



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 29.01.1998  
COM(1998) 40 final

Report on financial and technical assistance to, and economic co-operation with the developing countries in Asia and Latin America, as covered by the Council Regulation (EEC 443/92) of 25 February 1992 (O.J. L52, 27.02.92, p1)

(presented by the Commission)

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## **Preamble.**

The purpose of this report is to respond to an obligation set down in the Council Regulation of 25 February 1992 (EEC 443/92) on '*financial and technical assistance to, and economic co-operation with, the developing countries in Asia and Latin America*'. In particular article 16 of the Regulation requires that;

*'.....at the end of each five year period' the Commission shall submit a comprehensive report giving the results of the regular evaluation undertaken to show not only how the projects and programmes have been implemented but also the advisability of maintaining or amending the aid guidelines.'*

In response to a request of the Council made on 1 June 1995, the Commission has already commenced work on a substantial and comprehensive evaluation of the European Community's development co-operation with those countries covered by the Lomé convention (ACP) and the developing countries of Asia, Latin America and the Mediterranean (ALAMED). As the Council has already been informed, the Commission has committed itself to make the report on this evaluation exercise available to the Council in the course of 1998.

The present report in no way anticipates, nor is it in any sense to be construed as a preliminary version of this more extensive and comprehensive evaluation exercise. Rather the purpose of this document is to provide a factual presentation of the Community's assistance to, and co-operation with, the Asian and Latin American (ALA) countries covered by the Regulation cited above, for the first five years of its operation (1991-1995) in the context of the social and economic developments that have occurred in the ALA countries during that period. However to ensure consistency and coherence this report draws heavily upon the same body of basic data used in the evaluation exercise, in particular as regards the commitments and disbursements of concessional development co-operation finance to the countries of Asia and Latin America.

These data present various analyses of all the forms of aid taken together to the ALA countries, not only those covered by Regulation 443/92. As a result of this wide coverage, the data only permit a relatively broad judgement to be made as to how the development co-operation funds covered by the Regulation have been committed and disbursed, and the extent to which the requirements of the Regulation have been met. Thus it will be recalled that the Regulation, whilst it makes a general statement of Community development co-operation policy, and indeed is the only legal text establishing a general framework for co-

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In this case the period 1991 to 1995 inclusive.

operation with the ALA countries, provides the legal basis for the operation of four Budget lines. These are B7-3000 and B7-3001 for Asia, and B7-3100 and B7-3110 for Latin America, the first in each case covering Financial and Technical Assistance, the second Economic Co-operation. Total commitments made under these four Budget lines are available and are presented in the Annexes to this report. However, a detailed analysis of such commitments is not available and this limitation makes the present assessment of the actions undertaken with the resources attributed to these Budget lines, based on data with a wider coverage, at best, approximate.

It is also important to recall that the Regulation covers assistance and co-operation with China and Macao, Iran, Iraq and the Yemen. The tables that form an integral part of this report make allowance for this coverage.

### ***The Structure of the Report.***

The main part of this report has three major sections of which the first consists of a description of social and economic developments in the relevant countries of Asia (South and South East Asia and China - subsection 1.2) and Latin America (sub section 1.3) during the reference period and highlights the differing development experiences of these regions. Section 2 outlines the principles underlying Community development policy and examines the extent to which these have been given operational meaning through the Regulation. Section 3 examines the commitments and disbursements of official development assistance (ODA) - drawn from the Community's regular annual budget - made by the Commission during the reference period under the principal headings. The report ends with a short concluding section.

# 1. Economic and Social Developments in Asia and Latin America, 1991-1995

## 1.1. Overview

Table 1.1.1: Basic Data

	South Asia	East Asia	Latin America
Total population (mill., 1994)	1,270.0	1,761.8	463.9
Population growth (% annually, 1980-95)	2.1	1.5	1.9
Growth of GDP (annual average, % 1990-95)	4.6	10.3	3.2
Growth of GNP p.c. (annual average, %, 1985-95)	2.9	7.2 <sup>a</sup>	0.3
Debt service ratio (% exports, 1995)	24.6	12.8	26.2
Under 5 mortality rate (per '000 live births, 1995)	106	53	47
Income share of the lowest quintile (% 1990s)	8.8	6.9	4.5
Poverty Gap (% 1993)	12.6	7.8	9.1
Illiterate population (mn)	416	210	43
Carbon Dioxide emissions (tonnes per capita, 1992)	0.7	2.1	3.4
Total Carbon Dioxide emissions (Million tonnes, 1992) <sup>b</sup>	1,625	870	2,251

1. Data for Latin America includes Caribbean

2. Data for East Asia covers South East Asia which includes Vietnam, Cambodia, Laos, and China.

Source: World Bank - *World Development Indicators, 1997, World Development Report 1997*

a: East Asia includes Pacific. b: It should be noted in respect of global carbon dioxide emissions; that national totals of carbon dioxide emissions are of limited analytic relevance because they depend on both population size and the level of industrial activity. Per capita emissions provide a better yard stick for comparing the emissions that result from the average individuals share of national industrial activity. UNEP *World Resources, 1996-97*, p. 314.

Asia has enjoyed relatively high rates of economic expansion in recent years (see Table 1.1.1). The *South Asian* economies, for instance, have expanded at an average annual rate of 4.6 percent in real terms during the reference period. Though the region still has the highest share of the population in poverty in the world, nonetheless partly as a result of relatively strong growth, the share of poor in the population diminished from 45% to 43%. Human poverty, reflected by social indicators, is however still widespread: more than 50% of under-five children in South Asia are underweight, and only 48% of adults are literate.

*South East Asia* has experienced much higher growth rates in the reference period. In substantial measure these growth rates reflect the growing integration of the developing countries economies into the mainstream of world trade, and in particular those of South East Asia, and the rapid development of their exports and imports (see Tables 1.1.2 and 1.1.3). Nevertheless in a number of countries the institutional and structural basis on which rapid growth and development have been built has shown important weaknesses: lack of effective regulation and control over the economy by the government in general and within the financial sector in particular, insufficient attention given to the impact of growth on the environment, and in some cases insufficient efforts in education so as to upgrade productivity as wage differentials increase vis-a-vis China and Vietnam, Cambodia and Laos.

As regards Vietnam, Cambodia and Laos, in Vietnam the results of the liberalisation programme, launched at the end of the nineteen eighties, have been positive. The growth of GDP in real terms averaged 8.3 percent in the period 1990-1995. Despite the loss of Eastern European markets, exports boomed, reflecting the expansion and diversification of the economy. Over the period 1992 to 1995 the average annual growth in exports was in the order of 30 percent. Cambodia, with a population of 9 million (roughly double that of Laos) lags behind its smaller neighbour economically. GDP per capita in Cambodia is estimated to have been US \$270 in 1995 compared to US \$350 in Laos.

Nowhere has economic growth been more pronounced than in *China*. China has moved on from the events of Tiananmen Square and continued to implement economic reforms begun after Deng Xiaoping's rise to power in 1978. By the end of the reference period China was the Community's fourth largest and fastest growing trading partner.

**Table 1.1.2: Imports of the EU(12) from Latin America and East-, South- and South-East Asia, 1992-1995, Ecu bn.**

	1992	1993	1994	1995
Latin America	24.6	22.1	27.0	29.2
South Asia	8.0	9.4	10.9	11.7
ASEAN	21.9	25.5	29.8	32.2
China	16.8	19.6	22.7	24.8
<i>Memorandum item</i>				
<i>Total EU<sup>a</sup> imports</i>	487.1	493.2	543.2	575.6

Source: European Commission. *The European Union and World Trade, 1996*. a: Extra EU

Latin America has recorded improved but average rates of growth over the period to 1995 and a significant expansion of exports to, and imports from, the EU (see tables 1.1, 1.2 and 1.3). Indeed, Latin America today is looking back at a decade of major changes and far-reaching political and structural reforms which have substantially transformed most countries and strengthened their economic performance. Yet important as these recent changes have been, they have not yet been fully translated into a substantial improvement in social development based on stronger economic performance so enabling a more equitable distribution of income and wealth to be achieved. The region is the only region in the developing world besides Sub-Saharan Africa where the incidence of poverty (according to the head-count measure) has actually *increased* over the period 1987-1993 (from 22% to 23.5%).

**Table 1.1.3: Exports of the EU to Latin America and East-, South- and South-East Asia, 1992-1995, Ecu bn.**

	1992	1993	1994	1995
Latin America	20.5	24.1	29.0	30.5
South Asia	7.9	9.4	10.5	12.2
ASEAN	19.3	23.2	27.8	33.2
China	6.9	11.3	12.5	13.1
<i>Memorandum item</i>				
<b>Total EU<sup>a</sup> im-ports</b>	<b>436.1</b>	<b>491.1</b>	<b>541.8</b>	<b>589.7</b>

Source: European Commission. *The European Union and World Trade, 1996*. a: Extra EU

## 1.2. Asia

Progressively the European Union has conducted its bilateral co-operation with the majority of countries and regions of Asia, as elsewhere, in the framework of Trade and Co-operation Agreements. In addition to the principles and approach set out in the ALA Regulation (443/92) to which this report is addressed, the EU's general objectives, as regards all aspects of policy including development co-operation, have most recently been set out in the Commission's communication "*Towards a New Strategy in Asia*", [COM (94) 314]. These include contributing to sustainable development and poverty alleviation in the least prosperous countries of Asia, pursuing all actions necessary to ensure open markets and a non-discriminatory business environment conducive to an expansion of Euro-Asia trade and investment, and supporting efforts by Asian countries to co-operate at the regional and sub-regional level.

The countries of *South Asia* (with the exception of Sri Lanka), experienced a certain deceleration in their rates of economic growth over the period 1990-95 (see table 1.2.1). In India, the dominant economy in the region, political uncertainty slowed the implementation of the far reaching reforms introduced in 1991; nonetheless substantial progress has been achieved and by 1995 the fiscal and balance of payments deficits had been reduced, inflation had fallen and foreign exchange constraints had been eased. Direct foreign investment has risen steadily to reach US \$620 million in 1994.

*South Asia's* record on resource mobilisation in the reference period was somewhat mixed. In India the ratio of domestic savings to GDP has been relatively weak at approximately 20 percent over much of the period and has impeded investment in much needed infrastructure and other capital projects. Pakistan, with a savings to GDP ratio which varied between a high of 17.3 percent in 1992 to lows of 13.2 percent in 1991 and 1993, fared even worse in its efforts to mobilise domestic savings.

In most *South East Asian* countries, economic expansion has been particularly rapid during the reference period with high rates of economic growth, varying between 8.7 percent in Malaysia and Singapore to 7.6 percent on average annually in Indonesia, being sustained. The Philippines alone proved an exception to this general pattern of rapid economic growth. However, the reforms introduced in that country had begun to take effect in the

latter part of the reference period and GDP per capita in the Philippines rose sharply in the mid nineties, unemployment fell and inflation was contained at single digit figures. Domestic savings in the economies of this region have been relatively buoyant (only in the Philippines did savings to investment ratios fall below the mid thirties and in Singapore they ranged between 45 percent in 1995 to 48 percent in 1994) and, in addition, a strong inflow of funds from abroad have boosted capital formation.

In *Vietnam, Cambodia and Laos*, economic growth and increases in foreign investment have been recorded. In Vietnam, both export and import growth have benefited from the liberalisation of the foreign trade and investment regime and from freer access to Vietnam for non nationals. Foreign investment, though modest by South East Asian standards, has been increasing rapidly. Since the Foreign Investment Law was enacted in 1988 (and further liberalised in 1992) the flow of direct foreign investment has been mounting steadily to reach US \$1.8 billion by 1995 and US \$2.3 billion by 1996. The experience of the smaller Indo-Chinese nations has been similar. Laos sustained an average annual economic growth rate of 6.5 percent in real terms during the first half of the nineties, whilst that of Cambodia was 6.4 percent during the same period.

The Chinese economy is the world's tenth largest, using traditional GNP data; if the more technically meaningful purchasing power parity measure of GNP is applied *China* ranks as the world's fourth largest economic power. Its economy grew at a near record rate in 1992 and 1993 when the annual rate of economic expansion topped 13 percent. Rising inflation, physical bottlenecks and institutional weaknesses struck at the sustainability of these growth rates and necessitated a more cautious approach. Real growth dropped to 10 percent in 1995 and slid back further to an estimated 8.5 percent last year largely as a result of tight fiscal measures initiated to counter inflationary trends. At the same time inflation which had reached 21 percent in 1994 dropped to 15 percent in 1995.

**Table 1.2.1 Growth of GDP**  
**Average annual rate of growth (percent)**

	1980-90	1990-1995
<b>South Asia</b>		
Bangladesh	4.3	4.1
India	5.8	4.1
Pakistan	6.3	4.6
Sri Lanka	4.2	4.8
<b>South East Asia</b>		
Indonesia	6.1	7.6
Malaysia	5.2	8.7
Philippines	1.0	2.3
Singapore	6.4	8.7
Thailand	7.6	8.4
Vietnam	...	8.3
<b>China</b>	10.2	12.8

Source: World Bank - World Development Indicators, 1997

*China* is rapidly integrating with global capital markets, and is absorbing an increasing share of cross border financial flows to developing countries. The World Bank estimates that currently 40 percent of foreign direct investment, 10 percent of international equity funds and 5 percent of international bond flows to the developing nations are directed to China. China's foreign trade recorded a US \$16 billion surplus last year with exports up by 3 percent to US \$153 and imports rising 4 percent to US \$137 billion; by the end of the reference period China was the European Union's fourth largest and fastest growing trading partner. De-



spite a relatively depressed operating environment realised foreign investment rose from US \$38 billion in 1995 to US \$40 billion last year. In a recent (September 1997) report the World Bank predicts that as the current stabilisation programme takes effect it is expected that the inflow of foreign investment will again accelerate to the record levels of the early 1990s and that China will revert to its status as one of the leading destinations for foreign direct investment by the end of the decade. The Bank expects that by the year 2,000 China will account for as much as 40 percent of the increase in the developing countries exports in the current decade. By the year 2020 the Bank estimates that China may triple its share of world trade to 10 percent, becoming the world's second largest trading nation after the United States.

Demographic indicators reflect the changing structures of Asian society. The fertility rate in India, measured by births per woman fell from 5 in 1980 to 3.2 by 1995; in Bangladesh births per woman dropped from 6.1 in 1980 to 3.5 by 1995 whilst in Pakistan the corresponding figures were 7 and 5.2. South East Asia's fertility indicators, lower at the outset, registered less striking declines - from 4.2 to 3.4 in the case of Malaysia and 3.5 to 1.8 in the case of Thailand. Only in the Philippines and in Indonesia were rates of fertility approximating to those of South Asia recorded. Population momentum, an indicator which reflects the proportion of young people in a given population, has remained high in both regions.

**Table 1.2.2 Demographic Indicators**

	Population (million, 1995)	Population growth (average annual % rate 1995-2010)	Urban Population (Largest city - growth rate % 1990 - 1995)	Population Momentum <sup>2</sup> (base=1995)	Life Expectancy (1994 - years)
<b>South Asia</b>					
Bangladesh	120	1.5	5.7	1.6	56.4
India	929	1.3	4.2	1.4	61.3
Pakistan	130	2.5	4.3	1.6	62.3
Sri Lanka	18	1.1	...	1.4	72.2
<b>Total (1994)</b>	<b>1,270.0</b>	<b>1.8a</b>	...	...	<b>61.3</b>
<b>South East Asia</b>					
Indonesia	193	1.3	4.4	1.4	63.5
Malaysia	20	1.8	2.0	1.6	71.2
Philippines	69	1.8	3.1	1.5	67.0
Singapore	3	1.0	1.0	1.2	77.1
Thailand	58	0.7	2.2	1.4	69.5
Vietnam	73	1.6	1.9	1.6	66.0
<b>Total (1994)</b>	<b>478.8</b>	<b>1.6a</b>	...	...	<b>64.3</b>
<b>China</b>	<b>1200</b>	<b>0.8</b>	<b>2.3</b>	<b>1.3</b>	<b>68.9</b>

Source: World Bank - World Development Indicators, 1997. UNDP Human Development Report 1997 a: 1994-2000

<sup>2</sup> Population momentum is the ratio of the population at zero growth to the population in the base year, assuming that the replacement fertility rate is maintained. It refers to the phenomenon whereby in a situation of zero actual population growth, the movement of large cohorts of women of reproductive age through the age pyramid nonetheless generates more births than are offset by deaths in the older cohorts. For high income countries the equivalent measure of population momentum is 1.1. The same figure applies to Eastern Europe.

Standard poverty indicators such as under five mortality, access to clean water and to sanitation, all pointed to improved living conditions. By the mid nineties, 81 percent of India's population had access to clean water and 29 percent had access to sanitation; for Pakistan the figures were 74 and 47 percent respectively.

In countries of *South East Asia* these indices have shown such marked improvements that they are no longer an issue. 96 percent of Thais and 84 percent of Malaysians had access to sanitation; even in the less prosperous countries, Indonesia and Philippines, the figures were 51 and 77 percent respectively. Summary indicators such as the commonly cited World Bank upper poverty line (US \$1 per day) headcount index reflected an improvement, particularly in South East Asia.

**Table 1.2.3.: Poverty and income distribution**

	Poor (< 1\$ PPP per day, %)1981-95	Gini index
<b>Asia</b>		
China	29.4	41.5 (1989) <sup>b</sup>
India	52.5	33.8 (1992) <sup>b</sup>
Bangladesh	..	28.3 (1995) <sup>b</sup>
Pakistan	11.6	32.1 (1992) <sup>b</sup>
Indonesia	14.5	31.7 (1993) <sup>b</sup>
Philippines	27.5	40.7 (1988) <sup>b</sup>
Malaysia	5.6	48.4 (1989) <sup>b</sup>
Thailand	0.1	46.2 (1992) <sup>b</sup>
Vietnam	..	35.7 (1993) <sup>b</sup>

Source: UNDP - *Human Development Report 1997*, World Bank - *World Development Report 1997* a: Source: World Bank, *Poverty Reduction and the World Bank: Progress and Challenges in the 1990s*, May 1996. Data refer to 1993. b: survey year

Although just over 52 percent of the Indian population and 29 percent of the Bangladeshi population had to do on less than US 1\$ per day in 1993, in South East Asia only the Philippines recorded equivalent poverty levels. Elsewhere poverty levels varied between 15 percent of the population in Indonesia and 6 percent in Malaysia.

Health indicators too improved. The under five mortality rate had reached 115 per 1,000 live births in India and Bangladesh by the mid nineties whilst in Pakistan it was down to

**Table 1.2.4 Health: People per Physician**

	1980	1993
<b>South Asia</b>		
Bangladesh	8424	12844
India	2694	2459
Pakistan	3500	1923
Sri Lanka	7172	6843
<b>South East Asia</b>		
Indonesia	12458	7028
Malaysia	3917	2441
Philippines	7848	8273
Singapore	1111	714
Thailand	6803	4416
Vietnam	4151	2279
<b>China</b>	1100	1063

Source: World Bank - *World Development Indicators*, 1997 8

137; at the beginning of the decade the comparable figures were 142 and 180 respectively for India and Bangladesh and 158 for Pakistan. In the less prosperous South East Asian countries - Indonesia and the Philippines under five mortality in the mid nineties were 36 and 53 respectively. The numbers of health personnel per citizen likewise showed a marked increase region wide. Bangladesh proved an exception to a general rule where the number of people per physician *rose* from 8,424 in 1980 to 12,884

by 1993. South East Asia's ready access to health care is reflected in people to physician ratios - for Malaysia the figure dropped from 3,917 in 1980 to 2,441 by 1993 whilst in Thailand the figures were 6,803 in 1980 and 4,416 in 1993.

In *Vietnam, Cambodia and Laos* the cumulative effects of prolonged civic strife and heavy diversion of resources to the security sector is reflected in diminished living standards for the greater part of the population. Cambodia ranks 148 in the UNDP Human Development index and Laos 141, significantly below Vietnam at 115. Life expectancy in Cambodia is 49.7 years (51.7 years in Laos), compared with 62.7 years in Vietnam. Mean years of schooling in Cambodia are 2.0 compared with 2.9 in Laos and 4.6 in Vietnam. 13 percent of Cambodia's population have access to sanitation compared to 53 percent in Vietnam. The infant mortality rate is 120 per thousand live births in Cambodia compared to 101 in Laos and 59 in Vietnam.

*China's* high economic growth rates have been accompanied by a massive reduction in poverty; between 1991 and mid 1995 the number of rural people living in absolute poverty fell from 94 million to 65 million. Today absolute poverty in China is almost exclusively rural phenomenon and tends to affect whole communities rather than particular individuals. It is largely concentrated in the interior provinces of the relatively inhospitable north and south west, where infant mortality and other poverty indicators remain high relatively to the more prosperous coastal and north eastern regions. Largely as a consequence of innovative rural development programmes, rural incomes depend to a decreasing extent on farming. There are currently more than 18 million rural and village enterprises employing some 95 million former agricultural labourers and generating almost a third of industrial output. The income flowing from these industries has boosted the self image of the rural communities and, perhaps more concretely, their living standards

**Table 1.2.5: Gender and Education: Primary Education: Percent of Female Pupils**

	1980	1993
<b>South Asia</b>		
Bangladesh	37	..
India	39	43
Pakistan	33	31
Sri Lanka	48	48
<b>South East Asia</b>		
Indonesia	46	48
Malaysia	49	49
Philippines	49	50
Singapore	48	..
Thailand	48	49
Vietnam	47	..
<b>China</b>	45	47

Source: World Bank - World Development Indicators, 1997

Progress in breaking down gender barriers has been uneven. Whilst the countries of South East Asia have made important advances in this domain, the role of women in South Asia leaves some scope for development. Women's opportunities to participate actively in economic and communal life are limited. Many of South Asia's women are under-skilled and their labour force participation is restricted to the non-formal, low paid production sector. Lack of access to formal education,

in part attributable to a shortage of female teachers in rural areas, creates a situation in which women, and particularly women of rural origin, are effectively excluded from the formal labour market. Female executives are few in Bangladesh - a mere 2 percent of the

nation's total administrative and managerial staff are female compared to 2.3 percent in India, 3.4 percent in Pakistan, and 7 percent in Sri Lanka. These figures contrast sharply with those for South East Asia. In Singapore and the Philippines some 34 percent of managerial and administrative positions were held by female staff whilst women in Indonesia and Malaysia accounted for 63 and 45 percent of professional and technical workers.

Official development aid accounted for a relatively minor part - 10 percent- of the inflow of external resources to the developing countries of *South East Asia* in 1994, and for 3.6% of GNP. In the case of *South Asia* the volume of official development assistance accounted for slightly less than half (or 46 percent) of total net resource inflows from abroad, and for about 2% of GNP (US\$ 7 bn.). Net private capital flows to South Asia reached US\$ 5.2 bn. in 1995, of which US\$ 1.8 bn. were FDI. *East Asia* (including *China*), in comparison, received a total of US\$ 84 bn. in 1995, US\$ 51.8 bn. of which were in the form of FDI. East Asia received US\$ 9 bn. in ODA in 1994, equal to 1.1% of its GNP. The EC's assistance to China during the reference period was concentrated in the agriculture sector. Projects were agreed to promote improved productivity and technology transfer. In 1995, the final year of the reference period, priority shifted to human resource development and support to China's reform and liberalisation programme, business co-operation and the environment.

### 1.3. Latin America

**Table 1.3.1: Basic economic Indicators**

	Population,	GDP,	GNP
	mill.	bn.\$	p.c., \$
	1994	1994	1994
<b>Latin America</b>	<b>463.9</b>	<b>1,549.0</b>	<b>3,188</b>
Brazil	156.9	554.6	2,970
Argentina	34.3	281.9	8,110
Chile	14.0	52.0	3,520
Mexico	89.6	377.1	4,180
Ecuador	11.2	16.6	1,280
Nicaragua	4.0	1.8	340

Source: UNDP Human Development Report 1997

Latin America is not a homogeneous entity, but includes countries at very different levels of social, economic and political development. Income p.c. ranges from \$340 in Nicaragua, one of the poorest and least advanced countries in the world, to more than \$ 8.000 in Argentina. These differences have to be kept in mind when looking at the development of Latin America over the last decade. Thus the tables in this section present data for a representative selection of Latin American countries.

Most Latin American countries have shared a number of problems, such as widespread poverty, unequal income and wealth distribution, and high levels of external debt. Nonetheless despite the liberalisation undertaken, markets in many countries still remain distorted and uncompetitive due in particular to state intervention and oligopolistic market structures. This has made it difficult, in many cases, for natural resource based development to be complemented by the strengthening of the manufacturing and service sectors.

**Table 1.3.2: External debt**

	External debt as % of				Debt service as % of exports of	
	GNP		exports of goods and services		goods and services	
	1980	1995	1980	1995	1980	1995
<b>Latin America</b>	<b>36.0</b>	<b>41.0</b>	<b>201.8</b>	<b>212.0</b>	<b>36.3</b>	<b>26.1</b>
Brazil	31.2	24.0	306.5	269.8	63.3	37.9
Argentina	35.6	33.1	242.4	320.2	37.3	34.7
Chile	45.5	43.3	192.5	127.7	43.1	25.7
Mexico	30.5	69.9	232.4	170.5	44.4	24.2
Peru	47.6	54.1	194.2	399.5	44.5	15.3
Nicaragua	108.5	589.7	426.5	1,272.7	22.3	38.7

Source: World Bank - World Development Report 1997

Even though debt levels are still high, growth of debt has now slowed down in many countries, reflecting the positive impact of Brady debt relief programmes. The strong increase in exports, together with a fall in interest rates has brought down the debt-service ratio to somewhat more manageable levels. In particular a number of countries, most noticeably Brazil, have managed to reduce substantially their debt-to-exports and debt-to-GNP ratios.

However, the debt crisis of the 1980s proved to be a catalyst for reforms and democratisation which led to improved economic performance. The economic reforms undertaken in recent years by almost all countries have three major elements:

**Macroeconomic stabilisation:** The main objective was to lower inflation. This was achieved throughout the region through a combination of sound fiscal and monetary policies. Annual inflation in Latin America has fallen from almost 900% per year in 1993 to 26% in 1995 (see table 1.3.3 below, based on UN data). Another cornerstone of macroeconomic stabilisation has been fiscal adjustment. Most countries in the region have reduced significantly their fiscal deficits, whilst still experiencing pressures and problems resulting from inefficiencies in tax collection and the management of public expenditure which could compromise medium- and long-term macroeconomic stability. In particular many Latin American countries have large and inefficient bureaucracies and face problems of corruption.

**Trade liberalisation:** Over the past decade most Latin American countries have unilaterally liberalised trade, partly within the framework of the Uruguay Round negotiations and partly within the context of World Bank and International Monetary Fund-sponsored structural adjustment programmes. Average *applied* tariff rates have fallen from 45% to 13%, and non-tariff barriers have been drastically reduced. However, many *tariff bindings* made as part of the Uruguay Round multilateral negotiations were substantially higher than the actual tariffs applied, and this could, theoretically, lead to tariff increases, without violation of their Uruguay Round commitments. Despite these risks, the tariff reductions made in past years have clearly had an important effect on trade which has grown strongly, in particular intra-regional trade, the latter fostered by regional co-operation schemes, such as MERCOSUR and the ANDEAN-COMMUNITY.

**Deregulation of the economy:** First important steps have been undertaken, in particular with regard to privatisation, but much remains still to be done. Latin American economies are still heavily regulated, labour market reforms are not far-reaching enough and unemployment rates in most countries are already high, and have risen further particularly in Mexico, Uruguay, Venezuela and Argentina. Many markets remain inefficient and uncompetitive, partly because they are still characterised by oligopolistic forces.

Nevertheless, in response to these reforms and to a more favourable international economic environment (improving terms of trade, higher growth in the US and the EU, Latin America's main export markets, etc.), growth over the last five years has picked up. As a consequence, income per head has grown somewhat over the reference period.

**Table 1.3.3: Growth of the economy, inflation**

	GDP, av. annual growth, %		GDP p.c., av. annual growth, %		Inflation, annual rate, %		
	1981-90	1991-95	1981-90	1991-95	1980-89	1993	1995
<b>Latin America</b>	0.9	3.0	-1.1	1.1	388.4	892.7	25.9
Brazil	1.3	2.6	-0.7	0.8	740.5	2,489.1	22.0
Argentina	-0.9	5.2	-2.3	3.9	162.0	7.4	1.7
Chile	3.0	7.2	1.3	5.4	10.6	12.2	8.2
Mexico	1.7	0.8	-0.4	-1.0	15.9	8.0	52.0
Ecuador	1.7	3.8	-0.9	1.5	29.1	31.0	22.8
Nicaragua	-1.8	1.8	-4.4	-2.0	1,591.5	19.5	11.1

Source: CEPAL 1996

Trade liberalisation has been quite successful. Export growth has increased during the first half of the nineteen nineties, but imports, particularly of manufactures, grew even faster. This was due to the strengthening of economic growth as efforts at reform and stabilisation restored consumer- and producer confidence. A structural weakness is that Latin American exports are still concentrated in a few sectors, mainly commodities, in particular agricultural goods, which limits the potential for export growth. In addition, certain features of the macroeconomic stabilisation programmes adopted, in particular the pegging of currencies (such as the Argentinean peso) to the dollar, have led to overvalued exchange rates which favoured imports over exports.

As a counterpart of this deficit, capital inflows have grown over the last years. In 1995, Latin America received US\$ 54 billion in capital inflows, of which 40 per cent constituted FDI, 37 per cent portfolio investment and the rest bank- and trade-related lending. The strength of FDI and portfolio investment flows may be considered a response to micro-economic reforms, such as privatisation, and deregulation of the economies; others, mainly short-term capital inflows as a response to high real interest rates, thereby contributing to the overvaluation of currencies. Nevertheless, increasing capital inflows, in particular Foreign Direct Investment, also show growing international confidence in Latin American economies. There are, however, risks associated with the volatility of international financial flows, in particular portfolio investment. These risks and the possible adverse effects on the economic development have been highlighted by the Mexican peso crisis in 1994/95 which had a disastrous impact on the Mexican economy, and caused - via its impact on confidence in financial markets - short economic recessions in Argentina and Uruguay. The still relatively underdeveloped financial markets of the region, coupled with increasing current account deficits and in some cases still large budget deficits could prove a serious risk to financial stability in the region.

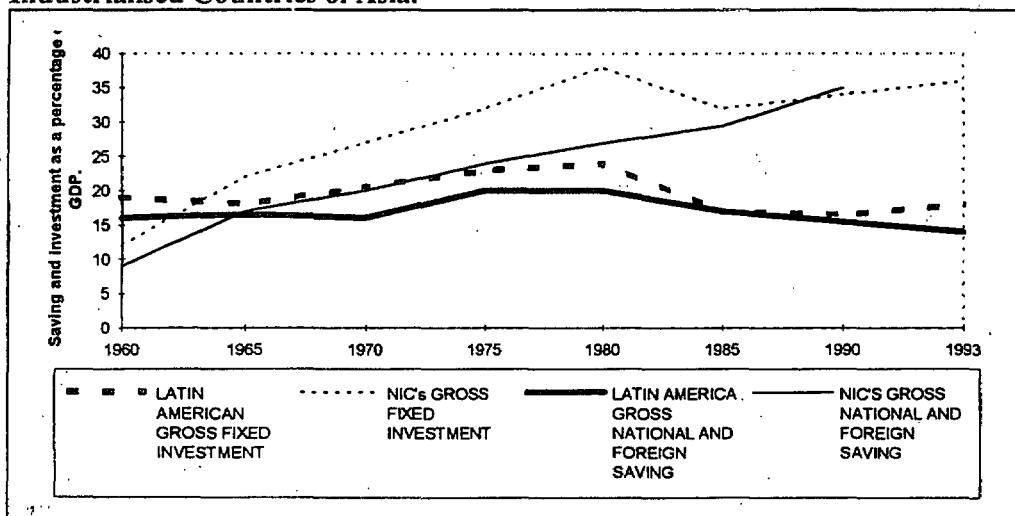
**Table 1.3.4: External trade**

	Exports volume, av. annual growth, %		Imports volume, av. annual growth, %	
	1980-90	1990-95	1980-90	1990-95
	Latin America	5.2	6.6	-0.5
Brazil	6.1	6.6	-1.5	8.5
Argentina	3.1	-1.0	-8.6	45.8
Chile	5.7	10.5	1.4	14.5
Mexico	12.2	14.7	-5.7	18.7
Ecuador	3.0	8.9	-3.9	10.0
Nicaragua	-4.4	-8.7	-4.1	7.3

Source: Human Development Report 1997, World Development Report 1997

Latin American saving- and investment rates are low by international standards, and saving rates even show a falling trend (with the notable exception of Chile). Even if, in the short term, insufficient domestic savings can be complemented with substantial foreign savings finance necessary investment, such *substantial* inflows are unlikely to continue indefinitely. Most important for improving depressed savings rates is a thorough reform of the fiscal system, including not only fiscal adjustment but also of the tax and social security system. So far the latter have started only in seven countries of the region.

**Graph 1.3.1: Saving and Investment in Latin America compared to the Newly Industrialised Countries of Asia.**



Source: G. Palma, *Whatever happened to Latin America's savings?* UNCTAD 1996



**Table 1.3.5: Poverty and income distribution**

	Poor (< 1\$ PPP per day, %) 1981-95	Gini index
<b>Latin America</b>	24.6 <sup>a</sup>	
Brazil	28.7	63.4 (1989) <sup>b</sup>
Argentina	..	..
Chile	15.0	56.5 (1994) <sup>b</sup>
Mexico	14.9	50.3 (1992) <sup>b</sup>
Ecuador	30.4	46.6 (1994) <sup>b</sup>
Nicaragua	43.8	50.3 (1993) <sup>b</sup>

Source: UNDP - Human Development Report 1997, World Bank - World Development Report 1997

a: Source: World Bank, Poverty Reduction and the World Bank: Progress and Challenges in the 1990s. May 1996. Data refer to 1993.

b: survey year

According to World Bank estimates, almost one quarter of the population of the region lives in poverty. The UN Economic Commission for Latin America and the Caribbean, using a less restrictive definition, estimates about 39 per cent of the population to be poor. Inequality in Latin America, in both income and asset (particularly land) distribution, is the highest in the world. While the richest 20 per cent of the population have average incomes of US \$17,000, the poorest 20 per cent have an average p.c. income of US \$ 930. According to a recent World Bank report, given the high inequality in the region, growth rates would have to be twice the current rate of growth in order to reduce the number of people living in absolute poverty.

Nonetheless health indicators have improved substantially for almost the whole region over the last decades. Life expectancy increased and, on average, reaches levels close to those in high income countries. Under-five mortality rates fell further in all countries between 1990 and 1995, most significantly in Peru (from 116 per 1,000 live births to 55) and Bolivia (from 160 to 105). Between 70% and 95% of the population in Latin America today have access to health services.

**Table 1.3.6: Health**

	Life expectancy years		number of people/ doctor		
	1960	1994	1980	1993	
<b>Latin America</b>			69	1,458	970
Brazil	55	66	66	1,301	844
Argentina	65	72	..	..	330
Chile	57	75	..	..	942
Mexico	57	72	1,149	..	615
Ecuador	53	69	..	..	652
Nicaragua	47	67	2,308	..	2,039

Source UNDP - Human Development Report 1997, World Bank - World Development Indicators 1997

Policy priorities should be to improve the access of the poor to health care, and in general to reform health care systems to strengthen the overall capacity, improve performance and secure sustainable financing.

Adult literacy has increased over the last 25 years, reaching between 80% and 100%. Almost all children receive primary education today, but enrolment in secondary education is still substantially lower than in industrialised countries. When looking at enrolment data, it shows that women in general represent about 50% of all pupils.

**Table 1. 3.7: Education**

	Gross enrolment ratio for all levels (% of age 6-23)		Gross enrolment ratio secondary (% of relevant age group)	
	1980	1994	1980	1993
	Latin America	59	70	42
Brazil	54	72	34	43
Argentina	65	77	56	72
Chile	65	72	52	70
Mexico	68	66	48	58
Ecuador	69	72	53	55
Nicaragua	53	62	42	41

*Source: UNDP - Human Development Report 1997, World Bank - World Development Indicators 1997*

Therefore, at least at the educational level, women do seem to enjoy equal opportunities. Women do, however, face discrimination in all other areas of society. They are more likely to be affected by poverty, unemployment, and are disproportionately represented amongst those working in the informal sector.

Despite progress in improving access to primary education throughout Latin America, the poor also have very inadequate access to secondary education, and their access to university education throughout the region is minimal. An adequate and efficient educational system is crucial for sustainable growth through improving productivity and thereby raising growth rates, and reducing inequality. Reforms of the educational system, and a better targeting of educational resources, in particular towards primary and secondary education, remains necessary.

Official development assistance represented about 1.7% of total Latin American GNP, or US\$ 6 bn. in 1994, up from 1.4% in 1990. This figure is dwarfed by the amount of private capital flowing into Latin America which reached US\$ 54 bn. in 1995. However, these capital flows are concentrated in a small number of countries, Brazil alone receiving 35% of the total. Latin American countries will further need international support, especially to continue to reduce poverty, build up and improve social, institutional and economic infrastructures to make economic growth sustainable and ensure that the benefits of growth are distributed more equally.

## **2: European Community (EC) development co-operation with the Asian and Latin American countries .**

### ***2.1. General overview of policy***

The ALA Regulation provides the basic point of reference from which the Commission's cooperation policies in respect of Asia and Latin America are formulated. However, the full range of the Commission's cooperation policies with Asia and Latin America go far beyond the financial arrangements of the ALA Regulation and include inter alia political dialogue and the negotiation of co-operation and trade agreements.

#### **2.1.1. The policy framework for Asia**

With regard to Asia, these broader considerations are set out in the Commission's Communication to the Council of July 1994 *Towards a New Asia Strategy* [COM (94) 314] and include, *inter alia*, developing a series of policy fora through which the countries of South and South East Asia may be encouraged to integrate their economies more closely into the global system, as well as initiatives to promote investment and business friendly environments in our partner countries and to enable those countries to access state of the art technology. Similar considerations are set out in the Commission Communication on a *Long Term policy for China Europe Relations* [COM (95) 279]. The new strategy towards Asia paved the way for more recent Commission strategy papers on relations with *India* and *ASEAN*. The EU in its cooperation with the developing countries of Asia attaches the utmost importance to respect for human rights, the development and consolidation of democracy and the rule of law. The EU conducts its bilateral cooperation with many countries and regions in Asia within the framework of Trade- and Cooperation Agreements, complemented by a structured political dialogue both on a bilateral and regional level (such as the dialogue with ASEAN). The EU is also taking part in the only collective regional security dialogue, the ASEAN Regional Forum. With China, the EC signed the first Trade- and Cooperation Agreement in 1985. Though the development of bilateral relations was interrupted by the 1989 Tiananmen Square events (which led the EU to impose a number of sanctions), the normalisation of relations since the beginning of the 1990s has paved the way for increased cooperation and the establishment of a new arrangement for political dialogue. All those initiatives complement and round out the more traditional objectives of poverty alleviation and economic co-operation envisaged in the ALA Regulation and as such must form an essential part of any overall assessment of the Community's relations with the nations of this region.

#### **2.1.2. The policy framework for Latin America**

Following the Madrid European Council in December 1995 a new long-term strategy *The EU and Latin America. The Present Situation and Prospects for Closer Partnership 1996-2000* aimed at strengthening the partnership and cooperation by the year 2000 was adopted. This partnership goes back several decades and has been strengthened considera-

bly over the last 15 years. The political dialogue between the Community and its Latin American partners has been institutionalised in the San José process (since 1984) and the dialogue with the Rio Group (since 1990), leading to a steady improvement of political relations. This dialogue has been complemented by cooperation agreements. After 'third-generation' agreements have been signed with all Latin American countries (except Cuba), a new phase of even closer cooperation has started with the negotiation of agreements with Mercosur (signed 1995), and Chile (signed 1996) which eventually will probably lead to further trade liberalisation between the EU and Latin America countries and regions in the framework of 'Open Regionalism'. Against this background of a stronger partnership, cooperation between the EU and Latin America has been diversified and refined to meet the new needs of a highly heterogeneous subcontinent seeking to consolidate the democratic process, pursue the quest for international competitiveness and to tackle endemic poverty and social inequalities. Traditional Technical and Financial Cooperation is more and more complemented by instruments aiming at developing closer economic and business ties, and instruments providing increased assistance in areas such as Gender and Development and the Environment. Other areas of priority include Democratisation and Human Rights and Education and Training. In addition, the *Interparliamentary conferences*, organised on a bi-annual basis since 1974 have further encouraged dialogue.

## **2.2 Evolution of ALA cooperation, 1991-1995**

Within this general framework, during the 1991-95 period, the Community's relations with the ALA countries became more comprehensive and systematic, with economic, financial and development co-operation expanding significantly. This reflected substantial improvements in the field of democratisation (associated with a more effective involvement of civil society), the positive impact of market and trade liberalisation policies supported by the International Financial Institutions (the IMF in particular), regional integration schemes and progress in structural reforms, (privatisation of state-owned assets, fiscal reform, the reform of financial systems, restructuring of the external debt etc.).

The Community has also become more involved in relief and rehabilitation programmes, by financing post-war reconstruction/rehabilitation schemes, particularly in Nicaragua and El Salvador. New instruments of decentralised co-operation have been developed by the Commission and substantial amount of financial resources has been channelled through NGOs and in favour of local private economic entities. Close co-ordination on policy issues, fund mobilisation and operations has been established with the IFIs active in Asia and Latin America. In addition, the Community has encouraged the establishment of regional fora and organisations in the framework of "open regionalism", as a way to enhance prospects of policy dialogue, trade integration and economic partnership. This South-South policy dialogue and economic integration aims at exploiting complementarities and comparative advantages and a more efficient use of human, financial and technical resources which are needed to cope with general problems having a regional dimension (such as environmental protection).

The evolving nature of the Community's policy dialogue with the ALA countries and a better aid co-ordination with other multilateral and bilateral donors has led to a more effective use of the financial resources available. Over the last few years the Community has become a significant partner for the ALA countries by encouraging policy reforms, providing

assistance to fight poverty in rural and urban areas, supporting private entrepreneurship and SMEs, encouraging new European private financial flows, supporting national "social safety nets" during the adjustment and process of transition, and promoting the involvement of grass root local organisations in relief and reconstruction programmes.

#### Women in Development

Women are particularly vulnerable to adverse social and economic developments. They are disproportionately affected by poverty, unemployment, are more likely to work in the domestic and informal sector which normally leaves them without social security coverage, have less access to education which lessens their opportunities, and in general face discrimination by the society and its institutions, such as the legal, political or the educational system.

Improvement of women's status and promoting gender equality is not only important in its own right, it also contributes to overall social and economic development. In particular improving women's access to education is crucial. Breaking the vicious cycle of poverty that is sustained by poor child health and low levels of education can be attained through better education for women. Female education is a powerful instrument to reduce infant deaths, and to improve in general child nutrition and health. Female education also has an impact on fertility (usually lower for literate women) and the use of contraceptives. In addition, it improves women's ability to actively participate in the labour market, and raises their opportunities for formal employment.

The ALA-Regulation puts a special emphasis on the role of women in the development process and stipulates that EC aid policy must *'ensure (...)that specific measures, or even projects, are adopted in order to increase their [women's] active participation, on an equal footing, in the productive process and its results, and in social activities and decision making.'* (article 5). It also implies that all programmes and projects within the development co-operation programme with the ALA countries have to bear *'in mind particularly the role of women'* (preamble). This was reinforced by the Council's 1995 Resolution on integrating gender issues in development co-operation (12847/95 of 20.12.1995).

Implementation of the Regulation thus adopts a dual approach. As promotion of gender equality should be an integral part of all activities, since 1994 all projects are screened to ensure proper attention to gender integration. At the same time, specific projects may be needed to combat gender inequalities. Of total EC aid to the ALA regions since 1992, over 235 MECU has been committed to positive action projects for women's empowerment, not taking into account actions integrated in projects and programmes under different budget lines. A small specific budget line 'Women in Development', also exists to finance technical advice and sensitisation activities aimed at improving attention to gender issues in mainstream development co-operation. For example, the Commission has funded a number of studies (*'Gender Profiles'*) on the situation of women in some Latin American developing countries which make it easier to direct projects and programmes effectively towards improving the situation of women.

Co-operation with the ALA countries has also emphasised gender awareness and the role of women in development as well as, on a more general level, the need to respect basic human rights and civil liberties, constitutional reforms, the consolidation of the democratisation process and the reform of domestic legal and judicial systems. Indeed, public accountability ("good practices"), good governance and the respect of rule of law by ALA partners has been an essential pre-condition for a fruitful dialogue and for the mobilisation of the Community's financial resources in support.

The Community's economic co-operation programmes in Asia and Latin America focus strongly on the private sector. The thrust of these programmes has been towards improving the business and regulatory environment in partner countries in order to stimulate a two way flow of trade and investment by developing a wide range of supportive instruments to

further the development of business, and especially small and medium scale businesses. These instruments include institutional support through such structures as the Council of European Chambers of Commerce, Business Councils, and various directly funded training programmes designed to enhance management skills in partner countries. The Commission's programmes are not, however, limited to addressing the economic dimension of development. The importance of the social sector is recognised as is the need to ensure an equitable balance in the distribution of the fruits of progress. Projects and programmes founded on Financial and Technical Cooperation are targeted at poverty and focus on health, sanitation and human resource development whilst taking account of the gender and environmental dimensions of development.

#### **Population and Reproductive Health**

Tackling population growth through creating awareness on family planning issues and the provision of good quality services to meet demand is a key development issue. Reducing the hundreds of thousands of maternal deaths and millions of episodes of illness associated with pregnancy and delivery is a high priority. In addition, creating a safe environment for young people free from the risks of violence, abuse and providing information and services to prevent unwanted pregnancies and sexually transmitted infections (including HIV) is an area that is beginning to receive increased attention.

In Asia and Latin America the Commission is supporting the empowerment of women to take control of their reproductive lives; it is providing support to the development of better quality services that are more freely available to those who need them, and it is working to develop cost-effective strategies for tackling the spread of HIV/AIDS and other sexually transmitted infections.

The Special budget line for population policies and programmes in developing countries (B7-631) is used to support policy and strategy development and to support innovative projects that are complementary to the larger programmes of support to the health sector. The new Council Regulation for B7-631 (EEC 1484/97, J.O. L 202, 30.07.1997, p1) states that the Commission will work towards :

- \* enabling women, men and adolescents to make a free and informed choice about the number and spacing of their children;
- \* contributing to the creation of a socio-cultural, economic and educational environment conducive to the full exercise of choice, especially for women and adolescents, and in particular through the condemnation and eradication of all forms of sexual violence, mutilation and abuse which affect their dignity and health;
- \* helping develop or reform health systems in order to improve the accessibility and quality of reproductive health care for women and men including adolescents, thereby appreciably reducing the risks to the health of women and children.

It is very important to stress that the community approach to co-operation with the ALA countries is based on the use of a wide variety of instruments reflecting the diversity of the development experiences of the countries of Asia and Latin America. Moreover the mix of instruments used changes from country to country and from region to region with the balance depending on the level of development and whether the need is for efforts to promote trade and investment, for project finance, for structural adjustment funds, for financial and technical assistance, and/or economic co-operation, or for improved market access. It is this diversity which makes development co-operation with the ALA countries such a challenge for the Community.

As regards the developing countries in South-East Asia and the Indian sub-continent, the evolution and the nature of EC multilateral and bilateral dialogue and co-operation during the 1991-95 period reflected the rapid growth achieved in this part of the world, the ar-

rangements for strengthening regional co-operation in the Asian-Pacific basin (ASEAN, SAARC, APEC etc.) and the resulting changes in the global balance of economic power. The need for policy differentiation has also become more and more evident, in the light of diverging degrees of economic and social progress witnessed by the countries in this part of the world. Therefore EC strategies in Asia encompassed market-led trade, trade integration and investment objectives in fast-growing emerging economies, policy dialogue and supporting reforms in adjusting countries (former command economies), and traditional development co-operation in the poorest, focusing on poverty alleviation strategies.

During the second half of the 1980s and in the early 1990s many, if not most, of the Latin American countries started implementing a democratisation process by moving towards more participatory forms of government, encouraging greater transparency and accountability in government and promoting the rule of law. These positive developments and the accompanying policy orientations have led to a higher level of political stability in the Latin American region.

These countries proved to be particularly challenging for EC co-operation policy, reflecting a different timing and sequencing in the structural adjustment, market liberalisation and democratisation process in each country concerned. During the second half of the 1980s and in early 1990s some countries in the region undertook ambitious stabilisation and adjustment programmes (Brazil, Argentina and Chile, for instance) and many of them (including Costa Rica, Mexico, Venezuela, Uruguay, Bolivia etc.) started addressing acute financial and balance of payments problems deriving from an unsustainable external debt position vis-à-vis western commercial banks.

The strengthening of democracy, political stability, economic reforms and regional integration have led to new FDI flows and huge reconstruction-rehabilitation and development co-operation programmes, supported by bilateral donors, the Community and the Bretton-Woods Institutions. During the period under consideration major efforts were deployed by the countries in Central and Latin America to foster regional co-operation and integration (San José Process, Andean Community, MERCOSUR etc.), reflecting the positive impact of new economic liberalisation and trade integration policies.

### ***2.3. The Council Regulation EEC 443/92 of 25/02/1992.***

The Council Regulation EEC 443/92 on financial and technical assistance to, and economic co-operation with ALA countries (O.J. L52, 27.02.92, p1) is a key statement of the Community's approach to development strategies. This Regulation, based upon article 235 of the Treaty, is particularly innovative because:

- 1) The Regulation pinpoints the need for the Community's development co-operation instruments to be closely associated with trade liberalisation strategies (article 1).
- 2) The Regulation introduces the principle that any co-operation and resource mobilisation should be made conditional upon the respect of basic human rights and fundamental democratic principles in each EC partner country. In this respect, the text of the co-operation agreements negotiated after 1992 all include "human rights" and "democratisation" clauses (article 2).

- 3) According to the Regulation, a range of decentralised authorities are eligible for economic, technical and financial assistance. Potential beneficiaries could include not only central or local public authorities, but also private entities and NGOs (article 3).
- 4) The Community's main financial instruments (and their programming ) should be tailored to meet the specific requirements of ALA partner countries (article 3).
- 5) The Regulation indicates that, as a matter of priority, financial and technical co-operation should aim at providing support to the poorest ALA developing countries and to the poorest sections of local populations (article 4).
- 6) Financial and technical assistance should focus on rural development, food security, environmental protection, the role of women, the fight against drugs, democratisation, child protection etc (article 5). Economic co-operation, that is scientific and technological co-operation and partnership, institutional and administrative build up, support for investment and trade integration and assistance to the private sector, should serve the mutual interests of the Community and its partner countries. Support for regional co-operation is seen as being an important part of economic co-operation (article 7).

#### **Fight against Drugs**

The budget line for aid in support of anti-narcotics measures namely 'North-south co-operation in the fight against drugs' was created in 1987 (B7-6210) to finance projects in this domain. The Commission has subsequently sought an enabling regulation to serve as a statutory basis for this budget line namely Council Regulation EEC 2946/97 (OJ L287, 21.10.1997, p1) following transmission of a Parliamentary Opinion to the Council subsequent to the second reading by Parliament on March 13, 1997.

This budget line does not reflect the full extent of co-operation by DG IB in the fight against drugs in the countries which fall in its geographic area of competence because, on the one hand, it does not include the cost, over the period as a whole, of the anti narcotics clauses of the GSP (covering industrial and agricultural products from the Alean Pact countries and agricultural products from the countries of Central America) in terms of revenue lost to the Community Budget and nor, on the other hand, does it include funds provided for this purpose from other budget lines.

From 1991 to 1995 funds committed under budget line B7-6210 amounted to roughly Ecu 50 million. 34 percent of these funds were allocated to Latin America, 31.3 percent to Asia, 9.3 percent to the ACP countries, 19.8 percent to the countries of the Mediterranean basin and 3.5 percent were allocated to several countries or served to fund horizontal actions (thematic research) from which a region or a group of countries benefited.

A breakdown by type of project funded indicates that 52 percent of the funds were allocated to preventive or demand reduction programmes, or to the treatment and rehabilitation of addicts, 20 percent went to alternative development programmes, 10 percent sustained actions against trafficking and supply reduction and 18 percent provided support to training and research programmes.

NGOs were the principal beneficiaries of the programme, accounting for half of funding allocations whilst governments accounted for 30 percent. Commitments to United Nations Drugs Control Programme made up approximately 18 percent of total commitments. Consultants or universities received 2 percent of funds committed to carry out research.



7) To enable the Community to implement these policy guidelines and provide financial, economic and technical assistance to its ALA partners, the Regulation mentioned a total amount of 2750 MECUs deemed necessary for the 1991- 95 period. Fund mobilisation should take place in the framework of an indicative medium-term programming exercise due to be carried out with the developing countries concerned. It also decided that some 10% of this total should be used to finance programmes in the field of environmental protection and preservation of tropical forests (article 9 and 10).

#### **Environmental protection in EC cooperation with ALA countries**

Environmental issues have developed to represent an important aspect of EC cooperation with developing countries in Asia and Latin America. They are becoming increasingly prominent in the dialogue with partner countries, as shown for example by the fact that the environment is integrated into all cooperation agreements with Asian and Latin American partner countries/regions. The importance given to environmental issues can also be judged by the level of funding of projects and programmes with specific environmental objectives. In this regard, a recent independent inventory of funds committed by DG1B to environmental projects concluded that, between 1990 and 1995, 596 MECU was committed to environmental projects in Asia, and 255 MECU in Latin America.

A large share of this expenditure is channelled through the ALA budget line, which is thus, in the aggregate, meeting the "10 % target" set out in the ALA regulation. However, the figures also include two budget lines intended specially for environment in developing countries and for tropical forests. These complement activities have been carried out under the ALA budget lines.

The budget line targeted at environment in developing countries (B7-6200, 15 MECU in 1995, for all ALA/MED/ACP countries) is used for innovative pilot projects related to the management of natural and urban environment, as well as for strategic studies in the field of environment. Pilot projects funded under this budget line are often taken over for further financing by the budget lines governed by the ALA regulation. There is thus an important synergy between the two financing instruments. In 1995, work was undertaken to establish a legal basis for these activities through the creation of a regulation. That work continued through 1996 and was finalised in the beginning of 1997 (EEC 722/97, J.O. L 108, 25.04.1997, p1).

The second "environmental" budget line concerns the protection of tropical forests (B7-6201, 50 MECU in 1995 for Asian, Latin American and ACP countries). It is used specifically for the protection and rational management of tropical forests and the improvements of conditions of forest dwellers and of populations living on the fringes of the forests. On 20 December 1995, a regulation was adopted (EEC 3062/95, J.O. L 327, 22.12.1995, p9) laying down the basic principles and strategies as well as the procedures for making the financial commitments from this budget line. NGOs play an important role in the execution of programmes and projects financed by both these budget lines.

Another important tool for ensuring the environmental performance of the cooperation activities financed from the ALA budget line is Environmental Impact Assessment (EIA). EIA procedures were introduced in 1991, and are constantly being refined and complemented with different support such as training courses and guidance material.

#### **2.4. Associated bilateral Co-operation Agreements and multilateral relations.**

The implementation of the ALA-Regulation has taken place in the framework of a strengthened policy dialogue (which included also cultural and science and technology matters) and trade integration process regulated by a new range of bilateral Co-operation

Agreements (“third generation” Agreements) and, at the multilateral level, by a new relationship with regional organisations in Asia and Latin America. Thus:

a) As regards new bilateral relations with partner countries in Asia, over the reference period, Co-operation agreements were signed with India (J.O. L 223/94, p23), Sri Lanka (J.O. L 85/95, p32), Vietnam (J.O. L 136/96, p28), Nepal (J.O. L 137/96, p14) and Macao (J.O. L 404/92 p26). Multilateral co-operation with regional groupings in Asia (ASEAN, SAARC etc.) was intensified significantly to encompass a number of fields of common or regional interest.

To provide a framework for this bilateral and multilateral dialogue a new Communication, “Towards a new Asia Strategy” [COM (94) 314], was adopted by the Council in November 1994. The new strategy towards Asia includes new long-term objectives and policy priorities aiming at ensuring a more effective and pro-active European political and cultural role and economic presence in this most dynamic region of the world economy, and paved the way for the ASEM process. This strategy was complemented by Communications on future relations with China, India and ASEAN.

b) Also in the case of Central and South America new Co-operation Agreements have been signed with each country in the region, including recently Chile, Mexico and with Mercosur and the Andean Pact; Cuba alone has been an exception - there only humanitarian assistance through NGOs has been provided. Moreover following previous declarations of European Council in Corfu, Essen and Cannes, the Madrid European Council in December 1995 adopted a new long-term strategy aimed at strengthening EU-LA partnership and co-operation by the year 2000.

### **3: The details of Community co-operation with Asia and Latin America, 1991 to 1995.**

#### ***3.1. General Quantitative Overview of Community Cooperation***

This section attempts to show as clearly as possible, using those data that provide a comparable picture for all ALA regions, how the implementation of the programme of development co-operation set down in the ALA regulation has proceeded. The data discussed in this section and presented in the Annexes are drawn from two sources.

Firstly the summary Tables 1 and the detailed tables 2A to 2D and 3A to 3D are taken from the data bank prepared for the comprehensive evaluation exercise which is now underway in DG IB<sup>3</sup>. These data provide an overview of commitments and disbursements for the two regions (and their various sub-regions), assembled according to a framework based upon the OECD DAC classification of official development assistance (Tables 2A-2D) and by beneficiary country (Tables 3A-3D). These data include a wider range of actions and instruments than strictly covered by the terms of the ALA Regulation and use a classification by project type that is somewhat different from the approach provided for in the Regulation. Indeed the OECD DAC classification does not clearly distinguish all the areas of co-operation mentioned, both in the ALA Regulation and in the basic strategic Commission documents for Asia and Latin America (see 2.1.1. and 2.1.2.). For example, table 2B (Latin America) shows a total of 126 Mecu committed for the subsector 'Industry, Mining and Construction'. In fact, the largest share of this amount is related to projects targeting micro-businesses in the informal sector.

The second data source is the data banks maintained by the technical Units in the Asia and Latin American Directorates of DG IB. Here the total of commitments is analysed, for the years covered, and for Asia and Latin America, by individual budget line. These budget lines cover the kinds of actions with which the ALA Regulation *is at least in principle concerned or associated* and are grouped under 4 headings;

Financial and Technical Assistance.  
Economic Co-operation.  
Humanitarian Aid.  
Other<sup>4</sup>

Data on commitments according to this classification are set down in Table 4 for Asia and Table 6 for Latin America.

However, the ALA Regulation 443/92 is specifically addressed to the management of the budget lines for Financial and Technical Assistance ( B 7-3000 and B 7-3100) and for Economic Co-operation narrowly defined (B 7-3001 and B 7-3110). Data for commitments *under these budget lines only* are set down in Tables 5 (Asia) and 7 (Latin America).

<sup>3</sup> See for example the relevant tables given in 'Inventory of European Community Aid' ODI, London, December 1996.

<sup>4</sup> For example, Democratisation, Women in Development, Demography, Tropical Forests etc..

The starting point is Table 1 which sets down an overall view of Commission *commitments and disbursements* for Asia, including China, Macao and the Yemen, and Latin America. As already noted this table provides data covering a range of actions much wider than those immediately addressed by the ALA Regulation. It does nonetheless provide an illustration - and as yet the only illustration - of how commitments to Asia and Latin America have been met by disbursements. In addition the data for South and South East Asia have been grouped together so that the relation between commitments and disbursements can be clearly seen.

It is important to note that the amounts of aid both committed and disbursed in the years 1991 to 1995 were substantially higher than in the previous periods. It will be noted from line 8 of Table 1 that the ratio of total disbursements to total commitments over the period covered is 60 percent, with the figure for Latin America being higher (at 64 percent) than Asia (58 percent). The figure for South and South East Asia alone is somewhat lower at 56 percent. Such a figure might be taken as representative of, or as a first approximation to, the ratio of disbursements to commitments for operations covered by the ALA Regulation. Thus over the period covered by this report total disbursements have fallen well below total commitments *and the gap now appears to be greater than in earlier periods* (the overall figure being 64 percent in the period 1986 to 1990). This reflects a substantial fall in the ratio of disbursements to commitments for Asia not offset by an increase for Latin America. There are a number of possible explanations for the fall in this ratio. Thus it could be due to an increase in the sophistication of development co-operation implying that more time is needed to get aid programmes operational, as well as to other forces lengthening the time lag needed to get projects underway, such as difficulties in absorbing aid resources.

As regards the balance between disbursements to Asia and to Latin America, as a percentage of the total, these were relatively close over the period 1991 to 1995 (54 percent Asia, 46 percent Latin America) compared to figures of 63 percent and 37 percent respectively for the earlier period from 1986 to 1990. It is clear therefore that the more recent figures are distant from the long standing informal understanding that about two thirds of the aid under the ALA programme should go to Asia, a proportion that seems to have been broadly respected in the period to 1990. This evolution will undoubtedly reflect, at least in part, decisions of the budgetary authorities in the European Institutions.

Tables 2A-2D also set down an analysis of total aid commitments and disbursements to Asia and Latin America classified according to a schema drawn from that used by the OECD DAC. Once again the limitations of this classification, as regards this exercise (see above), should be stressed. Nonetheless it is possible to *catch a glimpse* of how the priorities set down in the ALA Regulation have been addressed. Thus it is important to note from Tables 2A and 2B that as regards commitments:

- the still important amount of resources committed to rural development for both Asia and Latin America compared to earlier periods;
- the funds attributed to the heading 'Environment' as also for 'Women in Development' only include funds specifically allocated to these headings and so underestimate significantly the overall EC commitment to these themes. However, the available evidence is that the requirement in the Regulation that 10 percent of commitments be directed towards ac-

tions related to the environment has been met. This is the conclusion of the study 'Evaluation of the Environmental performance of the EC Programmes, 1990-1995' (Vol. 1 ERM Oct. 1996).

- the increased proportion of resources allocated to '*Social Infrastructure and Services*' as compared for example to the reduced proportion allocated to '*Economic Infrastructure and Services*'.

### **Economic Co-operation**

The ALA-regulation spells out clearly that economic co-operation with the developing partner countries in the two regions shall be of high priority. What distinguishes it from financial and technical assistance is the emphasis on *mutual interest*, i.e. economic co-operation should create and reinforce a network of business and other economic links between the EU and its partner countries. Economic co-operation programmes and projects '*shall contribute to the development of the ALA developing countries by helping them build up their institutional capacity so as to create an environment more favourable to investment and development and make the most of the prospects opened up by the growth of international trade, including the European single market and by enhancing the role of businessmen, technology and know-how from all the Member States, particularly in the private sector and in small and medium-sized undertakings.*' (article 7)

The EC has developed and implemented a wide range of instruments to promote economic co-operation in its various forms.

Investment promotion takes place in the framework of ECIP, AL-Invest, and Asia-Invest. ECIP, which not only covers the ALA countries, but also the Mediterranean region, finances investment promotion actions such as matchmaking exercises, feasibility studies, pilot projects, individual risk capital financing, training programmes and management assistance actions. AL-invest and Asia-Invest are programmes financed by the Commission to:

- encourage growth in two-way trade and investment flows;
- help raise awareness of opportunities in the ALA regions in the European business community; and
- assist companies from the developing countries in ALA to enter into mutually beneficial co-operation with European companies.

Contacts and co-operation between businesses of the two regions and European companies are also supported through facilities like BC-Net (Business Co-operation Network), and BCC (Business Co-operation Centre). These provide 'matchmaking' services for companies, focusing on small and medium-sized enterprises.

EC aid is also channelled towards assistance for banking, finance and business services to help a financial sector, support privatisation, and strengthen financial institutions in the ALA countries.

Annual commitments under the budget line Economic Co-operation have increased substantially in the period covered by this report since 1990, reaching 56 MECU for Latin America, and 58 MECU for Asia in 1995. Over the period 1991 to 1995, 16% of total aid to Latin America was committed for economic co-operation and about 10 percent for Asia.

On the basis of the DAC data it is not easy to make clear or unambiguous comments about the position regarding disbursements (Tables 2C and 2D). Thus, according to this data source, for Asia a substantial part of the total (50 percent) remains unallocated by sector making it impossible to draw any useful conclusions about the ratio of disbursements to commitments by sector for the region over the limited period covered by this report.

The situation is somewhat better in the case of Latin America where only about one sixth of the total disbursements are unallocated by sector, roughly the same proportion as in the case of commitments. Thus Tables 2B and 2D, taken together, appear to indicate that the ratio of disbursements to commitments for Latin America is somewhat higher in the more

traditional sectors (natural resources and other productive sectors) than for those sectors on which, in principal, economic co-operation activities are now seeking to focus, namely economic and social infrastructure, support for governance and civil society and cross cutting issues such as women in development and rural development, etc. However, as noted above for Asia, this report is by requirement addressed to the period 1991-1995, and so the data for 1996 may present a somewhat different picture.

Tables 3A to 3D make possible an analysis of commitments and disbursements by beneficiary country. Here it will be seen that a number of countries have exhibited, despite their need, a relatively low ratio of disbursements to commitments over the reference period (the Philippines, India, Peru, Nicaragua). Nevertheless it should be noted that substantial proportions of both commitments and disbursements remain unallocated by country and so comments of this kind must remain tentative.

Moving on from the tables based on OECD-DAC data sources, Tables 4 and 6 set down detailed data from internal Commission sources, on *commitments*, for Asia and Latin America, for budget lines financing those actions that may be considered to be covered by the general principles set down in the ALA Regulation.

As already noted, the ALA Regulation provides the basis for the operation of four budget lines. Data for commitments for these lines, for Asia and Latin America, are given in Tables 5 and 7.

From Table 4 it will be seen that total commitments to Asia increased by two thirds over the period 1990 to 1995. Almost all of this increase (about 240 Mecu) was accounted for, by proposed expenditure, under the headings *Financial and Technical Cooperation* (140 Mecu) and *Economic Cooperation* (55 Mecu), changes reflecting those aspects of development cooperation emphasised in the Regulation. Nonetheless there were also important increases in commitments under the *Rehabilitation programmes*, *Food Aid* and *Emergency Relief*.

As regards Latin America, it is important to note at the outset that the EU is now the main provider of Official Development Assistance to Latin America and indeed accounted for 53% of the total transferred in 1995.

From Table 6 it will be seen that commitments to Latin America more than doubled between 1990 and 1995, from 257 Mecu to 520 Mecu. Within this total there were important increases in commitments to the themes emphasised in the Regulation, namely in *Financial and Technical Cooperation*, 104 to 232 Mecu, and *Economic cooperation* from 15 to 56 Mecu. Commitments regarding the tropical forests also rose sharply from nothing in 1990 to 36 Mecu in 1995. In addition, *Emergency aid*, negligible in 1990 increased to almost 22 Mecu in 1995

## 3.2. Qualitative Commentary: Financial and Technical Cooperation and Economic Cooperation

### 3.2.1. Asia

Financial and Technical Cooperation accounted for about 60% of EC Aid to Asia in the 1990s. It can - in principle - address all sorts of developmental needs. In Asia, however, it focuses almost exclusively on the poor countries, and within them, on the least favoured groups of the population and the rural poor.

#### Poverty Alleviation

Even though there is a broad correlation between economic growth and social development, the link between the two is complex. The crucial question is: How does economic growth translate into social and human development? High levels of economic growth can go hand in hand with increasing social inequality and poverty and adjustment policies often do not sufficiently take into account the human dimension of economic reform. Aid policy therefore has to focus on this dimension and on supporting the concept of **pro-poor growth**: Economic growth contributes to poverty reduction if it:

- \* leads to an improvement of health/education/skills;
- \* increases employment (SME - high potential);
- \* improves productivity;
- \* thereby leads to an increase in real wages;

In rural areas, where still the highest share of poor live (though there is now a shift towards urban areas), pro-poor growth is crucial. Here activities should focus on improving access to education and health care, frequently underdeveloped in rural areas, and on creating an enabling environment for small-scale agriculture, to increase food security, and for micro-enterprises, for instance by improving access to credit.

Poverty represents a major problem in both Latin America and Asia, especially South Asia. The ALA-regulation explicitly mentions that *'the aim of community development and cooperation policies shall be human development'* (article 2).

With regard to financial and technical assistance, this *'shall be targeted primarily on the poorest sections of the population and the poorest countries in the two regions, through the implementation of programmes and projects in whatever sectors community aid is likely to play an important role.'* (article 4). It also stresses that priority should be given to developing the rural sector, and to improving the level of food security. Its scope should also be extended to the more advanced ALA-countries, in particular, among others, in the field of pilot schemes to help underprivileged strata of the population especially in large conurbations. (article 6)

Poverty alleviation and human development are key issues of EU aid policy. While indirectly, all aid has the potential to reduce poverty through improving the economic, social and institutional environment, it nevertheless remains necessary to specifically target the poor and promote human development. Over the period 1991-1995, almost a quarter of total EU aid to Latin America and Asia have been committed for Social Infrastructure & Services and Rural Development (23% in Latin America, 22% in Asia), as compared to 15% in the previous five-year period. This does not include projects in other sectors, such as environment, economic infrastructure or others, which are also likely to have a positive impact on poverty. This clearly shows the increasing importance of activities directly focusing on poverty alleviation within EC aid policy. Following the mandate of the ALA-regulation, poverty alleviation in rural areas is a top priority for financial and technical assistance in the two regions. Large projects regarding, for instance, education and health, are normally focused on rural and marginal areas.

Over 40% of all projects in Asia over the period 1992-1995 have had poverty alleviation as their explicit objective. About 70% of EC funded projects have at least indirectly aimed at poverty reduction through improvement in food security. But the objective of poverty alleviation has been approached also through:

- \* improvement of incomes and promotion of employment generating programmes for the rural poor;
- \* promoting equitable development for women and men;
- \* protecting and rehabilitating vulnerable ecosystems;
- \* improving access to health and education services.

Besides this overriding emphasis on poverty reduction, EC funds under Financial and Technical Assistance contribute to government's efforts in improving access and quality of social services. In India, for example, the support is given to the process of reform of the education and family welfare systems. In addition, NGO co-financing has complemented EC aid programmes, including the gradual involvement of Asian NGO's in the implementation of a number of rural development programmes funded under Financial and Technical cooperation.

### **3.2.2. Latin America**

As regards Financial and Technical Cooperation, it is important to note that:

- \* even if still important, the rural development sector does not constitute the core of financial and technical cooperation, and its relative importance is decreasing;
- \* increased attention was paid to the urban poor (street children and other vulnerable groups). Projects in this area often stemmed from pilot projects funded from the budget line for "Democratisation and Human Rights";
- \* micro-businesses (mostly in the informal sector) and credit projects fostered in the early 90s, but they have recently declined.

At the end of the reference period, an important increase of resources devoted to:

1. education and training projects;
2. support for national sectoral programmes, namely in the areas of health and education;
3. and programmes aiming at institutional strengthening and reform of public administration;

can be observed.

As for Economic Cooperation, within the reference period the so called "horizontal programmes":

- \* AL-INVEST (business and industrial cooperation);
- \* ALFA (universities networks);
- \* ALURE (energy sector);

were launched and consolidated. At the end of the period, another horizontal programme - URB-AL, aiming to establish and support networks of local administrations (towns and regions) - was being prepared.



Each one of those programmes provides a framework for decentralised initiatives being funded, setting up a common ("programme") methodology. Therefore, each one of those programmes integrates activities which, over the period 1986-90 and in the early 1990s, were financed through "individual" projects.

In addition, important programmes, mostly sub-regional ones, in the areas of standards and customs regulations were developed and implemented. At the same time, there is still a number of individual national projects in the field of trade promotion, but their share within total Economic Cooperation is decreasing. Lastly, training projects for key target groups in Latin America, i.e. within public administration, business managers, and specialists in 'regional integration' are funded.

#### 4. Concluding Points.

Section 1 of the report describes economic and social developments in the countries covered by the ALA Regulation over the reference period and points in particular to the improvements undertaken and the progress made. It also stresses that much needs to be done, *in both regions*, and in particular points to the importance of sound macroeconomic policies, good governance and of focusing even more resources on the health and education sectors, on institution building and so both directly and indirectly on the problem of poverty.

Even if the EC budget for financial, technical and economic co-operation with the ALA countries is relatively limited vis-à-vis these countries' need for foreign financing (both ODA and investments), the EC has been able to make a positive contribution in:

- \* sustaining a political and economic dialogue;
- \* focusing on poverty alleviation (in the wider sense and including primary health & population programmes, primary education, empowerment of women etc.);
- \* supporting macroeconomic reforms and institutional building;
- \* facilitating trade, investments and transfer of technology;
- \* support of democracy and human rights, in particular the transition towards democracy;
- \* the progress of regional cooperation and integration among its partner countries in the ALA regions.

Section 2 describes the general framework of cooperation with the ALA countries, the aims and principles set down in the ALA Regulation and shows that a development cooperation programme based on these aims and principles will certainly help the ALA countries to address the problems set out in section 1.

Section 3 shows *as far as possible given the limited data available* that the resources made available under the ALA Regulation have been committed in line with the aims and principles of the Regulation. It would seem that the present thrust of Community co-operation policy, and in particular the part of it covered by the ALA Regulation, is addressing the key development problems faced by the ALA countries, is making a positive contribution to their resolution as well as supporting and improving mutually beneficial relations between the EU and the ALA countries.

Finally, given the extensive and comprehensive evaluation of Community development co-operation that will be made available next year, no case can be made, at this stage, on the basis of available information, for modifying the ALA guidelines as set down in the ALA Regulation.

## Notes to Tables

This report draws upon different sets of data, each of which has been constructed with a different aim in mind. Consequently it is difficult, if not impossible, to reconcile completely the figures available. Moreover, in examining and analysing the attached tables, it should be borne in mind that the figures presented are unaudited estimates of transactions (commitments and disbursements) during the reference period. There is thus a need to exercise very considerable caution in drawing conclusions in relation to Community development co-operation programmes in the ALA countries during the reference period on the basis of the data submitted.

In particular it should be emphasised that it is necessary to pay special attention to the following points.

### *Commitments (ODI data)*

Tables 2A and 2B are consistent with table 1. However Table 3A - commitments Asia by country - has a wider coverage than Table 2A and includes data for Iraq, Iran, and the Yemen. The totals for Tables 3A, less the figures for these three countries, give totals very close to those in Tables 2A and 1.

For Latin America the totals from Tables 1, 2B and 3B are virtually the same (rounding errors will account for the major part of the minor discrepancies noted).

### *Disbursements (ODI data).*

For Asia the totals for Tables 2C and 3C are very close. However it is not yet possible to reconcile the differences between these totals and those given in Table 1. As regards Latin America the totals in Tables 1, 2D and 3D are once more virtually the same (again rounding errors will account for a large part of these discrepancies).

### *Data from sources internal to the Commission*

The data given in Tables 4 and 6 and Tables 5 and 7 are drawn from sources internal to the Commission. They set down commitments data for the Budget lines for which the ALA Regulation provides the legal basis (Financial and Technical Cooperation and Economic Cooperation) as well as for those Budget lines which may be considered to be covered by the general principles set down in the Regulation.

In drawing up these tables an element of choice is involved. As a consequence, whilst the major part of the commitments of aid to the ALA countries are covered by Tables 4 and 6, these Tables must not be considered exhaustive.

# **ANNEX 1**

# **TABLES**

**TABLE 1: EC AID TO ASIA AND LATIN AMERICA (m.ECU)<sup>1</sup>**

	Average 1986-1990	1991	1992	1993	1994	1995	Total 1991-1995
<b>1) Asia commitments</b>	<b>273</b>	<b>383</b>	<b>470</b>	<b>504</b>	<b>451</b>	<b>696</b>	<b>2504</b>
China and other East Asia	25	21	11	21	40	62	155
South Asia	168	295	230	302	203	288	318
South-East Asia	50	46	153	146	165	200	710
Unallocable	29	21	76	35	44	146	322
<b>2) Latin America commitments</b>	<b>181</b>	<b>286</b>	<b>338</b>	<b>401</b>	<b>390</b>	<b>486</b>	<b>1901</b>
South America	69	134	160	170	173	232	869
North and Central America	42	73	129	140	182	212	736
Regional	29	16	6	49	20	28	119
Unallocable	41	62	44	42	15	14	177
<b>3) Asia disbursements</b>	<b>183</b>	<b>261</b>	<b>300</b>	<b>264</b>	<b>246</b>	<b>369</b>	<b>1440</b>
China and other East Asia	19	33	24	16	11	22	106
South Asia	110	135	174	144	132	189	774
South-East Asia	34	66	75	53	76	112	382
Unallocable	21	26	28	50	27	46	177
<b>4) Latin America disbursements</b>	<b>108</b>	<b>196</b>	<b>231</b>	<b>273</b>	<b>247</b>	<b>275</b>	<b>1222</b>
South America	39	78	88	100	108	100	474
North and Central America	26	62	66	98	75	94	395
Regional	8	7	21	21	17	33	99
Unallocable	34	49	55	54	48	47	253
<b>5) Asia &amp; Latin America coms.</b>	<b>454</b>	<b>669</b>	<b>808</b>	<b>905</b>	<b>841</b>	<b>1182</b>	<b>4405</b>
<b>6) Asia &amp; Latin America disbs.</b>	<b>291</b>	<b>457</b>	<b>531</b>	<b>537</b>	<b>493</b>	<b>644</b>	<b>2662</b>

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**7) Asia less China and other East Asia<sup>2</sup>**

a) Commitments	241	361	457	481	406	618	2364
b) Disbursements	162	224	274	244	234	344	1320

**RATIOS: Percentage of :-**

**8) Disbursements to Commitments**

Asia	67	68	64	52	55	53	58
Asia less China and other East Asia	67	62	60	51	52	56	56
Latin America	60	69	68	68	63	57	64
Total	64	68	66	59	59	54	60

**9) Total Commitments to**

Asia	60	57	58	56	54	59	57
Latin America	40	43	42	44	46	41	43

**10) Total Disbursements to**

Asia	63	57	56	49	50	57	54
Latin America	37	43	44	51	50	43	46

<sup>1</sup> Source: ODI 1996. Small discrepancies may occur due to rounding.

<sup>2</sup> Unallocable has been attributed by proportion.

**TABLE 2A : EC AID TO ASIA BY SECTOR (COMMITMENTS)**

MECU (rounded amounts)

	TOTAL 1986-1990	1991	1992	1993	1994	1995	TOTAL 1991-1995
<b>Programme Aid *</b>	<b>24</b>	<b>0</b>					<b>0</b>
Stabex	24	0					0
<b>Food Aid (Developmental)</b>	<b>273</b>	<b>69</b>	<b>100</b>	<b>56</b>	<b>63</b>	<b>98</b>	<b>386</b>
<b>Humanitarian Aid</b>	<b>86</b>	<b>65</b>	<b>84</b>	<b>88</b>	<b>90</b>	<b>95</b>	<b>422</b>
Humanitarian aid excl rehabilitation	86	65	84	88	81	83	401
Rehabilitation					9	12	22
<b>Aid to NGOs</b>	<b>46</b>	<b>13</b>	<b>14</b>	<b>20</b>	<b>20</b>	<b>23</b>	<b>91</b>
<b>Natural Resources Productive Sectors</b>	<b>436</b>	<b>141</b>	<b>47</b>	<b>42</b>	<b>86</b>	<b>115</b>	<b>431</b>
Agriculture	401	141	15	14	49	53	272
Forestry			32	29	37	61	159
Fisheries	36						0
<b>Other Productive Sectors</b>	<b>22</b>	<b>6</b>	<b>8</b>	<b>14</b>	<b>22</b>	<b>24</b>	<b>74</b>
Industry, Mining & Construction	7	2		2	3	1	8
Trade	7	0	1	1	0		3
Tourism	8	4	7	11	18	23	64
Investment Promotion							
<b>Economic Infrastructure &amp; Services</b>	<b>93</b>	<b>31</b>	<b>44</b>	<b>35</b>	<b>33</b>	<b>94</b>	<b>236</b>
Transport & Communications	53	9		2		1	12
Energy	19	6	31	2	9	0	49
Banking, Finance & Bus services	20	16	13	31	24	93	177
<b>Social Infrastructure &amp; Services</b>	<b>31</b>	<b>51</b>	<b>16</b>	<b>160</b>	<b>62</b>	<b>54</b>	<b>344</b>
Education	25	6	5	150	50	19	230
Health & Population	4	45	8	5	12	34	104
Water Supply				4			5
Other Social Infrastructure & Services	1	1	2	1	1	1	6
<b>Governance &amp; Civil Society</b>	<b>16</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>11</b>
<b>Multisector/Crosscutting</b>	<b>236</b>	<b>4</b>	<b>108</b>	<b>71</b>	<b>58</b>	<b>154</b>	<b>395</b>
Environment	94	4	33	17	1	65	121
Women in Development			0		0	37	37
Rural Development	142		75	54	57	52	237
Other Multisector							
<b>Unallocable by Sector</b>	<b>103</b>	<b>2</b>	<b>48</b>	<b>13</b>	<b>14</b>	<b>37</b>	<b>114</b>
<b>ASIA TOTAL</b>	<b>1366</b>	<b>383</b>	<b>470</b>	<b>504</b>	<b>451</b>	<b>696</b>	<b>2504</b>

**TABLE 2B : EC AID TO LATIN AMERICA BY SECTOR (COMMITMENTS)**

MECU (rounded amounts)

	TOTAL 1986-1990	1991	1992	1993	1994	1995	TOTAL 1991-1995
<b>Programme Aid *</b>	0						0
<b>Food Aid (Developmental)</b>	131	55	48	56	50	52	261
<b>Humanitarian Aid</b>	54	16	22	32	59	59	188
Humanitarian aid excl rehabilitation	54	16	22	32	49	47	166
Rehabilitation					10	12	22
<b>Aid to NGOs</b>	101	34	37	39	51	43	204
<b>Natural Resources Productive Sectors</b>	104	16	68	70	12	25	191
Agriculture	76	9	35	41	8	22	115
Forestry			20	21	5	2	48
Fisheries	27	7	13	7			27
<b>Other Productive Sectors</b>	76	36	17	18	43	56	170
Industry, Mining & Construction	36	31	10	9	31	45	126
Trade	34						0
Tourism	5	5	7	9	12	10	43
Investment Promotion							
<b>Economic Infrastructure &amp; Services</b>	36	6	6		7	10	29
Transport & Communications	21	3			7	3	13
Energy	15	4	6			7	17
Banking, Finance & Bus services							
<b>Social Infrastructure &amp; Services</b>	113	25	35	40	20	103	223
Education	7				2		2
Health & Population	44	24	17	15	16	68	140
Water Supply	59	1	16	20		24	61
Other Social Infrastructure & Services	4	1	1	6	2	11	21
<b>Governance &amp; Civil Society</b>	5	10	10	15	14	21	70
<b>Multisector/Crosscutting</b>	59	49	53	65	66	58	291
Environment	3	4	2	6	16	14	42
Women in Development				4	5		9
Rural Development	56	39	50	48	44	21	202
Other Multisector		6	1	8	1	23	39
<b>Unallocable by Sector</b>	227	38	42	66	69	58	273
<b>LATIN AMERICA TOTAL</b>	<b>906</b>	<b>286</b>	<b>338</b>	<b>401</b>	<b>390</b>	<b>486</b>	<b>1900</b>

**TABLE 2C : EC AID TO ASIA BY SECTOR (DISBURSEMENTS)**

MECU (rounded amounts)

	TOTAL 1986-1990	1991	1992	1993	1994	1995	TOTAL 1991-1995
<b>Programme Aid *</b>	25						0
Structural Adjustment Stabex	1 24	0					0
<b>Food Aid (Developmental)</b>	241	107	108	37	19	57	328
<b>Humanitarian Aid</b>	45	36	48	59	23	36	202
Humanitarian aid excl rehabilitation Rehabilitation	45	36	48 0	59	23 0	36 0	202
<b>Aid to NGOs</b>	34	20	13	15	15	18	81
<b>Natural Resources Productive Sectors</b>	1	0	0	0	0	2	2
Agriculture	1	0	0	0	0	0	
Forestry			0	0	0	2	2
Fisheries							
<b>Other Productive Sectors</b>	4	4	6	11	13	21	55
Industry, Mining & Construction	0	0		0	0	0	
Trade	0	0	0	0	0		
Tourism							
Investment Promotion	4	4	6	11	13	21	55
<b>Economic Infrastructure &amp; Services</b>	12	2	5	0	0	0	7
Transport & Communications	0	0		0		0	
Energy	12	2	5	0	0	0	7
Banking, Finance & Bus services	0	0	0	0	0	0	
<b>Social Infrastructure &amp; Services</b>	2	1	1	4	3	6	15
Education	0	0	0	0	0	1	1
Health & Population	1	1	1	3	3	4	12
Water Supply		0		0			
Other Social Infrastructure & Services	1	0	0	1	0	1	2
<b>Governance &amp; Civil Society</b>		0	0	1	1	1	3
<b>Multisector/Crosscutting</b>	2	0	0	1	0	1	2
Environment	0	0	0	1	0	1	2
Women in Development			0	0	0	0	
Rural Development							
Other Multisector	2		0	0	0	0	
<b>Unallocable by Sector</b>	536	86	114	120	154	210	684
<b>ASIA TOTAL</b>	<b>902</b>	<b>256</b>	<b>295</b>	<b>248</b>	<b>228</b>	<b>352</b>	<b>1379</b>



**TABLE 2D : EC AID TO LATIN AMERICA BY SECTOR (DISBURSEMENTS)**

MECU (rounded amounts)

	TOTAL 1986-1990	1991	1992	1993	1994	1995	TOTAL 1991-1995
<b>Programme Aid *</b>							
Structural Adjustment Stabex			0				
<b>Food Aid (Developmental)</b>	<b>113</b>	<b>57</b>	<b>52</b>	<b>40</b>	<b>23</b>	<b>25</b>	<b>197</b>
<b>Humanitarian Aid</b>	<b>38</b>	<b>17</b>	<b>21</b>	<b>25</b>	<b>18</b>	<b>45</b>	<b>126</b>
Humanitarian aid excl rehabilitation	38	17	21	25	18	43	124
Rehabilitation						2	2
<b>Aid to NGOs</b>	<b>80</b>	<b>23</b>	<b>25</b>	<b>35</b>	<b>38</b>	<b>31</b>	<b>152</b>
<b>Natural Resources Productive Sectors</b>	<b>31</b>	<b>17</b>	<b>18</b>	<b>46</b>	<b>28</b>	<b>26</b>	<b>135</b>
Agriculture	25	15	11	32	16	12	86
Forestry			4	8	8	4	24
Fisheries	6	2	3	6	4	10	25
<b>Other Productive Sectors</b>	<b>31</b>	<b>14</b>	<b>31</b>	<b>29</b>	<b>31</b>	<b>21</b>	<b>126</b>
Industry, Mining & Construction	25	7	18	13	16	6	60
Trade	5	2	8	8	7	6	31
Tourism							
Investment Promotion	1	5	5	8	8	9	35
<b>Economic Infrastructure &amp; Services</b>	<b>10</b>	<b>4</b>	<b>7</b>	<b>7</b>	<b>2</b>	<b>4</b>	<b>24</b>
Transport & Communications	1	1	3	7	2	4	17
Energy	3	3	4	0	0	0	7
Banking, Finance & Bus services	6	0	0	0	0		0
<b>Social Infrastructure &amp; Services</b>	<b>35</b>	<b>17</b>	<b>22</b>	<b>20</b>	<b>23</b>	<b>32</b>	<b>114</b>
Education	3	1	0	1	2	1	5
Health & Population	14	6	12	8	11	18	55
Water Supply	17	10	9	10	9	3	41
Other Social Infrastructure & Services	1	0	1	1	1	10	13
<b>Governance &amp; Civil Society</b>	<b>0</b>	<b>9</b>	<b>12</b>	<b>14</b>		<b>9</b>	<b>44</b>
<b>Multisector/Crosscutting</b>	<b>23</b>	<b>7</b>	<b>9</b>	<b>17</b>	<b>22</b>	<b>32</b>	<b>87</b>
Environment	1	1	2	2	2	2	9
Women in Development			0	0	0	1	1
Rural Development	22	6	7	13	19	25	70
Other Multisector		0	0	2	1	4	7
<b>Unallocable by Sector</b>	<b>174</b>	<b>30</b>	<b>31</b>	<b>39</b>	<b>49</b>	<b>56</b>	<b>205</b>
<b>LATIN AMERICA TOTAL</b>	<b>535</b>	<b>195</b>	<b>228</b>	<b>272</b>	<b>234</b>	<b>281</b>	<b>1210</b>

**TABLE 3A : EC AID TO ASIA BY COUNTRY (COMMITMENTS)**

MECU (rounded amounts)

	TOTAL 1986-1990	1991	1992	1993	1994	1995	TOTAL 1991-1995
Afghanistan	14	4	19	24	37	38	122
Bangladesh	227	145	74	67	75	98	459
Bhutan	8	6	6	1	0		13
Cambodia	6	3	23	15	68	37	146
China	118	21	8	19	38	61	146
Hong Kong	8		3	2	2	1	7
India	471	98	41	176	43	103	462
Indonesia	43	13	33	6	10	66	128
Irak		116	3	22	23	30	194
Iran	5	2	2	5	3		11
Laos	19	1	4	16	17	15	52
Malaysia	1						
Nepal	8	1	3	3	18	30	54
Pakistan	85	34	78	29	26	7	175
Philippines	87	6	51	49	27	52	184
Sri Lanka	28	7	9	2	4	10	32
Thailand	85	8	13	9	12	11	54
Vietnam	9	15	27	50	27	18	138
Yemen	9	7	2	15	2	4	30
Unallocable by country	147	21	76	35	44	146	322
<b>TOTAL ASIA</b>	<b>1378</b>	<b>508</b>	<b>475</b>	<b>545</b>	<b>476</b>	<b>727</b>	<b>2731</b>

**TABLE 3B : EC AID TO LATIN AMERICA BY COUNTRY (COMMITMENTS)**

MECU (rounded amounts)

	TOTAL 1986-1990	1991	1992	1993	1994	1995	TOTAL 1991-1995
Argentina	9	3	4	3	6	18	34
Bolivia	107	21	42	34	7	35	139
Brazil	25	13	24	18	30	27	111
Chile	40	19	25	20	13	18	94
Columbia	29	10	23	17	11	15	77
Costa Rica	8	1	2	11	2	5	20
Cuba	12	5	7	14	22	31	79
Ecuador	29	13	3	13	21	21	71
El Salvador	36	14	55	44	17	22	152
Guatemala	37	18	15	29	55	34	151
Honduras	26	3	11	2	16	31	63
Mexico	19	8	9	7	13	7	44
Nicaragua	66	23	27	25	56	61	192
Panama	5	0	1	7	1	21	29
Paraguay	4	14	1	5	17	5	42
Peru	95	37	32	45	60	58	232
Uruguay	4	3	3	2	4	14	26
Venezuela	2	1	2	13	3	22	41
Regional	144	16	6	49	20	28	119
Unallocable by country	205	62	44	42	15	14	177
<b>TOTAL LATIN AMERICA</b>	<b>902</b>	<b>284</b>	<b>336</b>	<b>400</b>	<b>389</b>	<b>487</b>	<b>1896</b>

**TABLE 3C : EC AID TO ASIA BY COUNTRY (DISBURSEMENTS)**

MECU (rounded amounts)

	TOTAL 1986-1990	1991	1992	1993	1994	1995	TOTAL 1991-1995
Bangladesh	130	53	64	62	47	101	326
Bhutan	5	2	5	3	2	2	13
Cambodia	4	3	16	15	7	18	59
China	88	32	21	16	8	20	97
India	300	30	50	31	46	45	202
Indonesia	38	10	9	10	11	18	57
Laos	7	2	2	3	5	8	20
Nepal	14	3	2	4	3	2	14
Pakistan	52	38	40	19	14	10	121
Philippines	28	13	13	6	18	30	80
Sri Lanka	29	7	3	6	5	4	25
Thailand	79	21	19	8	11	18	77
Vietnam	8	12	14	12	17	17	71
Yemen	16	7	9	4	2	9	31
Unallocable by country	104	26	28	50	27	46	178
<b>TOTAL ASIA</b>	<b>902</b>	<b>258</b>	<b>294</b>	<b>248</b>	<b>224</b>	<b>347</b>	<b>1371</b>

**TABLE 3D : EC AID TO LATIN AMERICA BY COUNTRY (DISBURSEMENTS)**

MECU (rounded amounts)

	TOTAL 1986-1990	1991	1992	1993	1994	1995	TOTAL 1991-1995
Argentina	0	0	0	0	0	0	0
Bolivia	60	21	24	22	22	16	105
Brazil	23	8	12	13	19	12	64
Chile	35	11	11	15	13	9	59
Columbia	10	5	5	11	9	12	41
Costa Rica	13	3	5	5	3	7	23
Cuba	9	7	6	11	2	15	41
Ecuador	14	8	5	7	7	8	36
El Salvador	16	10	16	34	20	18	99
Guatemala	20	11	7	13	14	17	62
Honduras	13	9	2	10	5	5	30
Mexico	13	5	5	6	10	7	33
Nicaragua	43	17	21	16	18	23	95
Panama	0	0	1	2	3	2	8
Paraguay	5	0	2	4	3	7	16
Peru	46	22	27	27	32	34	142
Uruguay	2	0	2	0	0	0	2
Venezuela	2	0	0	1	2	3	6
Regional	42	7	21	21	17	33	99
Unallocable by country	170	49	55	54	48	47	253
<b>TOTAL LATIN AMERICA</b>	<b>536</b>	<b>194</b>	<b>228</b>	<b>272</b>	<b>246</b>	<b>275</b>	<b>1215</b>

Table 4

## Asia: Commitments (MEcus)

	Budget line	1990	1991	1992	1993	1994	1995	1991-95
<b>Financial and Technical Cooperation</b>	<b>73000</b>	225.05	210.85	211.22	310.62	276.73	366.29	1375.71
<b>Total A</b>		225.05	210.85	211.22	310.62	276.73	366.29	1375.71
<b>Economic Co-operation</b>								
Economic co-operation	73001	2.79	11.99	13.45	49.41	42.21	57.47	174.44
ECIP	75000	2.88	5.49	10.00	12.56	...	...	28.05
Science and Technology	66224	1.07	...	3.97	2.31	4.05	...	10.33
Scientific Co-operation	68371	7.32	3.97	3.73	11.71	4.51	...	23.92
Energy Co-operation	41041	0.21	1.12	1.51	1.00	0.91	...	4.54
<b>Total B</b>		14.27	22.57	32.66	76.99	51.69	57.47	241.28
<b>Humanitarian Assistance</b>								
Refugees	73920	18.99	28.88	62.17	43.37	37.07	38.17	209.66
Rehabilitation	75076	...	...	...	...	10.00	11.50	21.50
Drugs	75080	1.59	3.79	4.99	1.67	2.33	2.16	15.05
Food Aid	72000	82.20	74.94	110.81	18.02	12.00	84.74	300.51
Emergency Relief	72010	...	...	1.05	14.00	...	12.70	26.75
Aids	75046	0.21	1.12	1.51	1.00	0.91	...	4.54
<b>Total C</b>		103.37	107.61	178.02	77.06	61.40	149.27	586.93
<b>Other</b>								
Environment	75040	0.13	0.04	0.53	2.46	0.80	...	3.83
Tropical Forests	75041	...	...	8.73	11.76	9.64	3.17	33.30
Women in Development	75051	...	...	0.08	...	0.04	...	0.12
Other (n.e.s.)		34.76	30.00	35.34	37.79	72.70	42.21	218.04
<b>Total D</b>		34.89	30.04	44.68	52.01	83.18	45.38	255.79
<b>Total</b>		377.58	371.07	469.39	520.80	479.53	618.41	2203.93

Note : Commission estimates - these figures are approximations and should only be considered as representing the orders of magnitude of the amounts committed under the budget lines specified.

Table 5

EC Commitments to Asia under the ALA Reg 443/92.  
Budget Lines B 73000 and B 73001 (Mecus)

	Budget line	1990	1991	1992	1993	1994	1995	1991-95
Financial and Technical Cooperation	73000	225.05	210.85	211.22	310.62	276.73	366.29	1375.71
Economic Co-operation	73001	2.79	11.99	13.45	49.41	42.21	57.47	174.44
<b>Total</b>		227.84	222.84	224.67	360.03	360.03	318.94	1550.25

Note : Commission estimates - these figures are approximations and should only be considered as representing the orders of magnitude of the amounts committed under the budget lines specified.

Note: This Table and Table 7 provide data on commitments for those Budget lines for which the ALA Regulation forms the legal basis.

Table 6

## Latin America: Commitments (MEcus)

	Budget line	1990	1991	1992	1993	1994	1995	1991-95
<b>Financial and Technical Cooperation</b>	<b>73100</b>	103.78	134.28	152.52	168.20	203.06	231.57	899.63
<b>Total A</b>		103.78	134.28	152.52	168.20	203.06	231.57	899.63
<b>Economic Co-operation</b>								
Economic co-operation	73110	14.77	20.33	35.28	46.60	46.60	56.00	204.81
ECIP	78720	4.49	3.66	5.93	8.54	11.47	9.79	39.39
Science and Technology	66224	3.67	1.85	2.19	2.01	4.15	...	10.20
Scientific Co-operation	68371	7.92	9.30	11.79	16.57	14.76	...	52.42
Energy Co-operation	41041	0.84	0.69	1.23	1.04	0.51	...	3.47
Other (n.e.s.)		3.52	3.46	2.61	3.59	3.07	6.45	19.18
<b>Total B</b>		35.21	39.29	59.03	78.35	80.756	72.24	329.47
<b>Humanitarian Assistance</b>								
Refugees	72120	11.96	15.62	19.28	20.00	27.77	20.00	102.67
Rehabilitation	76410	...	...	...	...	9.82	10.90	20.72
Drugs	76210	1.46	2.89	4.04	4.91	3.10	2.64	17.58
Food Aid	72000	62.74	60.16	56.78	49.16	22.43	47.86	236.39
Emergency Aid	72010	0.32	2.86	2.10	12.25	21.51	28.13	66.85
Aids	76211	0.83	1.16	0.50	1.34	3.36	5.62	11.98
Other (n.e.s.)		28.00	38.71	45.36	50.54	60.04	43.38	238.03
<b>Total C</b>		105.31	121.40	128.06	138.20	148.03	158.53	694.22
<b>Other</b>								
Environment	76200	1.99	3.35	1.85	5.92	2.17	3.51	16.80
Tropical Forests	76201	...	...	20.23	22.08	22.10	35.69	100.10
Women in Development	75051	...	...	...	...	0.32	0.36	0.68
Democratisation	77030	9.99	9.99	9.99	15.00	13.00	14.00	61.98
Other (n.e.s.)		1.00	1.01	1.40	1.89	3.22	3.71	11.23
<b>Total D</b>		12.98	14.35	33.47	44.89	40.81	57.27	190.79
<b>Total</b>		257.28	309.32	373.08	429.64	472.46	519.61	2104.11

Note: Commission estimates - these figures are approximations and should only be considered as representing the orders of magnitude of the amounts committed under the budget lines specified.

Table 7

**EC Commitments to Latin America under the ALA Reg 443/92,  
Budget Lines B 73100 and B 73110 (Mecus)**

	Budget line	1990	1991	1992	1993	1994	1995	1991-95
<b>Financial and Technical Cooperation</b>	<b>73100</b>	103.78	134.28	152.52	168.20	203.06	231.57	899.63
<b>Economic Co-operation</b>	<b>73110</b>	14.77	20.33	35.28	46.60	46.60	56.00	204.81
<b>Total</b>		118.55	154.61	187.80	214.80	249.66	287.57	1104.44

Note : Commission estimates - these figures are approximations and should only be considered as representing the orders of magnitude of the amounts committed under the budget lines specified.