament and the Council, which led to a Parliament resolution on rehabilitation aid (16 November 1993) and Council conclusions on aid to rehabilitation in the developing countries (2 December 1993).

In line with those conclusions, the budget heading created in 1994 and allocated ECU 44.8 million for that year enabled the Community to support major economic reconstruction and social and institutional rehabilitation projects in the developing countries, complementing the other resources available for development cooperation and improving the coherence of the various instruments deployed by the Community. In the Asian, Latin American and Mediterranean developing countries, 9 projects were financed for a total of ECU 27.02 million, and a further 34 projects were funded in the ACP countries for a total of ECU 17.6 million.

With the creation of this budget heading the Community now has access to the full range of instruments it needs to respond to the varied needs of the people of the increasing number of countries that are either in crisis or just emerging from crisis situations, thus providing ongoing assistance from the emergency aid phase right through to development cooperation.

To emphasize the need for continuity, no duration is specified in this proposal.

PROPOSAL FOR A COUNCIL REGULATION (EC) No...
ON REHABILITATION AND RECONSTRUCTION OPERATIONS IN
DEVELOPING COUNTRIES

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 130w thereof,

Having regard to the proposal from the Commission,

In cooperation with the European Parliament,¹

Whereas the Commission, in its communication of 12 May 1993 to the Council and Parliament on a special rehabilitation support programme in developing countries,² highlighted the specific nature and scale of the rehabilitation and reconstruction aid needed by developing countries that have suffered serious destruction through war, civil disorder or natural disaster;

Whereas the Council's conclusions of 2 December 1993 on rehabilitation aid define the principal objectives, conditions and criteria for such aid and emphasize the need for close coordination between the Commission and the Member States when planning and implementing it;³

Whereas the European Parliament, in its resolution of 16 November 1993,⁴ emphasized the scale of the developing countries' need for rehabilitation aid and proposed the establishment of a specific financial framework for that purpose in the Community budget;

Whereas the budgetary authority included in the 1994 budget a new item B7-5076 for the financing of rehabilitation and reconstruction operations in developing countries;

Whereas procedures should be established for the administration of such operations,

¹ Opinion delivered on ... (OJ No ..., ...) and Decision of ... (OJ No ..., of ...).

² COM(93) 204, 12.5.1993.

³ Council 10641/93, 2.12.1993.

⁴ PE A3-0329/93, Doc. 176.642, 16.11.1993.

HAS ADOPTED THIS REGULATION:

Article 1

The Community shall carry out rehabilitation and reconstruction operations in developing countries or regions which have suffered serious damage through war, civil disorder and destabilization. Operations of limited duration shall be designed to help re-establish a working economy and the institutional capacities needed to restore social and political stability to the countries concerned and meet the needs of the people affected. The operations must progressively take over from humanitarian action and pave the way for the resumption of long-term development aid.

Article 2

The priorities for operations under this Regulation shall be: the relaunch of production, the physical and operational rehabilitation of basic infrastructure, social reintegration and the restoration of the institutional capacities needed in the rehabilitation period, especially at local level.

Article 3

The agents of cooperation eligible for financial support under this Regulation include national, regional and local government departments and agencies, local authorities and other local bodies, international organizations and non-governmental organizations.

Article 4

1. The instruments to be employed in the course of the operations referred to in Article 1 include studies, technical assistance, training or other services, supplies and works, along with audits and evaluation and monitoring missions
2. Community financing may cover both investment, with the exception of the purchase of buildings, and operating costs in local or foreign currency, depending on the needs of the operation.
3. A systematic effort shall be made to get the agents or partners ultimately benefiting from the operation (countries, local communities, firms etc.) to contribute, in particular financially, according to their means and the nature of the operation concerned.

4. Opportunities shall be sought for cofinancing, especially with Member States. Necessary measures will be taken to emphasise the Community character of aid provided under this Regulation.

5. In order to reinforce coherence and complementarity between the actions financed by the Community and those financed by the Member States, with the aim of guaranteeing optimal efficiency of the totality of these actions, the Commission will take all necessary coordination measures, notably :

- a) the establishment of a system for the systematic exchange of information on actions financed or for which financing is foreseen by the Community and the Member States;
- b) on the spot coordination of these actions by means of regular meetings and exchange of information between the representatives of the Commission and Member States in the beneficiary country or countries concerned.

Article 5

Financial support under this Regulation shall be in the form of grants.

Article 6

1. The Commission shall appraise, decide and administer operations covered by this Regulation according to the budgetary and other procedures in force, and in particular those laid down in the Financial Regulation applicable to the general budget of the European Communities.

2. Decisions relating to grants of more than ECU 2 million for individual operations financed under this Regulation or any change resulting in an increase of more than 20% in the sum initially approved for such an operation shall be taken under the procedure laid down in Article 7.

3. All financing agreements or contracts concluded under this Regulation shall provide for the Commission and the Court of Auditors to conduct on-the-spot checks according to the usual procedures laid down by the Commission under the rules in force, and in particular those of the Financial Regulation applicable to the general budget of the European Communities.

4. Where operations are the subject of financing agreements between the Community and the recipient country, such agreements shall stipulate that the payment of taxes, duties or any other charges is not to be covered by the Community.

5. Participation in invitations to tender and the award of contracts shall be open on equal terms to natural and legal persons of the Member States and of the recipient country. It may be extended to other developing countries and, in exceptional cases which are fully justified, to third countries.

6. Supplies shall originate in the Member States, the recipient country or other developing countries. In exceptional cases, where circumstances warrant, supplies may originate elsewhere.

Article 7

1. The Commission shall be assisted by an advisory committee made up of representatives from the Member States and chaired by a representative of the Commission, depending on the beneficiary country or region concerned, as follows:

- a) for the ACP countries, the EDF Committee set up by Article 21 of Internal Agreement 91/401/EEC on the financing and administration of Community aid under the fourth Lomé Convention, adopted on 16 July 1990 by the representatives of the Member States meeting in the Council;
- b) for the Mediterranean countries, the MED Committee set up by Article 6 of Council Regulation (EEC) No 1762/92 of 29 June 1992;
- c) for the Asian and Latin American countries, the ALA Committee set up by Article 15 of Council Regulation (EEC) No 443/92 of 25 February 1992.

2. The Commission representative shall submit to the committee a draft of the measures to be taken. The committee shall deliver its opinion on the draft, voting if necessary, within a period that the chairman may specify according to the urgency of the matter at hand.

The opinion shall be entered in the minutes; each Member State shall be entitled to ask that its position be recorded in the minutes. The Commission shall take full account of the committee's opinion. It shall notify the committee of the manner in which it has taken account of that opinion.

Article 8

An exchange of views will take place, once a year, on the basis of a presentation by the Commission's representative of the general guidelines for the operations to be carried out in the year ahead, in the framework of a joint meeting of the three committees mentioned in Article 7, paragraph 1.

Article 9

After each budget year, the Commission shall report to Parliament and the Council, summarizing the operations financed in the course of that year and evaluating the implementation of this Regulation in that period.

The summary shall in particular contain information about those with whom contracts have been concluded.

The report shall also set out the conclusions of any independent evaluations of specific operations.

Article 10

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, ...

For the Council
The President

FINANCIAL STATEMENT

1. TITLE OF OPERATION :

Rehabilitation and reconstruction measures for developing countries.

2. BUDGET HEADING INVOLVED : B7-5076.

3. LEGAL BASIS : See Volume 4.

4. DESCRIPTION OF OPERATION

4.1 Specific objective

The ECHO (European Community Humanitarian Office), set up in 1992, gave the Community the means of responding more effectively, visibly and rapidly to the needs of victims of natural disasters or exceptional circumstances. In the Lomé Convention, the Regulation governing aid to developing countries in Latin America and Asia, the budget heading on aid towards self-sufficiency for refugees, displaced persons and repatriates from and in developing countries in Latin America and Asia (B7-302), the Financial Protocols for Mediterranean countries, the Food Aid system and the heading on decentralized cooperation (Item B7-5077) the Community has at its disposal a body of instruments with which to make a coordinated medium or long-term contribution to the efforts of the developing countries themselves. Nevertheless, there was a piece missing in this jigsaw - the one needed for action at the intermediate stage immediately after the emergency and before medium-term development cooperation can get going again. It is at this critical stage that the basis for development has to be re-established. This is when emergency aid teams are gradually leaving the country to make way for experts who will evaluate needs and prepare for a return to conventional forms of aid in the form of projects and programmes.

During this transitional phase priority should go to economic reconstruction and social rehabilitation measures with the aim of facilitating a return to production, of re-establishing the infrastructure (roads, water, electricity), resettling people affected by the disruption and re-establishing those institutions that are indispensable to society.

The number of countries in this situation - Somalia, Eritrea, Mozambique, Haiti, Rwanda, Cambodia, Afghanistan and Lebanon - is continually growing. None is in a region where the Community can provide reconstruction aid through its conventional instruments alone.

The Commission therefore proposes that the appropriations intended for rehabilitation and reconstruction measures for developing countries (ECU 65 million) be re-entered in the budget for next year.

4.2 Period covered : Not fixed.

4.3 Intended beneficiaries :

Those in developing countries at an intermediate phase of reconstruction and rehabilitation in the aftermath of a war, a critical conflict or a natural disaster.

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

5.1 NCE: NCE

5.2 DA: DA

6. TYPE OF EXPENDITURE OR REVENUE

6.1 100% subsidy, and/or

6.2 subsidy for joint financing with other sources in the public and/or private sector both applicable.

6.3 Will the proposed operation cause any change in the level of revenue? No.

7. FINANCIAL IMPACT

7.1 Method of calculating total cost of operation

The object is to add to the range of existing instruments and launch *ad hoc* action, the cost of which will depend on the local situation. Given the Community's total level of commitments in respect of rehabilitation in developing countries (ECU 300 million a year from 1992 to 1994), and the foreseeable level of additional needs in new countries (Burundi, Haiti, Rwanda, Zaire, Peru, Madagascar, Sri Lanka, etc.), it is proposed that the Community should allocate ECU 65 million. Experience gained under similar circumstances suggests a rate of expenditure of 50% in the first year, 40% in the second and the remaining 10% in the third.

8. FRAUD PREVENTION MEASURES INCLUDED IN THE PROPOSAL FOR THE MEASURE

Auditing by the Commission's departments and the Court of Auditors.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1 Objectives

To provide people in developing countries with immediate help that will put them in a position to help themselves, will restore hope and, as far as possible, will prevent further destabilization, i.e. to allow life to return to normal until such time as conventional forms of cooperation and development can take over.

This specific objective is one of the general objectives for specific development aid.

9.2 Grounds for the operation

Each individual measure will undergo a cost-effectiveness analysis to determine the extent to which the truly essential needs were met before medium-term aid was organized.

The main purpose of the operation is to finance the purchase of equipment and supplies to meet basic needs and permit the provision of technical assistance in the short term.

Spin-off

- production will start up again, incomes will grow and the population's driving forces will come into play;
- expenditure on humanitarian aid will gradually decrease;
- the political situation will be stabilized and the peace process consolidated.

Multiplier effects

The Community's example may attract other donors.

9.3 Monitoring and evaluation of the operation

9.3.1 Performance indicators selected

The indicators will be determined individually for each project and will take into account the number of people affected, to what extent public services are functioning, any migration by the groups concerned and any other indicators appropriate to the particular situation.

9.3.2 Details and frequency of planned evaluations

Ex-post evaluation of each action based on the pre-established indicators included in the operating contract.

9.3.3 Assessment of the results obtained

The assessment will be made at the end of the rehabilitation phase when medium and long-term aid is being mobilized.

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DOCUMENTS

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