

INFOFINANCE 1997

The aid managed by the Directorate-General for Development (DG VIII) of the European Commission is financed through the European Development Fund (EDF) and the General Community Budget. On the one hand the EDF, the financial instrument of the Lomé Convention, is the subject of ad hoc contributions by the Member States. On the other hand, financed by the Community own resources, a large number of budget headings under the Community Budget illustrate the effort of the European Union in favour of the developing countries of the ACP (Africa, Caribbean, Pacific), MED (Mediterranean), ALA (Latin America and Asia) and/or of other countries concerned. The main budget headings cover food aid, support for NGOs, rehabilitation actions, environment, health, democracy and human rights and, more recently, South Africa. It should be noted that development aid financed through the Community Budget can be destined for both ACP and non-ACP countries alike, whereas the EDF, a much less "horizontal" instrument, is destined for the ACP countries only.

THE EUROPEAN DEVELOPMENT FUND

The EDF provides grants for aid programmes for the 70 ACP countries that are signatories to the Lomé Convention. EDF funds are made up of ad hoc contributions by the Member States and are not included in the Union budget. In 1997, the Commission has been implementing the 6th and the 7th EDF. Their operations are governed by programmes of priority need focused mainly on areas such as education, health, rural development, infrastructure, private investments ...

The 8th EDF, is endowed with 12,967 MECU (Millions of ECU) and will continue intervening for programmable aid, Stabex, Sysmin, structural adjustment etc ...

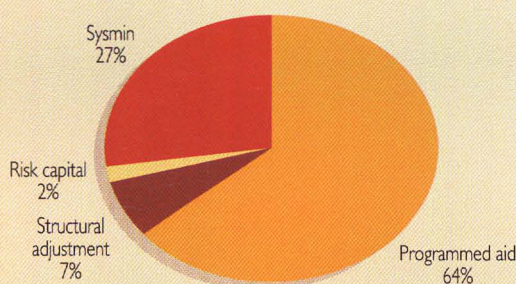
It should enter into force during 1998, following the achievement of the process of ratification of the agreement amending the 4th Lomé Convention, signed in Mauritius on the 4th of November 1995.

ANNUAL BREAKDOWN OF AID BY INSTRUMENT UNDER THE EDFs (ACP and OCT¹)

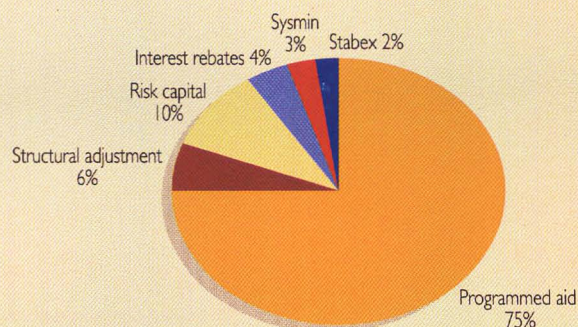
Amounts in MECU Instruments	1997			1996			1995		
	Decisions ²	Contracts ³	Payments	Decisions	Contracts	Payments	Decisions	Contracts	Payments
Programmed aid	403,83	824,41	891,26	656,48	847,65	833,94	828,58	816,78	740,02
Structural adjustment	40,70	57,20	74,35	51,10	95,53	94,65	145,50	164,02	232,63
Risk capital	13,05	6,90	118,07	47,33	205,93	122,17	256,82	273,33	123,87
Interest rebates	-7,30*	-7,75	52,94	31,60	33,01	31,90	35,53	52,60	25,20
Emergency aid	-4,37*	0,91	10,07*	-11,87	-12,62	33,84	33,68	72,39	107,30
Aid for refugees	1,73*	5,35	8,29*	1,19	1,43	7,74	4,40	11,22	12,28
Sysmin	168,35	55,67	38,98	33,95	54,81	28,14	84,49	27,00	19,12
Stabex	0,00*	18,73	18,73	155,08	154,28	164,99	131,09	178,37	303,26
TOTAL	615,99	961,42	1.212,69	964,86	1.380,02	1.317,37	1.520,09	1.595,71	1.563,68

* These amounts are not included in the following pie-charts because of their low and/or negative values.

Percentage of decisions by instrument in 1997



Percentage of payments by instrument in 1997



1. ACP: the countries of Africa, the Caribbean and the Pacific that are signatories to the Lomé Convention. OCT: the overseas countries and territories included in the agreement of association.

2. Decisions: taken by the Commission in favour of development actions approved by the EDF Committee (except for projects smaller than 2 MECU). The simultaneous management of several EDFs, as well as the gap in time between the original decision and the subsequent contracts, account for the variances in the annual totals for contracts and payments.

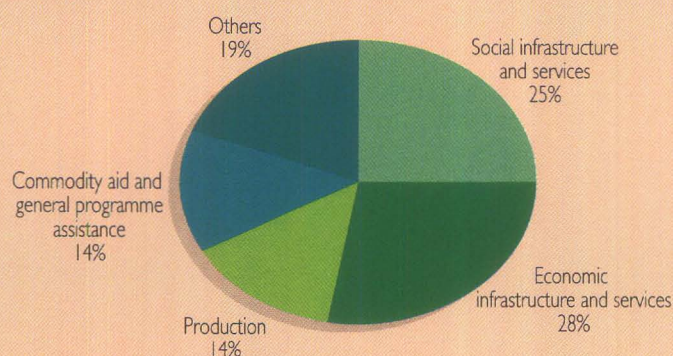
3. The Contracts reflect the implementation of financing decisions in terms of contracts for works, supplies and services, work programmes and direct labour.

ANNUAL BREAKDOWN OF AID BY SECTOR UNDER THE EDFs (ACP and OCT)

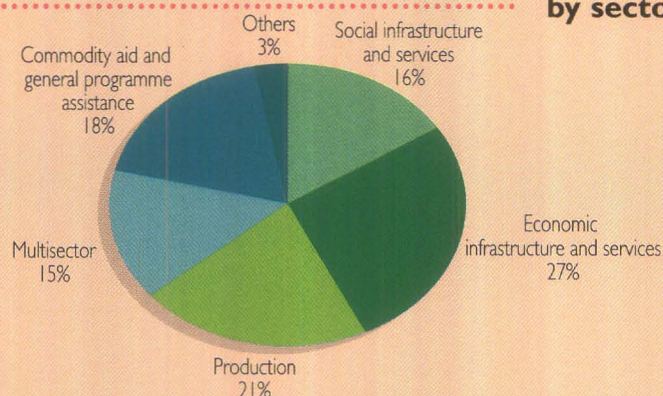
Amounts in MECU			1997			1996			1995		
Sector	Decisions	Contracts	Payments	Decisions	Contracts	Payments	Decisions	Contracts	Payments		
Social infrastructure and services	159,68	169,12	195,73	228,83	196,79	191,13	317,03	196,82	149,44		
- Education	-1,54	38,74	45,42	27,47	31,30	46,49	22,90	33,26	27,12		
- Health	-1,12	38,22	33,31	62,09	16,65	25,12	41,81	34,32	24,72		
- Population programmes	2,00	6,02	7,86	1,23	5,93	8,43	26,45	7,16	6,13		
- Water supply and sanitation	-4,11	15,74	47,82	26,59	57,68	44,36	53,92	53,79	36,62		
- Government and civil society	137,15	34,09	27,64	48,36	21,32	23,39	22,84	16,42	13,37		
- Other social infrastructures	27,30	36,31	33,68	63,09	63,91	43,34	149,11	51,87	41,48		
Economic infrastructure and services	180,90	291,49	321,39	193,58	393,30	267,15	376,86	375,00	210,55		
- Transport and storage	155,22	273,31	208,89	152,01	301,16	166,63	213,79	153,88	135,91		
- Communications	-0,53	3,12	16,96	5,68	22,04	24,16	15,99	54,25	9,49		
- Energy	25,86	12,04	73,18	8,99	40,51	44,06	97,68	116,35	41,34		
- Finance	0,05	1,17	21,55	15,67	28,38	31,99	49,34	50,56	23,75		
- Other services	0,30	1,85	0,81	11,23	1,21	0,31	0,06	-0,04	0,06		
Production	88,61	158,70	247,01	79,60	284,05	246,20	275,26	203,49	192,19		
- Agriculture, fishing and forestry	-11,90	75,83	117,39	-12,96	118,27	113,63	71,63	87,23	105,11		
- Industry, mining and construction	99,15	59,74	92,21	77,50	127,32	99,57	172,24	90,71	64,50		
- Trade and tourism	1,36	23,13	37,41	15,06	38,46	33,00	31,39	25,55	22,58		
Multisector	-13,65*	84,85	184,41	1,63	152,25	226,50	160,19	330,34	289,09		
Commodity aid & general progr. assistance	90,56	208,09	222,11	288,44	311,90	344,63	405,82	413,74	619,47		
- Structural adjustment	89,38	186,75	190,81	134,81	157,17	177,19	276,57	233,02	312,35		
- Other gen. progr. and comm. assistance	1,18	21,34	31,30	153,63	154,73	167,44	129,25	180,72	307,12		
Emergency assistance	-9,70*	-1,68	8,86*	55,74	-8,93	35,68	49,54	89,76	105,56		
Others	119,59	50,85	33,18	117,04	50,66	6,08	-64,61	-13,44	-2,62		
Grand Total	615,99	961,42	1.212,69	964,86	1.380,02	1.317,37	1.520,09	1.595,71	1.563,68		

* These amounts are not included in the following pie-charts because of their comparatively low and/or negative values.

Percentage of decisions by sector in 1997



Percentage of payments by sector in 1997



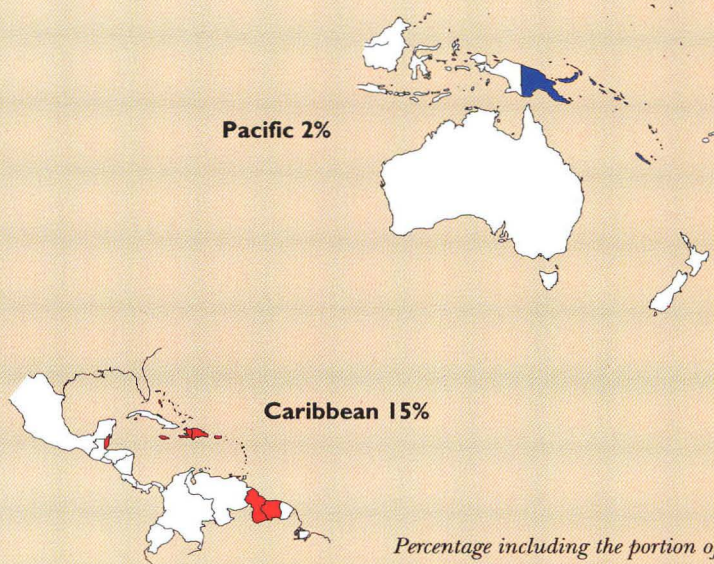
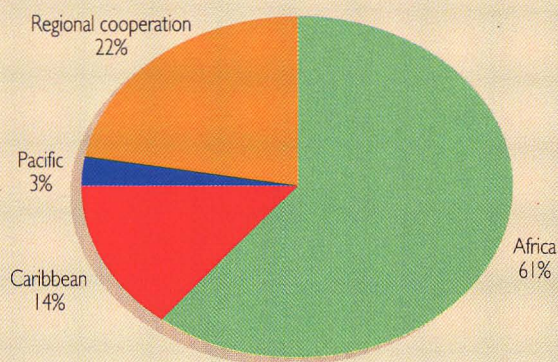
N.B. The sectoral breakdown of the aid financed under the EDF is based on the sectoral codification established by the Development Assistance Committee (DAC) of the OECD (Organisation for Economic Cooperation and Development).

ANNUAL BREAKDOWN BY GEOGRAPHICAL AREA UNDER THE EDFs

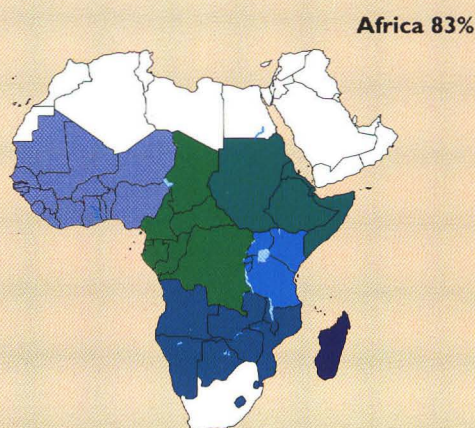
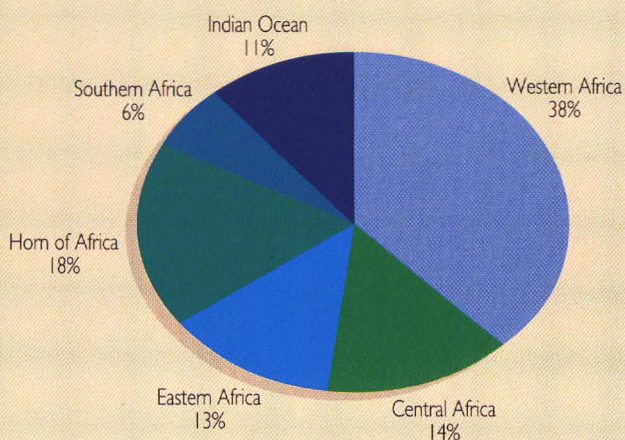
Region	1997			1996			1995		
	Decisions	Contracts	Payments	Decisions	Contracts	Payments	Decisions	Contracts	Payments
Western Africa	144,35	218,04	345,29	172,50	356,69	385,83	392,47	461,02	420,00
Central Africa	53,71	107,83	75,32	79,23	81,17	108,59	178,52	91,32	102,49
Eastern Africa	49,34	89,77	137,74	78,73	112,65	130,53	104,46	203,14	210,04
Horn of Africa	66,64	74,33	45,70	66,00	82,19	50,11	32,93	50,03	67,02
Southern Africa	21,13	118,09	178,69	187,05	198,24	170,46	275,95	241,94	224,74
Indian Ocean	42,18	68,75	85,31	14,29	80,99	53,31	41,07	46,54	32,64
Total Africa	377,35	676,81	868,05	597,80	911,93	898,83	1.025,40	1.093,99	1.056,93
Caribbean	86,33	109,39	99,69	166,44	162,00	143,42	192,74	177,59	186,78
Pacific	16,31	28,16	31,51	16,45	53,76	40,47	46,47	37,26	66,49
Regional Cooperation	136,00	147,06	213,44	184,17	252,33	234,65	255,48	286,87	253,48
Total	615,99	961,42	1.212,69	964,86	1.380,02	1.317,37	1.520,09	1.595,71	1.563,68

Percentage of decisions by geographical region in 1997

The geographical distribution of total EDF aid for the ACP countries illustrates the substantial share which is allocated to the African countries (62%). This share reaches 83% if one adds to it the corresponding regional cooperation. However, the other major areas are not neglected and have equally large financial volumes allocated.



Percentage including the portion of the corresponding regional cooperation.



THE GENERAL COMMUNITY BUDGET

The expenditures of the Union, following the European integration, have reached in 1997 an amount of 78.8 Billion ECU in commitments (decisions) of which 5.4 Billion (6.8%) concern external cooperation projects. The greatest part of the latter figure also covers development aid. Some of these actions are defined by geographical area whilst others are of a more horizontal nature. Horizontal cooperation projects mainly concern humanitarian and food aid expenditure, initiatives in the field of democracy and of human rights as well as Community participation in various actions for developing countries, including contributions to the programmes carried out by other international organisations or non-governmental organisations (NGOs).

With exception of the ACP states, cooperation and aid actions defined by geographical area cover:

- Cooperation with the developing countries of the Mediterranean Basin;
- Cooperation with the developing countries of Asia and of Latin America.
- The action plan for South Africa.

The breakdown of Community aid by geographical area in 1997 is as follows:

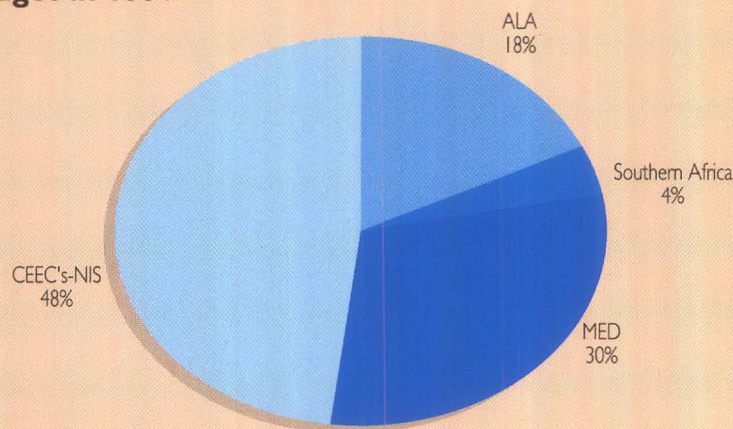
- Mediterranean 1078 MECU;
- Asia and Latin America 655 MECU;
- Southern Africa (including South Africa) 143 MECU.

For information, cooperation with the Central and Eastern European countries and the Newly Independent States of the former Soviet Union reached 1774 MECU.

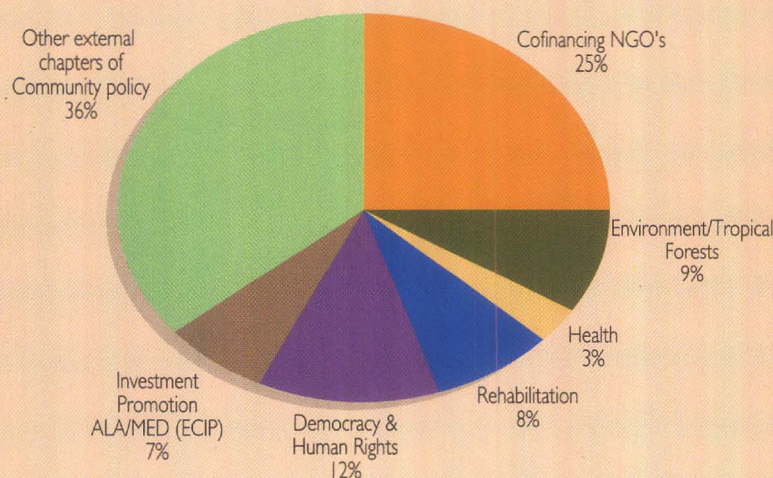
Additionally, the breakdown of horizontal actions is as follows:

- Food aid 523,56 MECU;
- Humanitarian aid 494,62 MECU;
- NGOs 179,55 MECU;
- Health 22,51 MECU;
- Environment and Tropical forests 64,84 MECU;
- Rehabilitation 57,23 MECU;
- Democracy and human rights 89,57 MECU;
- Other external chapters of Community policy 255,37 MECU.

Breakdown of Community aid by geographical zone under the Community budget in 1997



Breakdown of Community aid by horizontal action under the Community budget in 1997



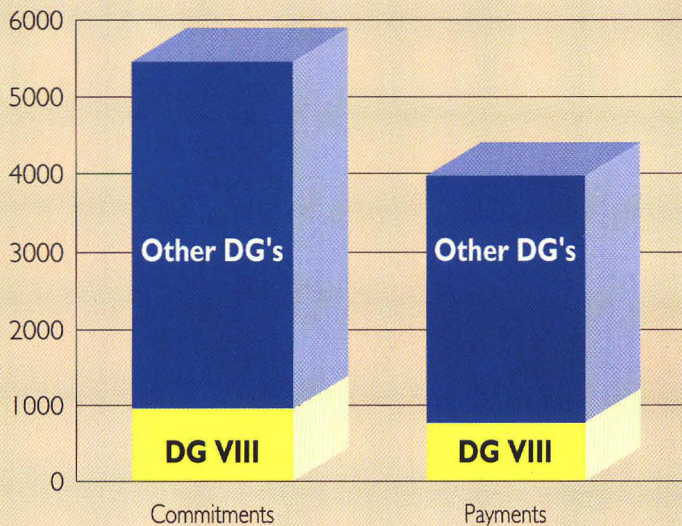
ANNUAL BREAKDOWN OF DEVELOPMENT AID BY BUDGET LINE (1997 EXERCISE)

Amounts in MECU

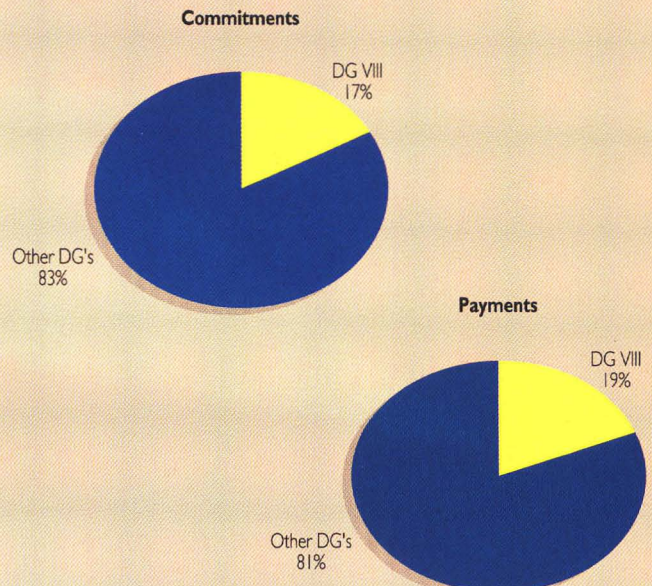
Item	Description ⁴	TOTAL		Managed by DG VIII		Managed by other DG's	
		Commitments	Payments	Commitments	Payments	Commitments	Payments
B7-20..	Food Aid	523,56	407,69	523,56	407,69		
B7-21..	Humanitarian Aid	494,62	669,94			494,62	669,94
B7-30..	Asia	400,31	252,28			400,31	252,28
B7-31..	Latin America	254,46	148,89			254,46	148,89
B7-3200	South Africa	127,79	59,76	127,79	59,76		
B7-3210	Southern Africa	14,95	11,23	14,95	11,23		
B7-40..	Mediterranean	11,94	128,70			11,94	128,70
B7-41	MEDA	981,34	211,59			981,34	211,59
B7-42..	Near & Middle East	85,08	63,57			85,08	63,57
B7-50..	CEEC's ⁵ (PHARE programmes)	1.052,38	824,85			1.052,38	824,85
B7-52..	NIS ⁶ (TACIS programmes)	475,19	396,13			475,19	396,13
B7-53	CEEC's / NIS - Nuclear security	0,00	1,97			0,00	1,97
B7-54..	Republics of ex-Yugoslavia	246,76	42,38			246,76	42,38
B7-60..	Cofinancing NGO's	179,65	160,91	170,00	154,30	9,65	6,61
B7-61..	Training & public awareness / Women in develop.	9,35*	9,05	6,60	5,30	2,75	3,75
B7-620.	Environment/tropical forests	64,84	51,47	26,30	20,80	38,54	30,67
B7-621.	Health	22,51	18,56	16,80	11,60	5,71	6,96
B7-63..	Population / Demography	5,65*	4,87	0,40	0,30	5,25	4,57
B7-6410	Rehabilitation	57,23	43,13	23,90	25,50	33,33	17,63
B7-6430	Decentralised cooperation	4,82*	3,55	4,82	3,40	0,00	0,15
B7-65..	Evaluation / Coordination	4,24*	4,17	3,40	4,00	0,84	0,17
B7-6610	Anti-personnel mines	6,80*	5,96	4,10	0,70	2,70	5,26
B7-66..	Other specific actions	15,40*	25,91			15,40	25,91
B7-70..	Democracy & human rights	89,57	59,32	17,00	12,70	72,57	46,62
B7-710	Bananas ACP	1,49*	27,21	1,49	27,21	0,00	0,00
B7-720	Investment promotion ALA/MED (ECIP)	50,50	23,27			50,50	23,27
B7-8...	Other external chapters of Community policy	255,37	310,46			255,37	310,46
B7-9...	Reserve - support for external policies	5,27*	0,03			5,27	0,03
B7	Grand total title B-7	5.441,07	3.966,85	941,11	744,49	4.499,96	3.222,36

* These amounts are not included in the following pie-charts because of their low values.

Breakdown between DG VIII and other DG's in managing co-operation actions financed under the Commission Budget (in MECU)



Breakdown between DG VIII and other DG's in managing co-operation actions financed under the Commission Budget (in %)



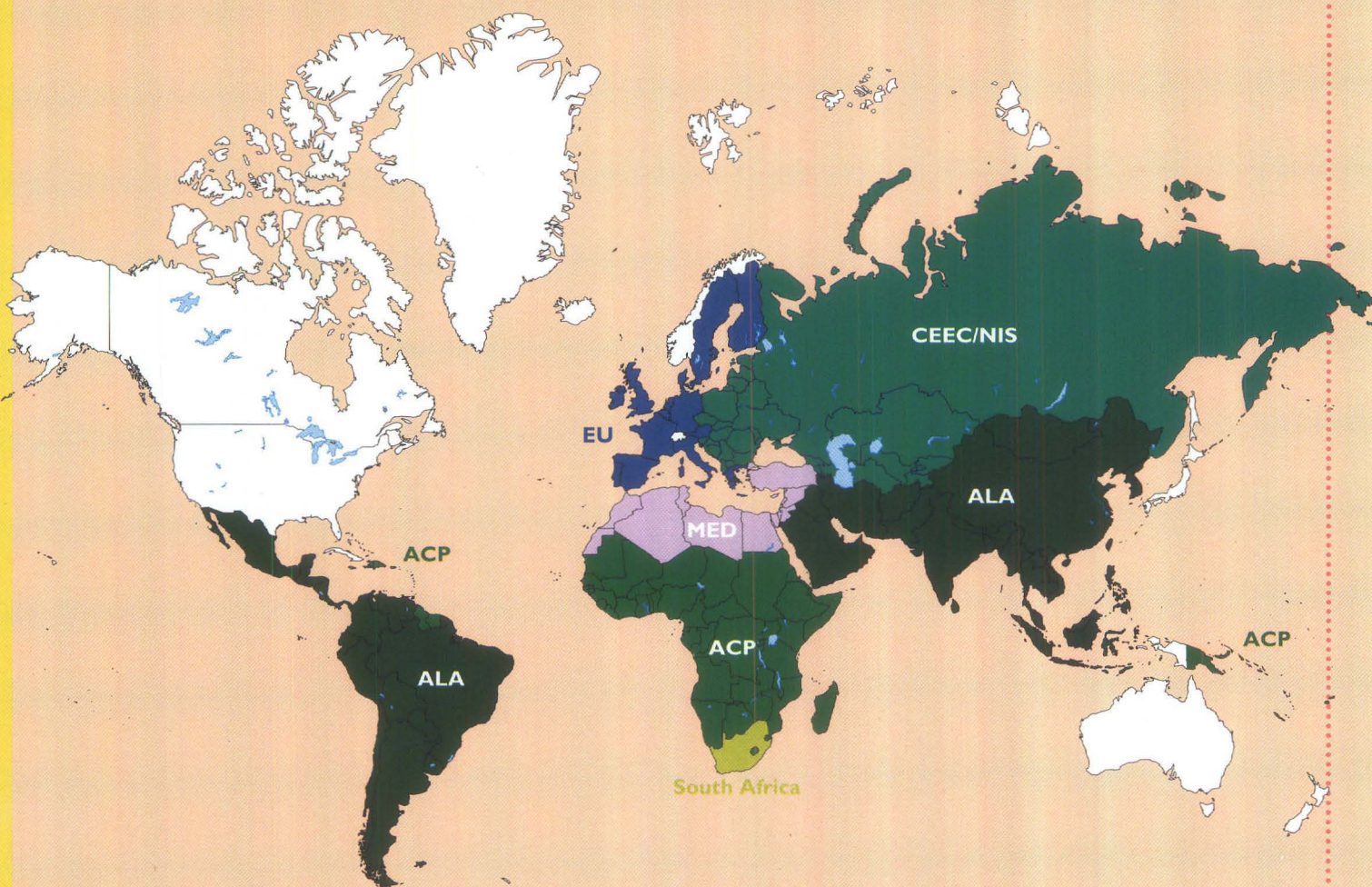
4. Part B of the Commission Budget refers to operational credits. It is divided into several titles of which Title B-7 concerns expenditures for external actions.

5. Central and Eastern European Countries.

6. Newly independent States of the ex-Soviet Union.

EVOLUTION OF COMMUNITY AID

THE GEOGRAPHICAL AREAS



The table below compares, by geographical zone, the evolution of decisions taken by the European Commission under the EDF and the Commission Budget in the sphere of co-operation with developing countries, from 1992 onwards. Also included in this table are the data regarding the countries of Central and Eastern Europe as well as those of the Newly Independent States of the ex-Soviet Union.

DECISIONS OF COMMUNITY AID BY GEOGRAPHICAL AREA (period 1992-1997)

Regions	1997		1996		1995		1994		1993		1992	
	MECU	%	MECU	%	MECU	%	MECU	%	MECU	%	MECU	%
ALA	655	15,9%	670	16,2%	808	18,0%	524	10,7%	634	15,2%	566	12,6%
MED	1 078	26,1%	654	15,8%	491	10,9%	436	8,9%	399	9,6%	412	9,1%
CEEC/NIS/Ex-Yugoslavia	1 774	43,0%	1 855	44,8%	1 678	37,3%	1 466	29,9%	1 514	36,2%	1 465	32,5%
Sub-total (Budget)	3 507	85,1%	3 179	76,7%	2 977	66,2%	2 426	49,4%	2 547	61,0%	2 443	54,2%
ACP-OCT (EDF)	616	14,9%	965	23,3%	1 520	33,8%	2 480	50,6%	1 631	39,0%	2 062	45,8%
TOTAL	4 123	100,0%	4 144	100,0%	4 497	100,0%	4 906	100,0%	4 178	100,0%	4 505	100,0%
Others ⁷	1 934		2 326		2 018		1 937		1 558		1 302	
GENERAL TOTAL	6 057		6 470		6 515		6 843		5 736		5 807	

7. The item "Others" includes amongst others food aid, humanitarian aid and aid to NGOs (Non-Governmental Organisations), covering all four of the above geographical zones as well as South Africa. Indeed, having since 1986 supported the process of democratic transition in South Africa, the European Union committed itself to the negotiation of a long-term framework of cooperation with this country. Decisions under the Commission Budget in favour of South Africa reached 90 MECU in 1993, 102 MECU in 1994, 123 MECU in 1995, 129 MECU in 1996 and 128 MECU in 1997.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA) OF DAC COUNTRIES

The OECD (Organisation for Economic Cooperation and Development) aims to promote policies aiming to carry out the strongest expansion of the economy and of employment and a progression of the standard of living in the Member States, to contribute to a healthy economic expansion in the Member States, as well as the non-member countries, in the process of development, as well as to contribute to the expansion of world trade on a multilateral and non discriminatory basis in accordance with the international obligations. To make it possible for the OECD to achieve its objectives, a number of committees of experts were created. One of those is the Development Assistance Committee (DAC), of which the members decided to arrive at an increase in the total volume of the resources placed at the disposal of the developing countries and to improve effectiveness of these resources.

The following table shows the evolution of Official Development Assistance (ODA) extended by the 21 Member States of the DAC, during the period 1991-1996. An analysis of the figures highlights the continuing downward trend in overall ODA disbursement figures by DAC members. Total ODA fell from 58.926 M\$ in 1995 to 55.843 M\$ in 1996, a decrease of 5.84%, diminishing to pre-1991 levels (total ODA for 1991 was 56.680 M\$). Japan accounted for the lion's share of this decline going from 14.489 M\$ in 1995, to 9.349 M\$ in 1996, a decrease of 34,85%. Contrary to the general downward trend since 1994, the overall performance of EU countries⁽¹⁾ as a whole has been slightly increasing over the past

years and remained stable in 1996, registering only a marginal decline of 0.21% compared with 1995.

The EU countries⁽¹⁾ (including the EC⁽²⁾) accounted for 31.292 M\$, or 56.40% of total ODA disbursements in 1996. Japan still remains on the top of the donors' list with 17.01% of the DAC total, followed closely by the United States with 16.90%. Germany and France occupy third and fourth position on the list with their respective shares of 13.70% and 13.43% of the DAC total. The EC⁽²⁾ accounted for 9.83% of total ODA, and for 17.43% of total EU countries'⁽²⁾ ODA in 1996.

An analysis of the situation of DAC member countries' ODA in relation to their GNP reveals that the greatest efforts are still being undertaken by the countries of Northern Europe. Denmark, with 1.04% (up from 0.96% in 1995), still devotes the largest relative percentage of its GNP to ODA, followed by Norway, Sweden and the Netherlands with ODA to GNP ratios of 0.85%, 0.84% and 0.81% respectively. The average of total DAC countries' ODA in relation to GNP was 0.25% in 1996, a drop of 0.02% from 1995, with the average for the EU countries⁽¹⁾ coming in at 0.37%, a decline of 0.01% from the previous year.

ODA DISBURSEMENTS OF DAC COUNTRIES - PERIOD 1991-1996 (IN MILLIONS OF US \$)

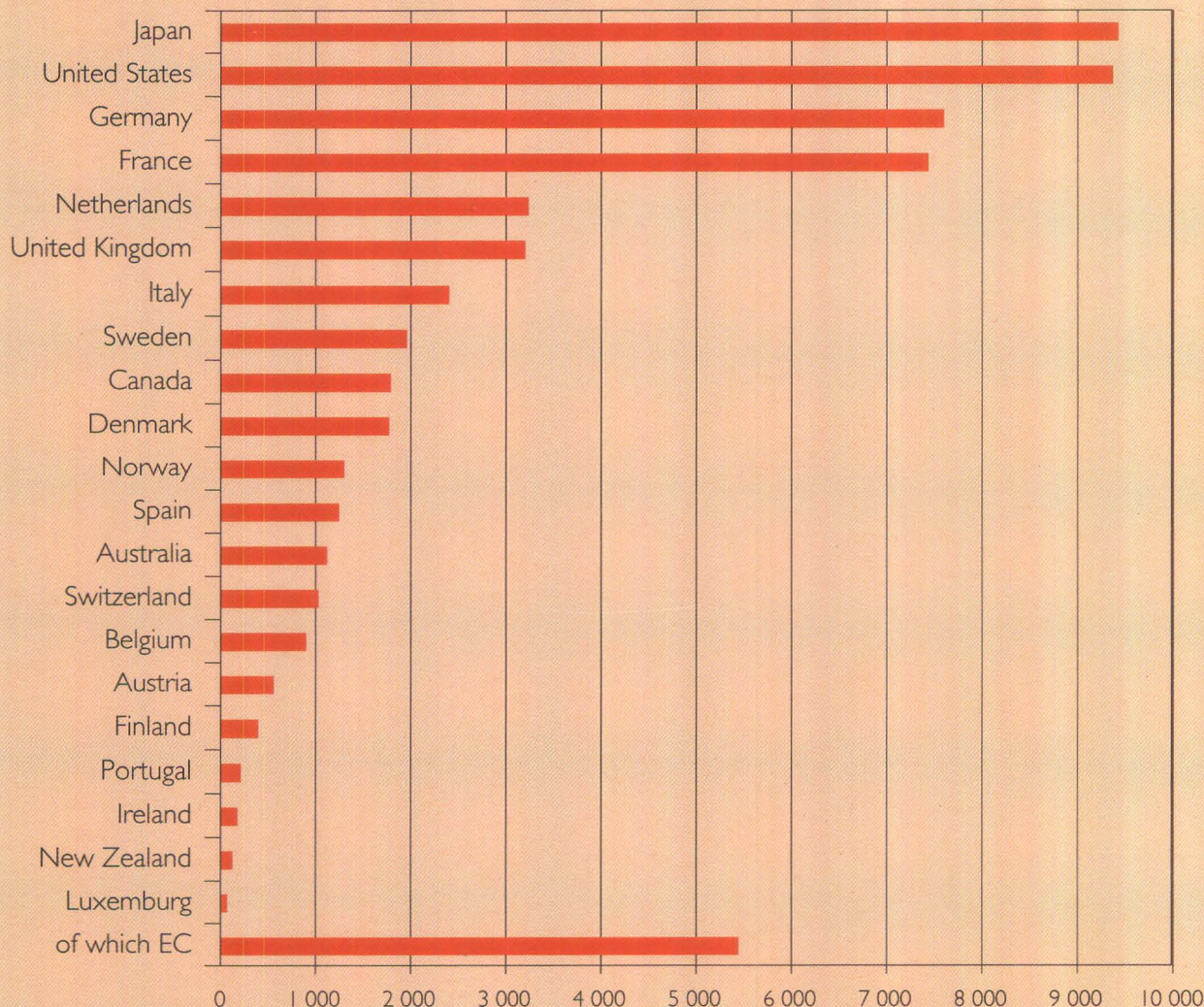
Countries	Total ODA 1991	Total ODA 1992	Total ODA 1993	Total ODA 1994	Total ODA 1995	Total ODA 1996	ODA 1996 as a % of total DAC	ODA 1995 as a % of countries' GNP	ODA 1996 as a % of countries' GNP
Australia	1.050	1.011	953	1.091	1.194	1.121	2,02 %	0,36 %	0,30 %
Austria	543	531	544	655	767	557	1,00 %	0,32 %	0,24 %
Belgium	831	840	810	727	1.034	913	1,65 %	0,38 %	0,34 %
Canada	2.604	2.515	2.400	2.250	2.067	1.795	3,24 %	0,38 %	0,32 %
Denmark	1.200	1.392	1.340	1.446	1.623	1.772	3,19 %	0,96 %	1,04 %
Finland	930	644	355	290	388	408	0,74 %	0,32 %	0,34 %
France	7.386	8.162	7.915	8.466	8.443	7.451	13,43 %	0,55 %	0,48 %
Germany	6.890	6.963	6.954	6.818	7.524	7.601	13,70 %	0,31 %	0,33 %
Ireland	72	70	81	109	153	179	0,32 %	0,29 %	0,31 %
Italy	3.347	4.122	3.043	2.705	1.623	2.416	4,35 %	0,14 %	0,20 %
Japan	10.945	11.119	11.259	13.239	14.489	9.439	17,01 %	0,28 %	0,20 %
Luxemburg	42	38	50	59	65	82	0,15 %	0,36 %	0,44 %
Netherlands	2.517	2.742	2.525	2.517	3.226	3.246	5,85 %	0,81 %	0,81 %
New Zealand	100	97	98	110	123	122	0,22 %	0,23 %	0,21 %
Norway	1.178	1.226	1.014	1.137	1.244	1.311	2,36 %	0,87 %	0,85 %
Portugal	213	302	235	303	258	218	0,39 %	0,25 %	0,21 %
Spain	1.262	1.518	1.304	1.305	1.348	1.251	2,25 %	0,23 %	0,22 %
Sweden	2.116	2.453	1.769	1.819	1.704	1.999	3,60 %	0,77 %	0,84 %
Switzerland	863	1.139	793	982	1.084	1.026	1,85 %	0,34 %	0,34 %
United Kingdom	3.184	3.153	2.920	3.197	3.202	3.199	5,77 %	0,29 %	0,27 %
United States	9.407	10.813	10.123	9.927	7.367	9.377	16,90 %	0,10 %	0,12 %
TOTAL DAC	56.680	60.850	56.485	59.152	58.926	55.483	100,00 %	0,27 %	0,25 %
EU Countries⁽¹⁾	30.533	32.930	29.845	30.416	31.358	31.292	56,40 %	0,38 %	0,37 %
of which EC⁽²⁾	3.818	4.461	3.948	4.825	5.501	5.455	9,83 %		

(1) - Total of the EU Member States, excluding Greece which is not yet a member of the DAC.

(2) - i.e. that portion of EU Member States' total ODA channelled through the Commission (EDF and Community Budget), included above.



ODA in 1996
(in millions of US \$)



THE INTRODUCTION OF THE EURO AND THE ACP COUNTRIES

As of 1 January 1999, the European Union will enter the last stage of the Economic and Monetary Union (EMU). On the occasion of the extraordinary Council of Ministers of May 1998, the Ministers for Finance will indicate the countries which will participate in the first core of the EMU and they will fix parities between the national currencies and the Euro, the new single currency. With regard to the relations with the ACP countries, the first consequence of the introduction of the Euro will be its immediate use as from 1 January 1999 in all the official documents. According to Council Regulation (EC) No 1103/97

of 17 June 1997, the principle to be followed is that of perfect continuity between the ECU and the Euro, according to an exchange rate ratio of 1:1. Consequently, all the references in Ecu of the Lomé Convention, will become references in Euro. Similarly, EDF contributions and bank accounts in Ecu will have their denomination transformed into Euro. During 1998, the Commission will launch an information campaign on the EMU and the Euro to better explain to its ACP partners the scope and the consequences of the event.

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A great deal of additional information on the European Union is available on the Internet. It can be accessed through the Europa server (<http://europa.eu.int>).

Luxembourg: Office for Official Publications of the European Communities, 1998
ECSC-EC-EAEC-Brussels - Luxembourg, 1998

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