



*European Communities
Commission
Background Report*

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SPREADING COMMUNITY AID (1)

Summary

Community aid to developing countries not directly associated with the Community under the Lomé Convention has recently received a boost. Early in May, the Community and the International Development Association (IDA) signed an agreement confirming an EC contribution of \$385m to the Special Action Programme, set up following the ending of the Conference on International Economic Cooperation (CIEC). In addition, the Council of Ministers has agreed on a Regulation outlining criteria for Community aid to non-associated states.

Special Action Programme

The Special Action Programme, initiated by the Community and supported by other industrialised states, is designed to help meet the immediate needs of various low-income countries facing problems of transfer of resources that hamper their development. The Programme, to be administered by the IDA, is to be financed by a \$1000m fund. So far the Community is the only contributor to allocate its contribution entirely through multilateral channels. The money will be spent within the framework of a separate Special Account and will be used in the form of credits additional to those of the normal IDA programme, and on the latter's usual terms, i.e. interest-free loans repayable over 50 years, with repayment deferred for 10 years.

Following ratification of the agreement by Community countries it is hoped that the entire contribution will be paid over to the IDA within six months, and that the credits will be disbursed as far as possible within two years.

Member countries are expected to contribute as follows:

	in million US dollars
- Belgium	15.90
- Denmark	11.28
- Federal Republic of Germany	119.08
- France	56.48
- Ireland	1.04
- Italy	34.92
- Luxembourg	0.50
- Netherlands	30.80
- United Kingdom	115.00
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	385.00

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Financial and Technical Aid to non-associated developing countries

Since 1976, at the instigation of the European Parliament, the Community Budget has included an item of expenditure to be used on financial and technical aid to developing countries not helped through the Lomé Convention.

The criteria for allocating aid, however, has been a matter for discussion between the Council and the Parliament. At its meeting on April 25 the Council finalised the content of a Regulation (OJ C 54/5 of 4.3.1977) which defines the measures to be taken, the objectives to be achieved, and the detailed arrangements for the administration of the aid.

As a general rule the aid will be made available to the poorest countries, while seeking a reasonable geographical balance amongst the world's major developing regions. The aid is intended to contribute mainly to an improvement in the living conditions of the most needy sections of the population, with special emphasis on rural development and the improvement of food production. There is provision for Community participation in regional projects, and for a reserve to cover exceptional situations, such as natural disasters. The budget allocation for 1978 is 70 million units of account (about £47m).

The 1977 aid programme

In 1977, of the £30 m (45mua) allocated in the Budget as aid to non-associated states, all disbursements had been agreed by the end of the year. On December 15, 1977 the Commission signed financing conventions with 10 developing countries and six regional bodies from Asia and Latin America.

The projects chosen for aid reflected the priority given by the Community to the countryside and food:

	<u>Amount millions UA</u>	<u>%</u>
- storage (cereals and fertilisers)	14.8	33.0
- irrigation	13.0	29.0
- research	6.4	14.3
- other agricultural products	4.3	9.6
- studies and technical assistance	3.3	7.4
- fisheries (and livestock)	3.0	6.7
- divers	0.2	-
	<u>45.0</u>	<u>100.0</u>

Part of the aid is granted in collaboration with regional and international financial bodies; thus half of the total value of the programme is in the form of various co-financings - the principal partners being the World Bank, the Asian Development Bank (ADB) and the Inter-American Development Bank (IDB).

Food Aid

At its April meeting the Council also agreed on the skimmed milk powder and butteroil food aid programme for 1978. The total volume of milk powder to be granted as aid will be 125,000 tonnes, plus 25,000 tonnes allocated to India to assist its Flood II operation* designed to raise the living standards of milk producers and consumers. The Community has already allocated 6,000 tonnes of milk powder to this project.

The total volume of butteroil available for aid in 1978 will be 35,800 tonnes, plus 9,200 tonnes for Flood II, in addition to the 3,500 tonnes already allocated to the project.

The Council also decided to allocate 9,600 tonnes of skimmed milk powder to Vietnam and 3,000 tonnes to Sri Lanka from the 1977 reserve. It was agreed to send Egypt 1,960 tonnes of butteroil from last year's reserve.

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* For details see BR ISEC/B39/78