



InfoFinance 2000

GENERAL COMMENTS

The European Union plays an important role in international development cooperation. The financial assistance it provides is a major component in its external relations, and a tool for promoting the Union's fundamental values.

Until now it has been responsible for almost 10% of all official development assistance and almost 17% of that provided by E.U. countries.

At the Second World Summit for Social Development held in Geneva in 2000, the European Community and its Member States made a firm commitment to fight poverty. One objective of the Conference Declaration was to halve the proportion of the world's population living in extreme poverty, that is, having less than \$US1 per day to live on, by 2015.

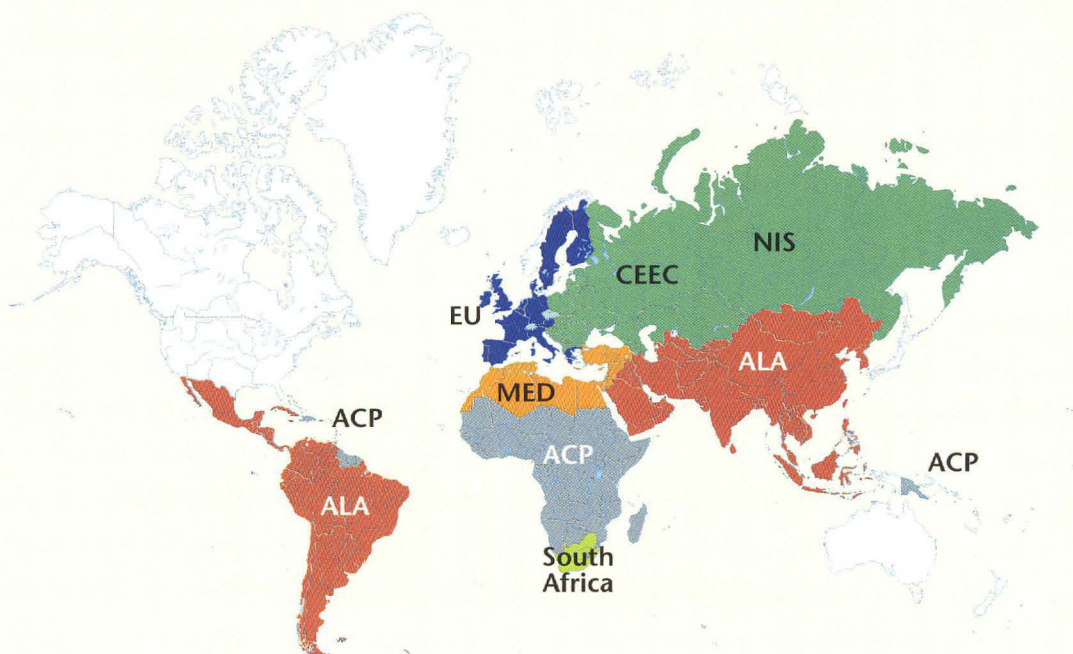
To this end, the Commission and the Council have adopted new guidelines on development policy⁽¹⁾, focused on reducing poverty. The Commission has also decided to reform the way this aid is managed, in order to improve project quality, reduce implementation lead times and simplify financial and technical procedures.

The development assistance managed by the Commission on behalf of the European Community is financed from two sources:

First, from the **Community's own resources**. This is financed via a multitude of budget lines which illustrate the Community's concern to assist all developing countries regardless of their location: the Mediterranean (MEDA), Asia and Latin America (ALA); the New Independent States (NIS) and the ACP countries (Africa, Caribbean, Pacific). These activities cover many, diverse fields.

The second source is the **EDF**. This assistance is available solely to ACP States that have signed successive conventions. It is funded by specific contributions from Member States.

(1) COM(00)212final - 26 April 2000



THE COMMUNITY BUDGET

With the growth of Europe, Community expenditure has expanded and diversified considerably. In 2000 it totalled €91.67 billion. Of this, €8.2 billion was allocated for external cooperation, including development assistance and the JESP (Joint External and Security Policy of the transition countries), and 68.3% of this (€5.6 billion) was committed to development aid projects and programmes.

Certain grants are allocated according to geographical area, whilst others are sectoral in nature. The latter type is destined for humanitarian and food aid, democracy and Human Rights initiatives, and contributions to programmes run by non-governmental organisations (NGOs) and similar bodies.

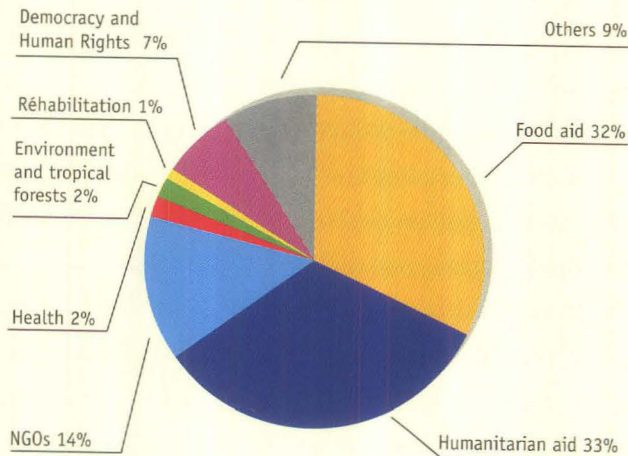
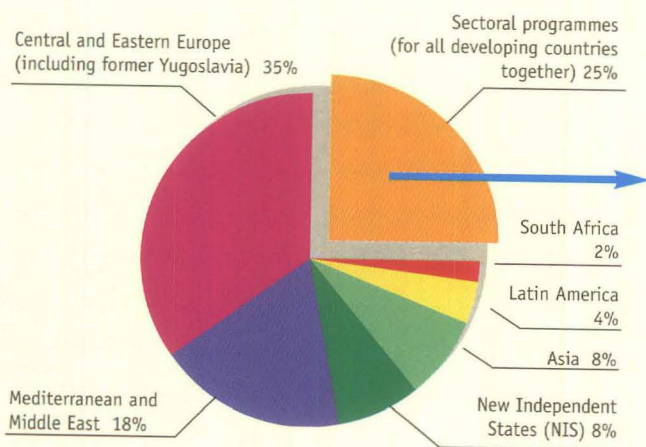
This 'sectoral' aid is broken down between the different regions as follows:

The Community aid budget for 2000 broken down by geographical zone as follows:

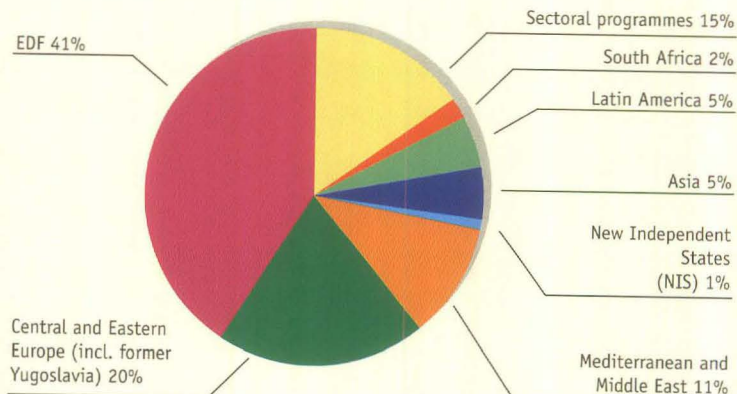
• Mediterranean and Middle East	1005.29 M€
• Asia	458.58 M€
• Latin America	220.30 M€
• South Africa	123.54 M€
• New Independent States (NIS)	447.75 M€
• Central and Eastern Europe (including former Yugoslavia)	1985.32 M€

In addition, there are sectoral-type cooperation activities, which benefit all developing countries, and which break down into:

• Food aid	458 M€
• Humanitarian aid	485 M€
• NGOs	199.97 M€
• Health	25.57 M€
• Environment and tropical forests	34.88 M€
• Democracy and Human Rights	93.82 M€



DISTRIBUTION BY REGION OF ALL COMMUNITY SOURCES (BUDGET + EDF)



DISTRIBUTION OF DEVELOPMENT ASSISTANCE IN THE 2000 BUDGET ⁽¹⁾

IN €

TITLE	HEADING	TOTAL		DG DEV		OTHER DGs	
		Commitments	Payments	Commitments	Payments	Commitments	Payments
B1-315	Food aid for Russia (EAGGF)	0	4,640,000	0	0	0	4,640,000
B7-030	Economic assistance to Central and Eastern European Countries (CEECs)	1,405,841,012	1,012,230,378	0	0	1,405,841,012	1,012,230,378
B7-031	CEEC cross-border cooperation	159,000,000	187,803,160	0	0	159,000,000	187,803,160
B7-04	Pre-accession strategy in favour of Malta and Cyprus	15,000,000	0	0	0	15,000,000	0
B7-20..	Food aid	458,045,439	437,466,778	458,045,439	437,466,778	0	0
B7-21..	Humanitarian aid	485,121,522	418,882,514	0	0	485,121,522	418,882,514
B7-30..	Asia	458,581,029	321,831,045	0	0	458,581,029	321,831,045
B7-31..	Latin America	220,298,558	189,918,914	0	0	220,298,558	189,918,914
B7-320	South Africa	123,540,000	110,136,981	123,540,000	110,136,981		
B7-40..	Mediterranean	32,650,738	73,657,410	0	0	32,650,738	73,657,410
B7-41..	Economic and social reforms-MEDA	912,441,131	345,926,037	0	0	912,441,131	345,926,037
B7-42..	Middle East	60,640,000	53,176,156	0	0	60,640,000	53,176,156
B7-52..	NIS (TACIS programmes) and Mongolia	447,753,000	417,271,342	0	0	447,753,000	417,271,342
B7-53..	CEEC/NIS - nuclear safety	9,883,000	40,406,000	0	0	9,883,000	40,406,000
B7-54..	Aid to republics of the former Yugoslavia	410,598,274	422,053,546	0	0	410,598,274	422,053,546
B7-60..	Co-financing with NGOs	199,978,558	130,969,375	199,978,558	130,969,375	0	0
B7-61..	Training and awareness-raising/gender questions	8,050,439	8,365,304	4,064,829	5,255,460	3,985,610	3,109,844
B7-620.	Environment / tropical forests	28,619,067	36,452,000	28,619,067	36,452,000	0	0
B7-621.	Health care, including HIV/AIDS: combating drugs and drug dependence	25,576,230	23,972,068	25,576,230	23,232,364	0	739,704
B7-6410	Rehabilitation and reconstruction, primarily in ACP countries	16,431,804	20,925,774	16,431,804	20,925,774	0	0
B7-6430	Decentralised cooperation	2,967,018	5,525,719	2,967,018	5,525,719	0	0
B7-65..	Aid evaluation; follow-up and inspection activities	11,806,256	5,667,828	0	0	11,806,256	5,667,828
B7-660.	External cooperation activities	3,041,444	2,253,966	0	0	3,041,444	2,253,966
B7-6610	Anti-personnel mines	8,362,157	6,458,349	3,851,085	3,659,551	4,511,072	2,798,798
B7-70..	Democracy / Human Rights	93,828,318	50,990,433	0	0	93,828,318	50,990,433
B7-81	External aspects of environmental policy	6,260,243	10,997,825	0	0	6,260,243	10,997,825
B7-82..	Food and Agriculture agreements (FAO) with the UN	255,000	255,000	255,000	255,000	0	0
B7-8710	ACP bananas	44,475,000	3,354,502	44,475,000	3,354,502	0	0
B7-8712	ACP rum	0	0	0	0	0	0
B7-8720	ALA-MED Investment promotion (ECIP)	1,760,603	6,436,535	0	0	1,760,603	6,436,535
B8-0	Common Foreign and Security Policy (Countries in transition)	30,787,111	19,560,208	0	0	30,787,111	19,560,208
B1-B7-B8	Grand total	5,681,592,951	4,367,585,147	907,804,030	777,233,504	4,773,788,921	3,590,351,643
	B1, B7 et B8						

(1) These lines are managed by EUROPEAID, with the exception on line B7-21, which is managed by the ECHO Humanitarian Aid Office. These relate both to DG Development and, under the "other DGs" heading, to DGs Relex, Enlargement, Environment, as well as Taxation and Customs Union (part of B7-54), DG Justice and Home Affairs (part of B7-62) and DG Education and Culture (part of B7-61).

THE MAIN PROGRAMMES FINANCED FROM THE EUROPEAN COMMUNITY BUDGET

Geographical Programmes

In the early 1990s, the European Community introduced three programmes to assist the countries of the former Soviet block.

The **PHARE** Programme is aimed at the ten countries that have applied for European Union membership⁽¹⁾, to help local administrations to implement the "acquis communautaire" and so familiarise them with the Community's objectives and procedures. It also helps these countries to bring their infrastructures up to Community standards, by mobilising the investment needed for the environment, transportation, industrial equipment and similar areas. This programme also gives support to Albania, Bosnia-Herzegovina, the former Republic of Yugoslavia and Macedonia (FYROM) to move towards democracy and a market economy.

The **TACIS** Programme aims to support 14 countries⁽²⁾ in their transition towards a market economy and to democracy, by means of grant-funded partnerships which subsidise the provision of know-how from a wide range of public and private organisations.

The main areas to receive funds are: education, public enterprise restructuring the development of the private sector, agriculture,

energy, telecommunications and transport infrastructures, nuclear and environmental security, social services and the reform of public administration.

The "**OBNOVA**" programme supports the rehabilitation and reconstruction of Bosnia-Herzegovina, Croatia, the Federal Republic of Yugoslavia and the former Yugoslav Republic of Macedonia. Its main priorities are: regional cooperation, the consolidation of democracy and civil society, the return and reintegration of refugees and the development of the private sector.

"**MEDA**", the Euro-Mediterranean partnership programme is the Community's main tool for supporting the economic transition and development of its Mediterranean partners and for regional cooperation in the Mediterranean. It also provides assistance to the West Bank and the Gaza Strip.

The "**ALA**" programme supports Asian and Latin American countries. Its principle objectives are to support democracy, combat poverty and social exclusion, encourage economic reforms and improve international competitiveness.

Sectoral Programmes

The "**humanitarian aid**" budget line (B7-21) is used to provide assistance and emergency help to victims of natural disasters or conflicts outside the Community. This aid is aimed directly at populations in distress. The main player here is the "ECHO" Humanitarian Office, which mobilises and supplies assistance in kind at short notice. These include essential goods, specific foodstuffs, medical material, fuel etc. It also funds medical and water purification teams, logistic support and other services, via its partners or using its own personnel.

In 2000, almost €492 million⁽³⁾ of the Community budget financed humanitarian aid activities.

The approximate geographic distribution of these activities was as follows: Africa, Caribbean, Pacific: €170 million; Eastern Europe and New Independent States: €147.6 million; Asia, Latin America, Middle East and Northern Africa: €157.6 million.

This geographic distribution of resources was determined by the serious situation in certain parts of Africa, while there was an improvement in the western Balkans.

The budget line **EC Investment Partners "ECIP"** (B7-8720) is used to increase direct investment by the Community and by local business in the countries of Asia, Latin America, the Mediterranean and in Southern Africa.

Line B7-60 "**NGO Co-financing**" supports and strengthens the role of the other actors, in particular NGOs, by co-financing operations in developing countries and information campaigns in Europe.

Budget line B7-6200 "**environment in developing countries and tropical forests**" is aimed at implementing pilot actions and strategy studies. Its principle objective is to contribute to sustainable development, and it is used to support actions to preserve and ensure the sustainable development of tropical forests in developing countries.

Line B7-20 is devoted to "**food aid and security**" operations, which can take the form of donations in kind in crises and emergencies. It also finances programmes and projects under national food security strategies.

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

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

(3) ECHO Annual Report 2000.

THE EUROPEAN DEVELOPMENT FUND

The EDF provides grants for aid programmes for the countries which were signatories to the successive Lomé Conventions, and to the Cotonou Agreement which replaced them on 23 June 2000.

This covers the 77 ACP (Africa, Caribbean and Pacific) States⁽¹⁾, and 20 OCTs (Overseas Countries and Territories) in the Pacific and the Caribbean, which belong to four European Union Member States (United Kingdom, France, the Netherlands and Denmark).

Currently, three funds are used: The 6th Fund, which originated from the Lomé III Convention in 1986, the 7th Fund, from the 4th Lomé Convention (1991) and the 8th Fund, which came into operation in 1998 after the ratification of the agreement which amended the 4th Lomé Convention, signed in Mauritius in November 1995.

This 8th Fund consists of €12 billion 967 million, divided between the ACP States (€12 billion 802 million) and the OCTs (€165 million).

The 9th EDF, which was signed in June 2000, is currently being ratified.

These funds are allocated under national indicative programmes, agreed bilaterally by the Commission and the ACP State in question. These are based on each country's priority needs, with primary emphasis on education, health, rural development, infrastructures and private investment.

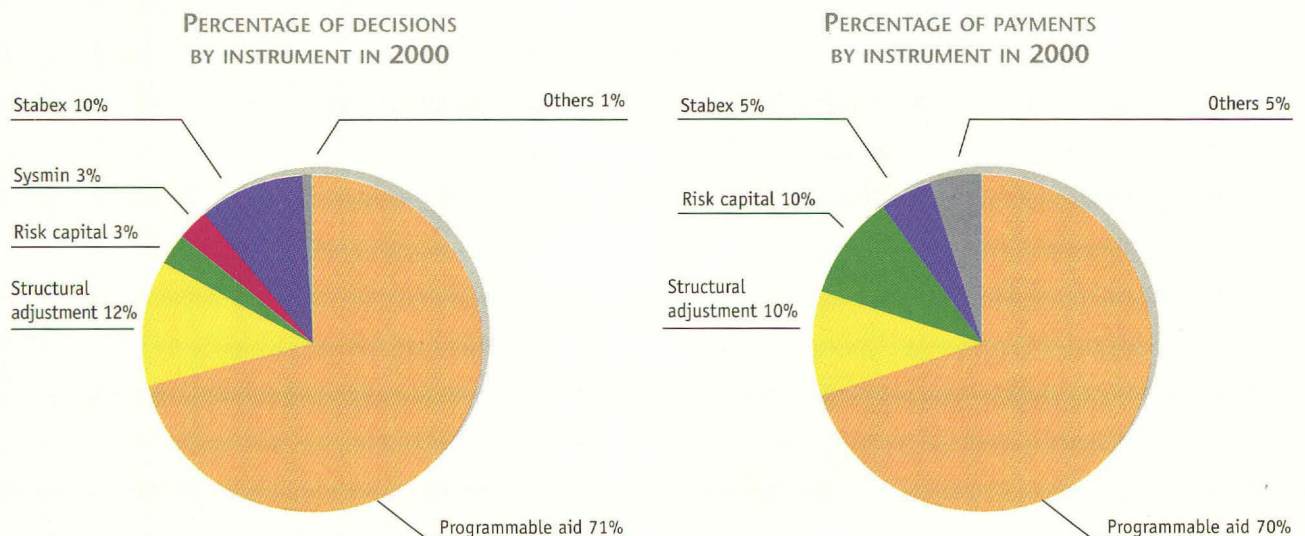
The EDF is managed by DG.DEV and EUROPE-AID, while ECHO is responsible for the "emergency aid" line.

ANNUAL DISTRIBUTION OF AID BY INSTRUMENT UNDER THE 6TH, 7TH AND 8TH EDFs (ACP STATES AND OCTs)

in M€	2000		1999		1998		1997	
	Decisions	Payments	Decisions	Payments	Decisions	Payments	Decisions	Payments
Programmable aid	2,668.46	1,100.04	1,990.66	734.29	1,198.25	812.40	403.82	891.26
Structural adjustment	459.50	147.32	313.47	261.60	586.56	279.53	40.70	74.35
Risk capital	122.59	152.55	199.25	131.47	297.05	171.33	13.05	118.07
Interest subsidies	24.50	17.42	4.94	23.82	24.54	27.05	-7.30	52.94
Emergency aid	1.52	28.26	82.68	48.81	36.73	12.65	-4.37	10.07
Refugee aid	24.19	1.79	-0.90	1.54	0.94	5.52	1.73	8.29
Sysmin	94.10	28.73	27.71	53.70	0.51	41.83	168.35	38.98
Stabex	361.06	70.61	75.01	20.15	151.69	89.31	(2)	18.73
TOTAL	3,755.92	1,546.72	2,692.82	1,275.38	2,296.27	1,439.62	615.98	1,212.69

Source : Ollas summary table

The Cotonou Agreement which was signed in June 2000 did not provide for the continuation of the Stabex⁽³⁾ and Sysmin⁽⁴⁾ instruments. However, on 27 June 2000, the ACP-EC Council of Ministers agreed to extend the provisions of the 4th ACP-EC Convention (which was revised in Mauritius on 4 November 1995) until 31 December 2000. This allowed Stabex to complete the transfers during its final year of application. In the case of Sysmin, operations will continue for aid applications which were presented before 1 August 2000.

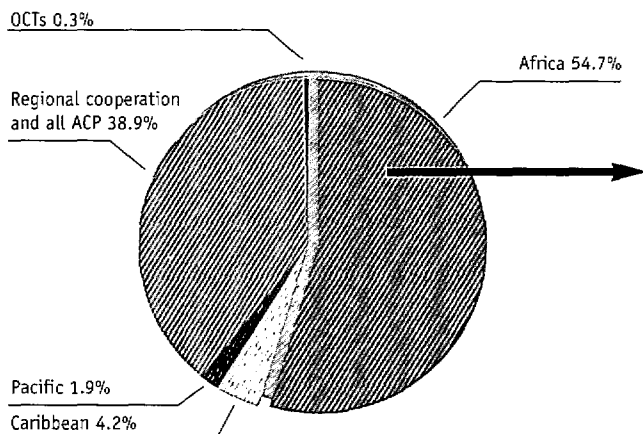


(1) South Africa became an ACP State in October 1999. It does not benefit from the EDF financial instruments, but from a specific budget line (B7-320).
 (2) For application year 1996, treated in 1997, the decision was taken subject to the coming into force of the revised Convention and its ratification by the ACP State benefiting from the transfer. This is why decisions relating to 1997 were carried forward to 1998.
 (3) Stabex seeks to alleviate the effect of falls in income from production and from the sale of agricultural products.
 (4) Sysmin offers ACP States resources with which to finance their mining sectors, when in difficulty.

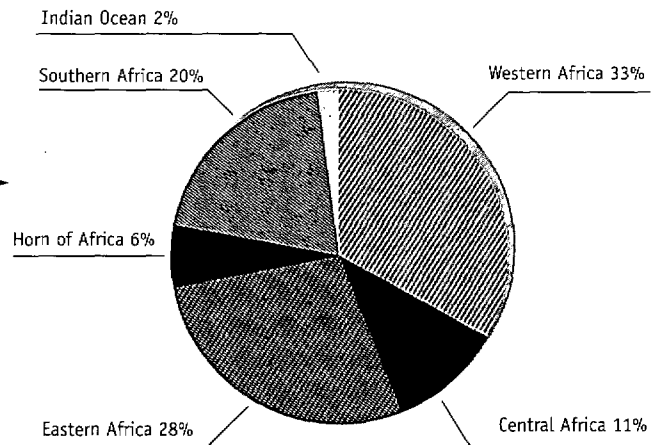
THE ANNUAL DISTRIBUTION OF AID BY GEOGRAPHICAL REGION UNDER THE 6th, 7th and 8th EDFs (in M€)

in M€	2000		1999		1998		1997	
	Decisions	Payments	Decisions	Payments	Decisions	Payments	Decisions	Payments
Western Africa	673.28	202.35	1,040.09	248.75	526.15	419.74	144.35	345.29
Central Africa	230.34	113.86	122.92	90.78	228.82	114.93	53.71	75.32
Eastern Africa	570.51	129.55	352.31	167.71	193.49	119.31	49.34	137.74
Horn of Africa	130.21	61.60	9.05	88.22	400.49	102.06	66.64	45.70
Southern Africa	414.65	221.77	442.72	256.80	474.88	236.25	21.13	178.69
Indian Ocean	34.76	29.67	152.05	62.23	128.81	74.20	42.18	85.31
Total Africa	2,053.76	758.81	2,119.14	914.49	1,952.65	1,066.50	377.35	868.05
Caribbean	156.93	102.66	266.08	104.38	113.59	136.38	86.33	99.69
Pacific	69.71	69.60	87.97	21.08	62.74	52.33	16.31	31.51
Regional cooperation and all ACP	1,462.39	602.81	219.63	235.43	167.31	184.41	136.00	213.44
OCTs	13.14	12.84						
Total	3,755.93	1,546.72	2,692.82	1,275.38	2,296.28	1,439.62	615.99	1,212.69

DISTRIBUTION OF EDF AID BY GEOGRAPHICAL REGION IN 2000



DISTRIBUTION OF EDF AID TO SUB-SAHARAN AFRICA IN 2000



OFFICIAL DEVELOPMENT ASSISTANCE (ODA) BY DAC MEMBER STATES WITHIN THE OECD

The aim of the OECD (Organisation for Economic Cooperation and Development) is to promote policies which maximise economic expansion and employment and raise living standards in its member countries, contribute to healthy economic expansion in member, non-member and developing countries, and contribute to the expansion of world trade on a multilateral and non-discriminatory basis in line with international obligations. A number of specialist committees have been set up to help it to achieve these objectives, including the Development Assistance Committee (DAC), whose members work to expand the total volume and effectiveness of resources for developing countries. Unlike the European Union, the OECD distinguishes between two types of development aid:

- ODA or "Official Development Assistance" which covers non-repayable grants and subsidised loans to developing countries (Africa, Caribbean, Pacific, Asia, Latin America, Mediterranean and Middle East), and
- OA ("Official Assistance") for countries in transition (Central and Eastern Europe and New Independent States).

Owing to this distinction, the figure given by the OECD for total European Union development assistance is lower than the amount given in the Community's own accounts.

The table below charts official development assistance by the 22 DAC countries, between 1995 and 2000.

Despite a slight rise which began in 1998 and continued in 1999 (+6.2%), the amount of aid from DAC countries now stands at 53,058 million USD.

There has been a general downward trend in funding from E.U. Member States since 1995.

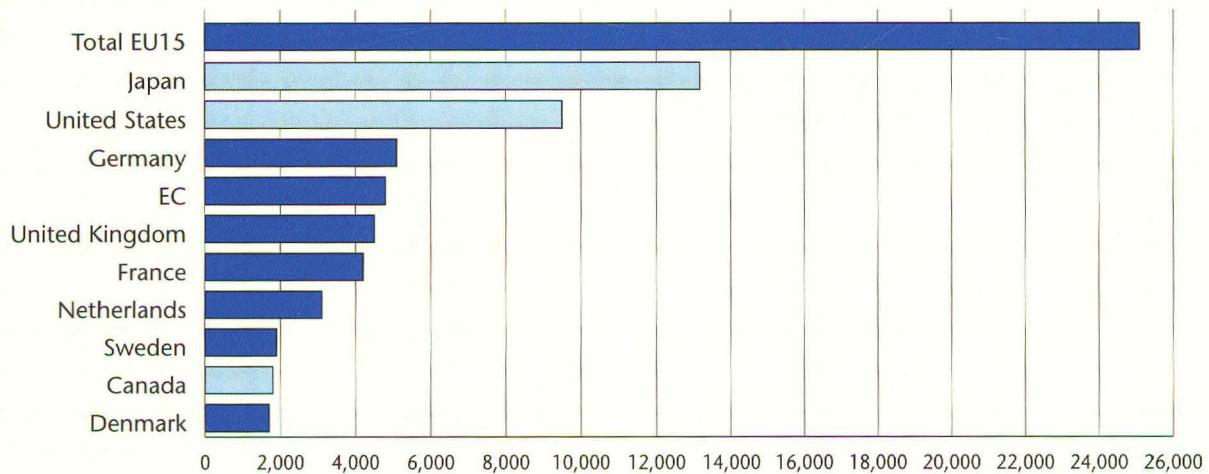
The countries of the Union (including the EC) have disbursed 25,430 million USD, equal to almost 48% of all ODA. Japan remains the leading donor with 24.62% of total ODA, the U.S.A. comes second with 18.06%, followed by Germany and the United Kingdom with 9.49% and 8.40% each of total ODA. The EC accounts for 9.19% of total ODA and 19.2% of the combined ODA of E.U. Member States. The theoretical objective set by the United Nations is for each country to devote 0.7% of its GNP to development aid. However, an analysis of countries' individual performances, reveals that only the Northern European countries reach this level. Denmark, with 1.06% (as against 1.01% last year), remains the country which devotes the highest portion of its GNP to ODA, followed by the Netherlands, Sweden and Norway, with ODA/GNP ratios of 0.82%, 0.81% and 0.80% respectively.

The average of Member States' ODA as a percentage of their GNP has fallen slightly (-9%) compared with 1999. In 2000 the average for EC Member States, was 0.33%.

OFFICIAL DEVELOPMENT AID DISBURSEMENTS BY DAC MEMBER COUNTRIES 1995-2000 (IN MILLION OF USD)

Countries	Total ODA 1995	Total ODA 1996	Total ODA 1997	Total ODA 1998	Total ODA 1999	Total ODA 2000	ODA 1999 as % of DAC	ODA 2000 as % of DAC	ODA 1999 as % of GNP national	ODA 2000 as % of GNP national
Australia	1,194	1,121	1,097	1,127	982	995	1.74%	1.88%	0.26%	0.27%
Austria	767	557	599	457	527	461	0.93%	0.87%	0.26%	0.25%
Belgium	1,034	913	869	879	760	812	1.35%	1.53%	0.30%	0.36%
Canada	2,067	1,795	2,065	1,819	1,699	1,722	3.01%	3.25%	0.28%	0.25%
Denmark	1,623	1,772	1,832	1,704	1,733	1,664	3.07%	3.14%	1.01%	1.06%
Finland	388	408	423	399	416	371	0.74%	0.70%	0.33%	0.31%
France	8,443	7,451	7,124	5,760	5,637	4,221	9.99%	7.96%	0.39%	0.33%
Germany	7,524	7,601	6,707	5,610	5,515	5,034	9.77%	9.49%	0.26%	0.27%
Greece					194	216	0.34%	0.41%	0.15%	0.19%
Ireland	153	179	194	203	245	239	0.43%	0.45%	0.31%	0.30%
Italy	1,623	2,415	1,361	2,258	1,806	1,368	3.20%	2.58%	0.15%	0.13%
Japan	14,489	9,439	10,347	11,469	15,323	13,062	27.15%	24.62%	0.35%	0.27%
Luxembourg	65	82	107	112	119	116	0.21%	0.22%	0.66%	0.70%
Netherlands	3,226	3,246	3,335	3,041	3,134	3,075	5.55%	5.80%	0.79%	0.82%
New Zealand	123	122	158	158	134	116	0.24%	0.22%	0.27%	0.26%
Norway	1,244	1,311	1,388	1,415	1,370	1,264	2.43%	2.38%	0.91%	0.80%
Portugal	258	218	277	257	276	261	0.49%	0.49%	0.26%	0.26%
Spain	1,348	1,251	1,395	1,373	1,363	1,321	2.41%	2.49%	0.23%	0.24%
Sweden	1,704	1,999	1,946	1,624	1,630	1,813	2.89%	3.42%	0.70%	0.81%
Switzerland	1,084	1,026	1,067	887	984	888	1.74%	1.67%	0.35%	0.34%
United Kingdom	3,202	3,199	3,187	3,728	3,450	4,458	6.11%	8.40%	0.24%	0.31%
United States	7,367	9,377	6,744	8,698	9,145	9,581	16.20%	18.06%	0.10%	0.10%
Total DAC	58,926	55,483	52,222	52,978	56,442	53,058	100.00%	100.00%	0.24%	0.22%
EU countries	31,358	31,292	29,356	27,405	26,805	25,430	47.49%	47.93%	0.32%	0.33%
of which EC	5,501	5,455	5,790	5,116	4,937	4,876				

ODA IN 2000 (IN MILLIONS OF USD)



THE NEW ACP-EU PARTNERSHIP AGREEMENT

The new ACP-EU partnership agreement signed at Cotonou in June 2000, which succeeded the Lomé Convention, defines a development perspective which combines a political dimension, trade, and support for development strategies. The agreement rests on five interdependent pillars: strengthening the political dimension, encouraging participation, the core objective reducing poverty, establishing a new framework for economic and trade cooperation and a far-reaching reform of financial cooperation.

Flexible, political dialogue plays a significant role, as it allows ACP and EU countries to discuss all questions of common or general interest as well as ensuring that the cooperation is coherent and has maximum impact. This dialogue can take place either within the institutional framework provided by the Agreement or outside it, at the national, regional or global level. Particular emphasis is placed on conflict prevention and on peace consolidation policies. The evolution of essential elements (respect for human rights, democratic principles and of the rule of law) and of good governance will be evaluated on a regular basis.

Civil society and economic and social actors will be more closely associated with the partnership. Efforts will be made to provide them with information and they will be regularly consulted at national and regional levels, in particular about decisions concerning Community aid and, more generally, on the economic, social and institutional reforms which the EU intends to support. Their participation in programme implementation will be encouraged and they will be eligible for financial support for capacity-building.

The Agreement defines a strategy for reducing poverty and for achieving international development objectives. It lays out an integrated strategic framework which takes the complexity and multidimensional character of poverty into account and which will promote a results-oriented approach, using indicators to measure qualitative and quantitative progress.

The Agreement establishes a close link between economic and trade cooperation and development aid, which must be mutually reinforcing. Economic and trade cooperation should promote the gradual integration of the ACP States into the global economy, increase the production and supply of goods and trading capacities, encourage investment and ensure total conformity with WTO provisions. The EU and ACP States have agreed a process and a timetable for setting up new economic partnership agreements focused on these objectives.

The European Development Fund instruments have been reorganised and rationalised. All available EDF resources will be made available via two instruments: long-term development support where each country and region is given an indication of the total resources available to them, and an Investment Facility, which replaces the risk capital and interest subsidy facilities provided under Lomé IV. The long-term development facility makes it possible to provide grants for a wide range of activities. Programming will be based on indicative allocations based on an evaluation of needs and performances. A sliding programming system has been adopted, based on each ACP State's or region's development strategy for a 5-year period. Annual, mid-term and end-of-period reviews will allow the cooperation strategy, the volume of resources and the indicative programme to be regularly updated.

The 9th EDF will receive total funding of €13.5 billion over 5 years, divided up as follows:

- Long-term development support: national level: €10 billion, regional level: €1.3 billion.
- Investment facility (managed by the European Investment Bank): €2.2 billion.

Approximately €1.2 billion of unspent funds from the 8th EDF will be added to this total.

In addition to these resources in the form of direct disbursements, the EIB will grant up to €1.7 billion in loans out of its own resources.