

## • EC BACKS INDIA'S OPERATION FLOOD III

# Food aid panel decision tomorrow

EROM MALCOLM SUBHAN

BRUSSELS, November 8,

When the EEC's Food Aid Committee meets here on November 10 it will have before it a draft decision of the European Commission on India's request for 75,000 tonnes of skimmed milk powder (SMP) and 25,000 tonnes of butteroil for Operation Flood III.

The Commission's decision is favourable. It provides for the supply of the quantities requested, over the period 1987 to 1994, as a gift. The SMP and butteroil would be delivered to the IDC | NDDDB for sale on urban markets as liquid milk. The counterpart funds would be paid into a special account for use in Flood III.

The Commission has also decided to supply 18,000t. of SMP and 6,000t. of butteroil in 1988. These quantities compare favourably to those approved this July — i.e. 12,000t. and 4,000t. respectively. India, however, had requested 30,000t. of SMP and 10,000t. of butteroil for next year in view of the situation created by the drought.

In fixing the quantities for 1988 the Commission has taken this into account. Hence the decision to raise the quantities to be supplied as food aid next year well above the average for the 7-year period. Even so, India, which has had to purchase 10,000t. of SMP and 10,000t. of butteroil on the open market this year, may have to import a total of 60,000t. of SMP and 20,000t. of butteroil in 1988.

The quantities which are being currently shipped under the decision taken in July are expected to meet the needs of Flood III until next March. The quantities now proposed for next year must be shipped, therefore, as quickly as possible in 1988.

The Food Aid Committee, which is chaired by the European Commission, includes representatives of the EEC's 12 member states. Its role is consultative, as the final decision rests with the Commission. But objections by either the European Parliament or member states could lead the Commission to change its mind.

But Commission officials expect the Committee to favour the deci-

sion to support Flood III. The Commission had set out the case for continued support in a Report to the European Parliament and EEC Council of Ministers in early September. The Council has favourably acknowledged the Report, thus giving its backing to the Commission decision.

The situation is still unclear as regards the European Parliament. Its Committee on relations with developing countries was expected to continue its discussion on Operation Flood this month. While it cannot block a favourable decision by the Food Aid Committee, it can recommend that Parliament refuse to sanction the money that will be needed each year before this decision can be implemented. In theory Parliament could therefore block delivery of the quantities the Commission is prepared to supply next year, as the 1988 budget has yet to be voted.

A majority of the 38 members of the Parliamentary committee on relations with developing countries apparently favour continued EEC aid to Operation Flood, although not its former chairwoman, Katharina Focke, a German Socialist, and some of its Dutch members.

The European Commissioner for North-South relations, Claude Cheysson, reportedly stressed to the Committee the important part the World Bank will be playing. Thus 53 per cent of the total estimated cost of Flood III (Rs. 8,800m.) is being borne by the World Bank and another 22 per cent by the Indian Dairy Corporation. The Community's share would therefore amount to around 24 per cent (representing the cost of its supplies of SMP and butteroil). Mr. Cheysson implied that the EEC could not hope for a better partner than the World Bank. In any case, the EEC's participation depends on the World Bank and India signing a loan agreement.

India's ambassador to the EEC, Dr. N. P. Jain, also met privately with the Parliamentary committee. A Dutch member, Willem Vergeer, declared that he had visited Operation Flood and had been very impressed by what he saw. But the Operation had numerous cri-

tics in Holland, and he thought India's ambassador had not done enough to answer their criticisms.

From the question that three or four committee members put to Ambassador Jain it could be concluded that either they had not read the Commission's report (nor the booklet sent them by the Indian Mission here some two months ago) or had remained unconvinced. Both questions and answers followed a by now well-trodden path.

The Ambassador stressed that Operation Flood was not an all-purpose, social welfare project; it could not therefore remove rural poverty by itself. Of the 42m. tonnes or so of milk produced annually, Operation Flood handled less than 10 per cent; it did not therefore monopolise the dairy sector.

As for the charge that Operation Flood was using too much modern machinery, Ambassador Jain pointed out that only by using such machinery could it collect milk from small, scattered producers, process it quickly and deliver it to major urban centres.

He cited statistics to demonstrate how groundless the criticism that Operation Flood is having a negative impact on the poor and landless really is: some 21 per cent of its memberships consists of landless labours and 66 per cent of marginal farmers. Eighteen per cent are women, who are held in high esteem, especially in rural areas, Ambassador Jain pointed out.

He reportedly made a strong impression on the Committee members, although some remained unconvinced—no doubt for a variety of reasons, as in any group. But the European Commission has also tried to meet the objections raised by Operation Flood's critics — by imposing a number of conditions.

Some 60 per cent of the counterpart funds, for example, would have to be used to provide direct support to producers (through help to village cooperatives, fodder supplies, training programmes, etc.). Another 24 per cent would be devoted to developing the marketing network, to prevent a glut in supplies. Only 16 per cent would be spent on expanding milk processing centres.

The SMP and butteroil supplied

by the EEC would be used exclusively for processing into liquid milk. Any other use would require the European Commission's prior approval.

One of the major criticisms of Operation Flood centres on its pricing policy. Ambassador Jain pointed out that (1) prices, both to producers and consumers, are set by the Cooperative Boards and that (2) they have been rising, both steadily and faster than food prices generally. Even so, the prices to consumers have been lower than those charged by local traders and street vendors.

In order to encourage domestic production the European Commission wants the quantities supplied by the EEC to be sold at a price equivalent to that of locally produced milk, taking into account the manufacturing cost of milk powder.

The quantities of SMP and butteroil to be supplied each year would be fixed after an annual examination of the quantities needed by Flood III to meet the short fall in domestic production. Should the quantities provided in a given year fall below the average for the 7-year period (1987-1994), the difference could be carried over to the following year.

However, should the smaller quantities result in a shortage of counterpart funds for that year, the EEC would replace its food aid with cash, whose rupee equivalent would be credited to the IDC's EEC counterpart fund account.

Finally, Operation Flood's annual programmes would be examined jointly by the EEC and World Bank. The European Commission in addition would receive regular progress reports.

Whatever the European Commission's earlier hesitations regarding Operation Flood, they have now been overcome. This was clear from the Commission's Report to the European Parliament and Council of Ministers. It is equally clear from the very positive way in which it has presented the case for continued support of Operation Flood to the Food Aid Committee. And it is clearest of all from the robust way in which Mr. Cheysson recently swept aside criticisms by the European voluntary agencies.