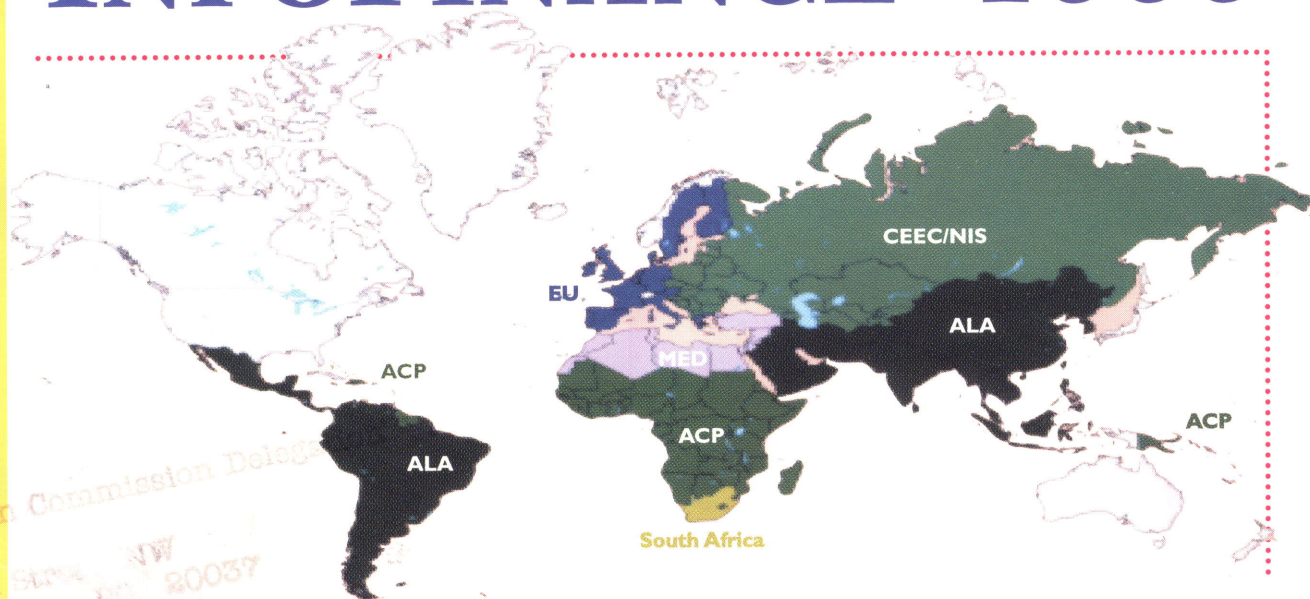


# INFOFINANCE 1999



## THE COMMUNITY BUDGET

The expenditure of the European Union has considerably increased and diversified in the course of European integration to reach an amount in 1999 of 91 MEURO in commitments (decisions), of which 6.5 billion (7.25%) was spent on external cooperation activities, including development aid. While some of these activities are defined by geographical area, others are cross-sectoral or horizontal by nature. Horizontal cooperation projects consist mainly of expenditure on humanitarian aid, initiatives in the field of democracy and human rights and Community participation in various activities in support of the developing countries, including contributions to programmes carried out by other international bodies or non-governmental organisations (NGOs).

When evaluating the entire aid provided to a region by the European Community, part of the horizontal cooperation projects, which are shared between the various regions, should be added to the specific budget headings. A total breakdown is to be found at page 6 of this brochure under the table "Sectoral Distribution of European Community Aid under the Budget and the EDF".

In 1999 the breakdown of Community aid by **geographical area** was as follows:

Mediterranean and Middle East: 1038 MEURO

Asia: 350 MEURO

Latin America: 208 MEURO

South Africa: 127.5 MEURO

Central and Eastern Europe

(incl. former Yugoslavia): 1842.25 MEURO

Independent States of the former Soviet Union: 813.57 MEURO.<sup>1</sup>

The breakdown of **horizontal cooperation** measures was as follows:

Food aid: 505 MEURO

Humanitarian aid: 726.5 MEURO

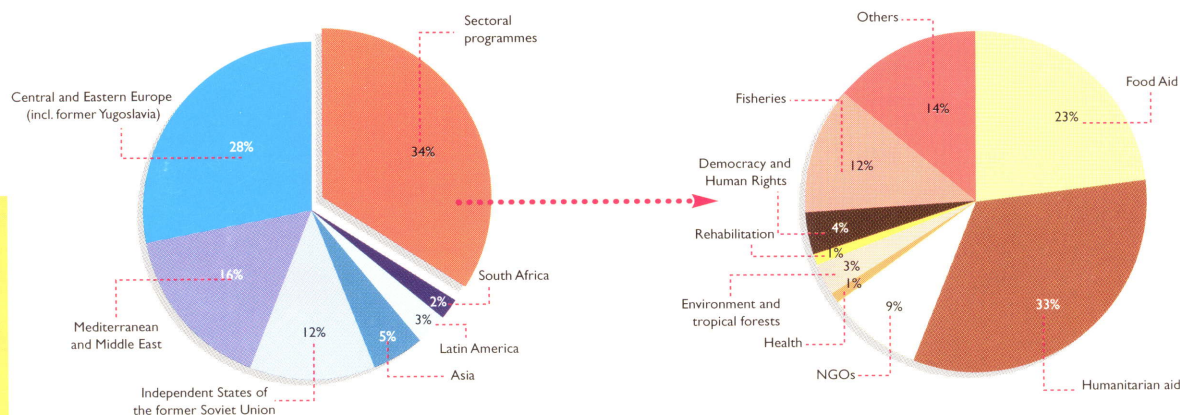
NGOs: 200 MEURO

Health: 21 MEURO

Environment and tropical forests: 62.5 MEURO

Democracy and human rights: 94.22 MEURO

## BREAKDOWN OF COOPERATION ACTIONS FINANCED UNDER THE GENERAL BUDGET (IN %) ..... (Commitment appropriations)



<sup>1</sup> This figure breaks down as follows: 397.14 MEURO under the Community budget for cooperation and 416.43 MEURO in the form of food aid subsidised by the EAGGF (European Agricultural Guidance and Guarantee Fund).

**BREAKDOWN OF DEVELOPMENT AID  
BY BUDGET HEADING IN 1999  
(in MEURO)**

Title	Heading	TOTAL		Managed by DG DEV		Managed by other DGs <sup>1</sup>	
		Commitments	Payments <sup>2</sup>	Commitments	Payments	Commitments	Payments
B1-315	Food aid for Russia (EAGGF)	416.43	335.52	0.00	0.00	416.43	335.52
B7-20..	Food aid	504.97	379.54	504.97	379.54	0.00	0.00
B7-21..	Humanitarian aid	726.53	575.05	0.00	0.00	726.53	575.05
B7-30..	Asia	349.81	290.56	0.00	0.00	349.81	290.56
B7-31..	Latin America	208.47	181.80	0.00	0.00	208.47	181.80
B7-320	South Africa	127.50	100.00	127.50	100.00	0.00	0.00
B7-40..	Mediterranean	39.33	72.78	0.00	0.00	39.33	72.78
B7-41..	Economic and social reforms (MEDA)	919.63	251.55	0.00	0.00	919.63	251.55
B7-42..	Middle East	78.93	54.17	0.00	0.00	78.93	54.17
B7-50..	Central and Eastern Europe (PHARE)	1,466.12	1,170.03	0.00	0.00	1,466.12	1,170.03
B7-51	European Bank for Reconstruction and Development (EBRD)	33.75	5.40	0.00	0.00	33.75	5.40
B7-52..	NIS (TACIS programme) and Mongolia	397.14	514.64	0.00	0.00	397.14	514.64
B7-53..	CEECs/NIS - Nuclear safety	91.61	29.91	0.00	0.00	91.61	29.91
B7-54..	Former Yugoslav Republics	376.13	250.68	0.00	0.00	376.13	250.68
B7-60..	Cofinancing with NGOs	200.00	172.67	200.00	172.67	0.00	0.00
B7-61..	Training and awareness-raising / Women in development	12.46	4.51	12.46	3.25	0.00	1.26
B7-620.	Environment / tropical forests	62.50	61.54	54.70	25.03	7.80	36.51
B7-621.	Health	21.03	14.34	18.85	9.29	2.18	5.05
B7-63	Population / Demography	7.34	5.90	6.39	0.51	0.96	5.39
B7-6410	Rehabilitation	17.03	25.84	14.72	25.84	2.32	0.00
B7-6430	Decentralised cooperation	4.00	3.65	4.00	3.65	0.00	0.00
B7-65..	Assessment of Community aid and measures to combat fraud in the cooperation sector	5.02	3.41	0.00	0.00	5.02	3.41
B7-660.	Specific measures involving third countries	21.05	17.87	0.00	0.00	21.05	17.87
B7-6610	Anti-personnel mines	2.88	4.59	1.96	2.56	0.92	2.03
B7-70..	Democracy / Human rights	94.22	46.95	24.38	14.18	69.84	32.77
B7-80..	International fisheries agreements	265.54	271.13	0.00	0.00	265.54	271.13
B7-81..	External aspects of environmental policy	12.84	9.85	0.00	0.00	12.84	9.85
B7-82..	International agricultural agreements	4.34	4.34	0.00	0.00	4.34	4.34
B7-83..	Cooperation with third countries on education	2.20	1.03	0.00	0.00	2.20	1.03
B7-84..	Transport	0.00	0.12	0.00	0.00	0.00	0.12
B7-8710	ACP bananas	44.50	5.89	44.50	5.89	0.00	0.00
B7-8720	Promotion of ALA-MED investments (ECIP)	12.93	14.78	0.00	0.00	12.93	14.78
B7-8...	Trade, customs	16.71	12.91	0.00	0.00	16.71	12.91
B8-0	Common foreign and security policy (Countries in transition)	28.86	28.00	1.95	1.59	26.91	26.41
<b>B1-B7-B8</b>	<b>Grand total B1, B7 and B8</b>	<b>6,571.78</b>	<b>4,920.92</b>	<b>1,016.35</b>	<b>743.97</b>	<b>5,555.43</b>	<b>4,176.95</b>

Source: Revenue and expenditure accounts 1999, European Commission

(<sup>1</sup>) This heading covers ECHO and the Agriculture, Fisheries and Enlargement DGs (for management of programmes in those countries applying for accession in the European Union) and RELEX (for management of other programmes, including geographical programmes).

(<sup>2</sup>) Commitments correspond to the entry in the accounts of planned expenditure; payment is made on completion of the project. There is often a time lag, which explains why payments exceed commitments for certain budget headings.

# PRINCIPAL PROGRAMMES FINANCED FROM THE EUROPEAN COMMUNITY BUDGET

## GEOGRAPHICAL PROGRAMMES

The European Community set up three programmes in the 1990s to help countries of the former Soviet bloc.

The **PHARE** programme is aimed at the ten countries applying for accession to the European Union<sup>1</sup> to help the national governments implement the '*acquis communautaire*' and familiarise them with the Community's objectives and procedures. It also helps these countries bring their infrastructure up to Community standards by mobilising the investment required in areas such as the environment, transport and industrial plant. The programme also involves support for Albania, Bosnia-Herzegovina and the former Yugoslav Republic of Macedonia (FYROM) in their transition to democracy and a market economy.

The **TACIS** programme aims to support the transition of 14 countries<sup>2</sup> to a market economy and to strengthen democratisation by means of grant-funded partnerships which subsidise the provision of know-how by a broad range of public and private organisations. The main beneficiary areas are: education, restructuring of public enterprises and development of the private sector, agriculture, energy infrastructure, telecommunications and transport, nuclear safety and the environment, social services and public administration reform.

The aim of "**OBNOVA**" is to support the rehabilitation and reconstruction of Bosnia-Herzegovina, Croatia, the Federal Republic of Yugoslavia and the former Yugoslav Republic of Macedonia (FYROM). Its main priorities are regional cooperation, the consolidation of democracy and civil society, the return and reintegration of refugees and development of the private sector.

The Euro-Mediterranean partnership programme "**MEDA**" is the Community's principal support mechanism for the economic transition and development of its Mediterranean partners, regional cooperation in the Mediterranean and assistance to the West Bank and the Gaza Strip.

The "**ALA**" programme was set up for Asian and Latin American countries and pursues the following objectives: support for democracy, combating poverty and social exclusion, encouraging economic reform and improving international competitiveness.

## SECTORAL PROGRAMMES

The "**humanitarian aid**" budget heading (B7-21) is used to provide emergency assistance and relief to the victims of disasters or conflicts outside the Community. The aid is intended to go directly to those in distress. The lead role in this field is played by the Humanitarian Office (ECHO) whose task is the rapid mobilisation and delivery of aid in kind (essential supplies, specific foods, medical equipment, medicines, fuel) or in the form of services (medical teams, water purification teams, logistical support), via its partners or using its own operational capacity.

The financing of humanitarian aid reached more than 800 MEURO in 1999 (Community budget and European Development Fund). This steep increase over previous years is due to the Kosovo crisis, continuing needs in Russia and the earthquakes in Turkey<sup>3</sup>. Of those who benefited from this heading in 1999, ex-Yugoslavia received 55% of the funding, the ACP States 16% (incl. 15% for the Democratic Republic of Congo), Asia 7.4% and the NIS 6.8%.

The aim of EC Investment Partners "**ECIP**" (B7-8720) is to increase direct investment by the Community and local firms in Asia, Latin America, the Mediterranean and South Africa.

Heading B7-60 "**cofinancing with NGO**" is intended to support and strengthen the role of decentralised players, in particular NGOs, by cofinancing their operations in developing countries or their public information campaigns in Europe.

The purpose of the "**environment**" budget heading is to ensure that environmental concerns are incorporated into every sector of development cooperation, paying particular attention to environmental impact assessment and its effect on procedures and forestry resource management.

Heading B7-20 is intended for **food aid and food security operations**. It covers donations of foodstuffs and the grant of foreign exchange facilities to countries in difficulties.

(<sup>1</sup>) Poland, Hungary, Bulgaria, Czech Republic, Slovak Republic, Romania, Estonia, Latvia, Lithuania, Slovenia.

(<sup>2</sup>) Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, the Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan and Mongolia.

(<sup>3</sup>) ECHO Annual Report, 1999.

# THE EUROPEAN DEVELOPMENT FUND

The EDF awards grants for aid programmes for the signatory countries of the Lomé Convention.

The Convention covers the 71 ACP States (Africa, Caribbean and Pacific)<sup>(1)</sup> and 20 OCTs (Overseas countries and territories). The OCTs are countries and territories, mainly in the Pacific and Caribbean, associated with four EU Member States (UK, France, Netherlands and Denmark) with whom they enjoy varying degrees of autonomy.

The 8th EDF entered into force in 1998 following ratification of the agreement amending the Lomé IV Convention signed in Mauritius on

4 November 1995. Its total funding of 12,967 MEURO is divided between the ACP States and the OCTs, who receive 12,802 MEURO and 165 MEURO, respectively. Operations are programmed to address priority needs in fields such as education, health, rural development, infrastructure, private investment, etc.

The EDF is managed by DG Development, while ECHO is responsible for the "emergency aid" and "aid for refugees" budget headings.

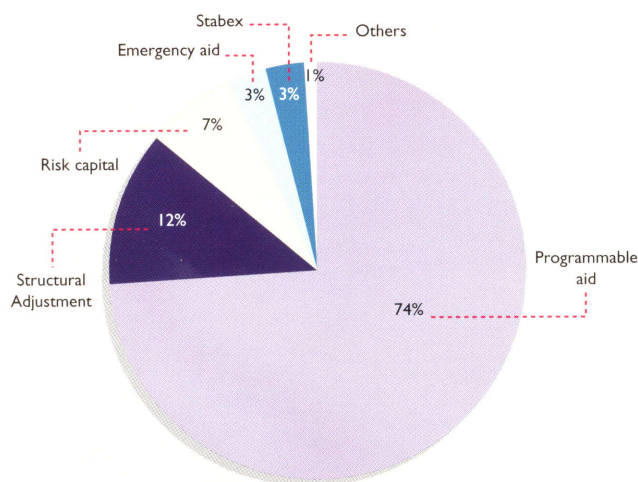
## ANNUAL BREAKDOWN OF AID BY INSTRUMENT UNDER THE EDF (ACP STATES AND OCT)

In MEURO	1999			1998			1997		
	Decisions	Contracts	Payments	Decisions	Contracts	Payments	Decisions	Contracts	Payments
Programmable aid	1,990.66	715.06	734.29	1,198.25	685.23	812.40	403.83	824.41	891.26
Structural adjustment	313.47	279.34	261.6	586.56	415.77	279.53	40.70	57.20	74.35
Risk capital	199.25	177.92	131.47	297.05	212.59	171.33	13.05	6.90	118.07
Interest-rate subsidies	4.94	15.01	23.82	24.54	14.55	27.05		-7.75	52.94
Emergency aid	82.68	73.18	48.81	36.73	34.91	12.65		0.91	10.07
Aid for refugees	-0.9	0.59	1.54	0.94	1.96	5.52		5.35	8.29
Sysmin	27.71	15.89	53.7	0.51	46.93	41.83	168.35	55.67	38.98
Stabex	75.01	71.61	20.15	151.69	106.79	89.31		18.73	18.73
<b>Total</b>	<b>2,692.82</b>	<b>1,348.60</b>	<b>1,275.38</b>	<b>2,296.28</b>	<b>1,518.73</b>	<b>1,439.62</b>	<b>625.93</b>	<b>961.42</b>	<b>1,212.69</b>

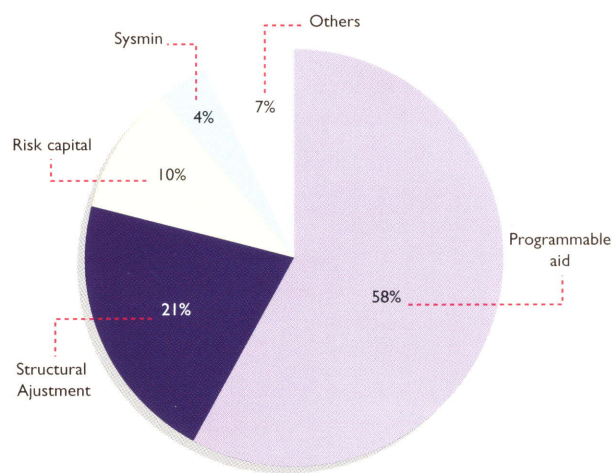
STABEX was set up to help ACP States mitigate the effect of falls in revenue from the production and sale of agricultural produce. Losses of revenue can be caused by difficulties in a country or sector or on the markets in general, leading to falls in export prices and/or quantities exported.

SYSMIN is a mechanism for helping out ACP States by providing financing when their mining sector is in difficulty and thus laying sounder and more broad-based economic foundations for the beneficiary states' development. Aid takes the form of grants and can also be allocated to diversification projects outside the mining sector.

**Percentage of decisions by instrument in 1999**



**Percentage of payments by instrument in 1999**

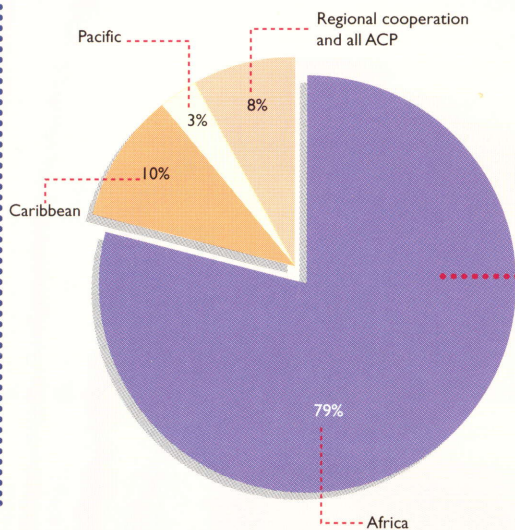


(1) South Africa became an ACP State in October 1999. Although not eligible for the EDF financial instruments, it does benefit from a special budget heading (B7-320).

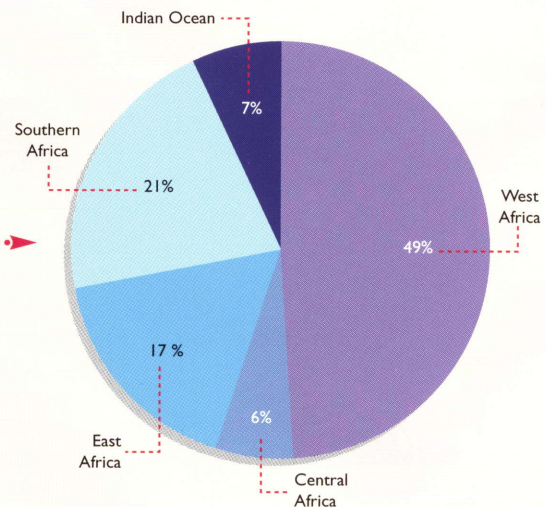
## ANNUAL BREAKDOWN OF AID BY GEOGRAPHICAL REGION UNDER THE EDF

In Meuro	1999			1998			1997		
	Decisions	Contracts	Payments	Decisions	Contracts	Payments	Decisions	Contracts	Payments
West Africa	1,040.09	268.41	275.92	526.15	446.66	419.74	144.35	218.04	345.29
Central Africa	122.92	119.44	90.78	228.82	102.98	114.93	53.71	107.83	75.32
East Africa	352.31	207.15	167.71	193.49	173.24	119.31	49.34	89.77	137.74
Horn of Africa	9.05	84.43	88.22	400.49	148.66	102.06	66.64	74.33	45.70
Southern Africa	442.72	252.59	256.80	474.88	243.36	236.25	21.13	118.09	178.69
Indian Ocean	152.05	77.01	62.23	128.81	70.37	74.20	42.18	68.75	85.31
<b>Total Africa</b>	<b>2,119.14</b>	<b>1,009.01</b>	<b>941.66</b>	<b>1,952.65</b>	<b>1,185.27</b>	<b>1,066.50</b>	<b>377.35</b>	<b>676.81</b>	<b>868.05</b>
Caribbean	266.08	89.56	104.38	113.59	118.99	136.38	86.33	109.39	99.69
Pacific	87.97	64.52	21.08	62.74	22.17	52.33	16.31	28.16	31.51
Regional cooperation and all ACP	219.63	185.51	208.26	167.31	192.31	184.41	136.00	147.06	213.44
<b>TOTAL</b>	<b>2,692.82</b>	<b>1,348.60</b>	<b>1,275.38</b>	<b>2,296.28</b>	<b>1,518.74</b>	<b>1,439.62</b>	<b>615.99</b>	<b>961.42</b>	<b>1,212.69</b>

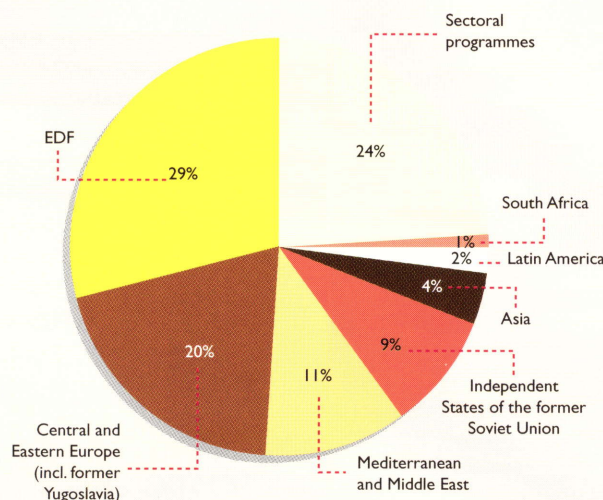
**Breakdown of EDF aid by geographical region in 1999**



**Breakdown of EDF aid to Africa in 1999**



**Breakdown of aid by region: all Community sources (Budget + EDF)**



Development aid managed by the European Union, as we have seen, is financed through the **general Community budget** and the **European Development Fund (EDF)**.

In the budget, a serie of headings, financed from Community own resources, reflect European Union action in support of developing countries across the world: ACP (Africa, Caribbean and Pacific), MED (the Mediterranean), ALA (Latin America and Asia) or NIS (New Independent States of the former Soviet Union). EU action covers fields as varied as food aid, support for NGOs, rehabilitation measures, environment, health, democracy and human rights.

The EDF, the financial instrument of the Lomé Convention, on the other hand, is funded by specific contributions from the Member States and is for the benefit of the ACP countries only.

The table below contains a sector-by-sector breakdown, illustrating the leading role played by the EU in the development aid field, with budget spending in excess of 6 billion EURO.

## SECTORAL DISTRIBUTION OF EUROPEAN COMMUNITY AID UNDER THE BUDGET AND THE EDF

	TOTAL (*)		ACP countries (including South Africa)		Mediterranean and Middle East		Asia		Latin America		New Independent States (***)	
	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999
en MEURO	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999
<b>Programme aid</b>	<b>977</b>	<b>702</b>	<b>873</b>	<b>492</b>	<b>12</b>	<b>210</b>	<b>0</b>	<b>0</b>	<b>28</b>	<b>0</b>	<b>64</b>	<b>0</b>
Structural adjustment	824	601	720	391	12	210	0	0	28	0	64	0
Stabex	152	74	152	74	0	0	0	0	0	0	0	0
Sysmin	1	27	1	27	0	0	0	0	0	0	0	0
<b>Food aid</b>	<b>626</b>	<b>849</b>	<b>138</b>	<b>227</b>	<b>7</b>	<b>20</b>	<b>81</b>	<b>81</b>	<b>0</b>	<b>55</b>	<b>400</b>	<b>466</b>
<b>Humanitarian aid</b>	<b>515</b>	<b>596</b>	<b>179</b>	<b>240</b>	<b>91</b>	<b>56</b>	<b>123</b>	<b>74</b>	<b>73</b>	<b>160</b>	<b>49</b>	<b>66</b>
Humanitarian	445	468	132	223	89	52	120	60	65	77	39	56
Rehabilitation	70	128	47	17	2	4	3	14	8	83	10	10
<b>Aid to NGOs (**)</b>	<b>188</b>	<b>200</b>	<b>65</b>	<b>47</b>	<b>11</b>	<b>12</b>	<b>31</b>	<b>24</b>	<b>78</b>	<b>64</b>	<b>3</b>	<b>0</b>
<b>Natural resources</b>	<b>384</b>	<b>252</b>	<b>137</b>	<b>180</b>	<b>156</b>	<b>50</b>	<b>33</b>	<b>0</b>	<b>52</b>	<b>19</b>	<b>6</b>	<b>3</b>
Agriculture	318	224	124	176	132	29	25	0	31	16	6	3
Forestry	57	5	4	3	24	0	8	0	21	2	0	0
Fisheries	9	23	9	1	0	21	0	0	0	1	0	0
<b>Other productive services</b>	<b>581</b>	<b>204</b>	<b>95</b>	<b>107</b>	<b>374</b>	<b>70</b>	<b>20</b>	<b>2</b>	<b>10</b>	<b>2</b>	<b>82</b>	<b>23</b>
Industry, mining and construction	479	71	23	4	368	66	6	0	0	1	82	0
Trade	42	97	42	97	0	0	0	0	0	0	0	0
Tourism	30	10	30	6	0	4	0	0	0	0	0	0
Investment Promotion	30	26	0	0	6	0	14	2	10	1	0	23
<b>Economic infrastructure and services</b>	<b>1,296</b>	<b>1,222</b>	<b>847</b>	<b>832</b>	<b>203</b>	<b>259</b>	<b>37</b>	<b>13</b>	<b>22</b>	<b>8</b>	<b>187</b>	<b>110</b>
Transport and communication	689	1,003	622	785	10	179	15	5	1	1	41	33
Energy	272	86	98	2	30	29	15	0	6	7	123	48
Banking, finance & business services	335	103	127	45	163	23	7	9	15	0	23	26
Others	0	31	0	0	0	28	0	0	0	0	0	3
<b>Social infrastructure and services</b>	<b>1,085</b>	<b>661</b>	<b>321</b>	<b>388</b>	<b>409</b>	<b>125</b>	<b>159</b>	<b>109</b>	<b>86</b>	<b>8</b>	<b>110</b>	<b>30</b>
Education	351	217	69	97	97	6	132	94	27	0	26	20
Health and population	296	226	92	126	192	74	10	15	2	7	0	4
Water supply	266	82	141	41	113	35	0	0	12	1	0	5
Others	172	135	19	124	7	10	17	0	45	0	84	1
<b>Government and civil society</b>	<b>158</b>	<b>465</b>	<b>86</b>	<b>279</b>	<b>25</b>	<b>58</b>	<b>23</b>	<b>40</b>	<b>16</b>	<b>27</b>	<b>8</b>	<b>61</b>
<b>Multisector</b>	<b>333</b>	<b>380</b>	<b>62</b>	<b>180</b>	<b>32</b>	<b>24</b>	<b>99</b>	<b>70</b>	<b>105</b>	<b>84</b>	<b>35</b>	<b>22</b>
Environment	52	134	7	83	4	24	3	0	3	13	35	14
Women in development	13	1	0	0	0	0	13	0	0	1	0	0
Rural development	163	132	11	58	21	0	80	66	51	0	0	8
Others	105	113	44	39	7	0	3	4	51	70	0	0
<b>Non specified</b>	<b>351</b>	<b>490</b>	<b>180</b>	<b>298</b>	<b>48</b>	<b>154</b>	<b>11</b>	<b>5</b>	<b>15</b>	<b>0</b>	<b>97</b>	<b>33</b>
<b>Non specified all regions together</b>	<b>533</b>											
<b>Totals</b>	<b>7,027</b>	<b>6,021</b>	<b>2,983</b>	<b>3,270</b>	<b>1,368</b>	<b>1,038</b>	<b>617</b>	<b>419</b>	<b>485</b>	<b>427</b>	<b>1,041</b>	<b>814</b>

(\*) Excluding CEECs and amounts not allocated by sector.

(\*\*) NGOs received a total of 200 MEURO in 1999, 176 million as per the geographical breakdown above, 27 million committed as an overall allocation and 24 million earmarked for public information campaigns in Europe.

(\*\*\*) Democracy and Human Rights not included.

Source: EC internal documents.

# OFFICIAL DEVELOPMENT ASSISTANCE (ODA) OF DAC MEMBER COUNTRIES OF THE OECD

The aim of the OECD (Organisation for Economic Cooperation and Development) is to promote policies designed to achieve the highest economic growth and employment and a rising standard of living in Member countries, to contribute to sound economic expansion in member as well as non-member countries in the process of economic development, and to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations. To help the OECD achieve its objectives, a number of specialised committees were set up. One of these is the Development Assistance Committee (DAC), whose members have agreed to secure the expansion of the total volume of resources made available to the developing countries and to improve aid effectiveness.

Unlike the European Union, the OECD makes a distinction between two types of development aid:

– ODA or official development assistance, which covers grants and subsidised loans to developing countries (Africa, the Caribbean, Pacific, Asia, Latin America, the Mediterranean and the Middle East), and

– OA or official assistance intended for countries in transition (Central and Eastern Europe and the former Soviet republics).

Owing to this distinction, the valuation of European Union development aid given by the OECD is lower than the amount given in the EU's accounts.

The following table charts official development assistance provided by the 21 Member countries of the DAC in the period 1993-98. The figures reveal the continuing downward trend in ODA disbursements by DAC members.

Total ODA fell from a level of 59,152 million USD in 1994 to 52,222 million USD in 1997.

However, a 1.43% increase in 1998 has seen the figure go up again to 52,978 million USD. This is largely due to an increase in aid from Italy (66%), the United States (29%), Japan (11%) and the United Kingdom (17%); most of the other DAC Member countries reduced their contributions.

The figures show a general downward trend in funding by the EU Member States since 1995. Nevertheless, the EC still ranks as the world's fifth largest donor.

The EU Member States (including the EC as such) disbursed 27,405 million USD, i.e. 51.73% of ODA in 1998. Japan remains the number one donor with 21.65% of total ODA, the United States second with 16.42%, followed by France and Germany with 10.87% and 10.59%, respectively. The EC itself accounts for 9.66% of total ODA and 18.67% of the total for the Member States of the Union.

The theoretical objective set by the United Nations is that each country should devote 0.7% of its GNP to development aid. However, a country-by-country analysis of the situation reveals that only the countries of northern Europe apply this objective. Denmark, with 0.99%, is the country which spends the highest percentage of its GNP on ODA, followed by Norway, the Netherlands and Sweden where the ODA/GNP ratios are 0.98%, 0.80% and 0.72% respectively.

The average ODA as a percentage of GNP in the DAC Member countries stood at 0.24% in 1998. The average for the EU Member States amounted to 0.34% in 1998.

## ODA DISBURSEMENTS BY DAC MEMBER COUNTRIES - 1993-98 (IN MILLIONS OF USD)

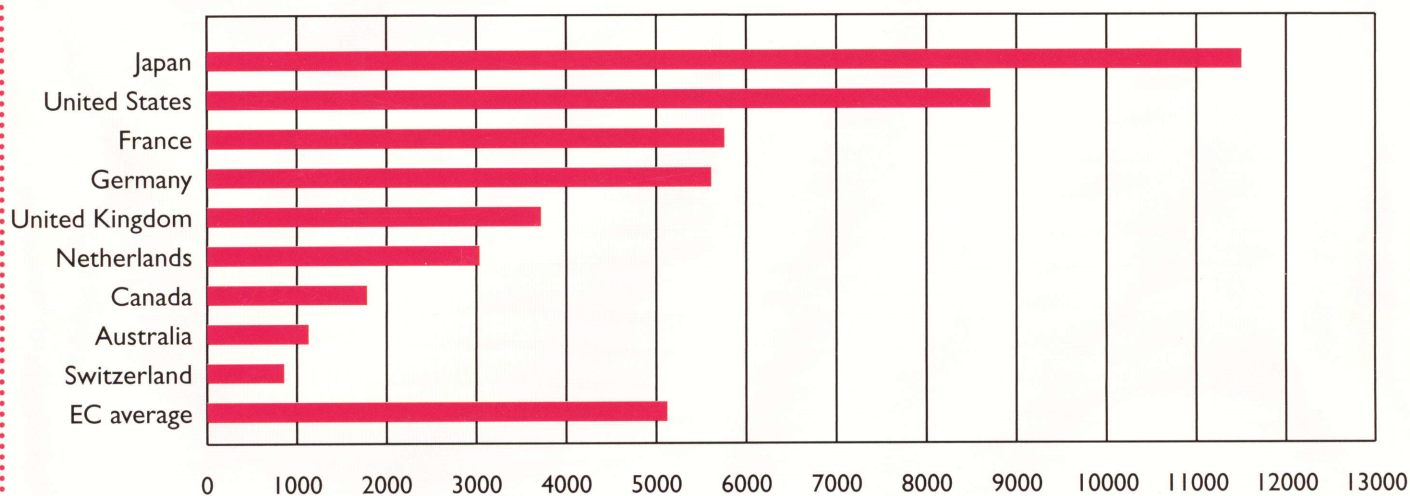
Country	Total ODA 1993	Total ODA 1994	Total ODA 1995	Total ODA 1996	Total ODA 1997	Total ODA 1998	ODA 1997 as a % of DAC total	ODA 1998 as a % of DAC total	ODA 1997 as a % of National GNP	ODA 1998 as a % of National GNP
Australia	953	1,091	1,194	1,121	1,097	1,127	2.10%	2.13%	0.28%	0.27%
Austria	544	655	767	557	599	457	1.15%	0.86%	0.26%	0.22%
Belgium	810	727	1,034	913	869	879	1.66%	1.66%	0.31%	0.35%
Canada	2,400	2,250	2,067	1,795	2,065	1,819	3.95%	3.43%	0.34%	0.29%
Denmark	1,340	1,446	1,623	1,772	1,832	1,704	3.51%	3.22%	0.97%	0.99%
Finland	355	290	388	408	423	399	0.81%	0.75%	0.33%	0.32%
France	7,915	8,466	8,443	7,451	7,124	5,760	13.64%	10.87%	0.45%	0.40%
Germany	6,954	6,818	7,524	7,601	6,707	5,610	12.84%	10.59%	0.28%	0.26%
Ireland	81	109	153	179	194	203	0.37%	0.38%	0.31%	0.30%
Italy	3,043	2,705	1,623	2,416	1,361	2,258	2.61%	4.26%	0.11%	0.20%
Japan	11,259	13,239	14,489	9,439	10,347	11,469	19.81%	21.65%	0.22%	0.28%
Luxembourg	50	59	65	82	107	112	0.20%	0.21%	0.55%	0.65%
Netherlands	2,525	2,517	3,226	3,246	3,335	3,041	6.39%	5.74%	0.81%	0.80%
New Zealand	98	110	123	122	158	158	0.30%	0.30%	0.26%	0.27%
Norway	1,014	1,137	1,244	1,311	1,388	1,415	2.66%	2.67%	0.86%	0.91%
Portugal	235	303	258	218	277	257	0.53%	0.49%	0.25%	0.24%
Spain	1,304	1,305	1,348	1,251	1,395	1,373	2.67%	2.59%	0.24%	0.24%
Sweden	1,769	1,819	1,704	1,999	1,946	1,624	3.73%	3.07%	0.79%	0.72%
Switzerland	793	982	1,084	1,026	1,067	887	2.04%	1.67%	0.34%	0.32%
United Kingdom	2,920	3,197	3,202	3,199	3,187	3,728	6.10%	7.04%	0.26%	0.27%
United States	10,123	9,927	7,367	9,377	6,744	8,698	12.91%	16.42%	0.09%	0.10%
<b>TOTAL DAC</b>	<b>56,485</b>	<b>59,152</b>	<b>58,926</b>	<b>55,483</b>	<b>52,222</b>	<b>52,978</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.24%</b>	<b>0.24%</b>
EU countries (1)	33,750	36,349	36,917	31,401	31,340	31,796	56.21%	60.02%	0.36%	0.34%
of which (2)	3,948	4,825	5,501	5,455	5,790	5,116	11.08%			

Source: OECD.

(1) Total for EU Member States except Greece which was not a member of the DAC in 1998.

(2) Total Member States' ODA channelled via the EC (Community budget + EDF).

## ODA in 1998 (in millions of USD)



## CURRENT AFFAIRS: WORLD TRADE AND DEVELOPMENT

The link between trade, development and poverty alleviation is crucial for two reasons.

Firstly, there is a positive relationship between trade and growth, as an open economy grows faster than a closed one. Trade reforms can produce high growth rates, for example, by promoting access to advanced technologies and stimulating greater domestic competition. However, the benefits of trade liberalisation are unevenly distributed between and within countries. A recent study showed a negative correlation between the income growth of the poorest and liberalisation of the markets in which they operate.

Secondly, there is a positive relationship between economic growth and reducing poverty levels. Some countries have had more success developing a structure of incentives to investment in human and physical capital, a key factor since it is the accumulation of capital that leads to economic growth.

It is harder for politically unstable countries to develop an incentive structure. To do so requires an approach embracing the introduction of appropriate macroeconomic reforms, a commitment to structural reform, a credible legal system and a suitable social framework.

In a **multilateral** trading system, trade and development should be even more closely linked. The special needs and interests of developing countries, particularly those of the least developed, must be taken into account in future stages of negotiations to ensure that the benefits of trade liberalisation genuinely contribute to the eradication of poverty.

To better integrate the developing countries into world trade, the developed countries should pursue six priorities:

1. to facilitate market access for developing countries by allowing exports free access - i.e. no taxes or quotas - and liberalising sectors and products of direct concern to the developing countries;
2. to improve the special treatment granted to developing countries;
3. to help developing countries implement the Uruguay Round agreements;
4. to ensure that the negotiations in new sectors, e.g. investment or competition, clearly contribute to the development process;
5. to develop a new approach to technical assistance geared to complementarity, coordination and closer cooperation between the WTO and other international organisations and donors in the interests of greater efficiency.
6. to encourage developing country participation in the negotiations.

Likewise it is essential to place greater emphasis on the trade/development link in **bilateral** relations and to move from market-access based trade relations to a broader type of partnership which would help put an end to the marginalisation of the majority of developing countries and contribute to the reduction of poverty.

Some points to note:

1. Economic and trade cooperation should be geared to increasing the production, supply and trade capacity of the developing countries as well as their attractiveness to investors.
2. Regional economic integration complements multilateral trade liberalisation. In the case of the developing countries, it can be an important step in preparing them for integration into the world economy.

Weaker economies are often unable to follow and comprehend the realities of the world economy. Many countries now belong to regional economic groupings which give them more influence in multilateral forums and enable them to promote greater integration into the world economy.

Regional economic integration also enhances the stability of economic policy and the legal framework, thus producing a multiplier effect on growth.

Trade and economic cooperation agreements between the European Union and the countries of Africa should therefore be based on existing regional integration initiatives, in particular the West African Economic Community.