

Sir,

Article 4(7) of the Seventh Council Directive 90/684/EEC, as last amended by Council Regulation (EC) No 1904/96 on aid to shipbuilding, establishes that aid to shipbuilding and shipconversion granted as development assistance to developing countries shall not be subject to the prevailing maximum production aid ceiling set by the Commission in accordance with Article 4(2) of the Directive.

The Commission's letter to Member States (SG(89) D/311 of January 1989) clarified the criteria which must be adhered to by Member States granting development aid. Annexed to the letter were a list of countries eligible for aid under Article 4.(7) of the Directive (Annex I) and a list of countries considered as flags of convenience (Annex II).

In the letter it was stated that the Commission will consider compatible with the common market the granting of development aid to the following countries:

- a) all ACP countries;
- b) all overseas countries and territories in association with the EC;
- c) all countries which are classified as least-developed countries (LLDC), low income countries (LIC) or lower middle-income countries (LMIC) in accordance with the OECD DAC (Development Assistance Committee) list.

The Commission has decided to update the list of countries eligible for aid. As envisaged in the letter SG(89) D/311, the Commission will, in any future revision of countries eligible for development aid, apply the same criteria as those mentioned above.

Thus, annexed to this letter is the most recent listing of ACP countries, overseas countries and territories in association with the EC and countries which are classified on the OECD DAC list as least-developed countries (LLDC), low income countries (LIC) or lower middle-income countries (LMIC) (see Annex I). Annex I of this letter replaces Annex I attached to Commission letter SG(89) D/311.

In the future, countries which enter into one of the three categories mentioned in (a), (b) and (c) can be included on the list of countries eligible for development aid.

In accordance with the letter from 1989 the aid may not be granted for construction of ships which will be operated under a flag of convenience. An updated list of flags of convenience is attached to this letter as Annex II. Annex II of this letter replaces Annex II attached to Commission letter SG (89) D/311.

As stated in the letter from 1989, in order to safeguard Community shipbuilding interests the Commission would, however, allow Member States to grant development aid to countries not falling under the above categories provided it can be sustained by Member States that a third country participant to the OECD understanding is planning to grant development aid for a particular contract. In this event the Commission may deem compatible with the common market development aid to be granted for this contract up to

the same level as that planned by a third country participant to the OECD understanding in terms of the OECD grant element.

The provisions contained in this letter enter into force on the date of notification.

Yours faithfully

**LIST OF COUNTRIES ELIGIBLE FOR AID UNDER ARTICLE 4(7) OF
COUNCIL DIRECTIVE 90/684/EEC AS AMENDED BY COUNCIL DIRECTIVE
94/73/EEC AND COUNCIL REGULATION (EC) No 1904/96 ON AID TO
SHIPBUILDING¹**

A) All ACP countries

- Angola
- Antigua and Barbuda
- Bahamas
- Barbados
- Belize
- Benin
- Botswana
- Burkina Faso
- Burundi
- Cameroon
- Cape Verde
- Central African Republic
- Chad
- Comoros
- Congo
- The Ivory Coast
- Djibouti
- Dominican Republic
- Dominica
- Eritrea
- Ethiopia
- Fiji
- Gabon
- Gambia
- Ghana
- Grenada
- Guinea
- Guinea-Bissau
- Equatorial Guinea
- Guyana
- Haiti
- Jamaica
- Kenya
- Kiribati

¹ Note that a country categorized in A) B) or C) on this list is *not* eligible for aid if it is listed on the list of Flags of Convenience, see annex II.

- Lesotho
- Liberia
- Madagascar
- Malawi
- Mali
- Mauritania
- Mauritius
- Mozambique
- Namibia
- Niger
- Nigeria
- Papua-New Guinea
- Rwanda
- Saint. Christopher and Nevis
- Saint Lucia
- Saint Vincent and the Grenadines
- São Tomé and Príncipe
- Western Samoa
- Senegal
- Seychelles
- Sierra Leone
- Solomon Islands
- Somali
- Sudan
- Suriname
- Swaziland
- Tanzania
- Togo
- Tonga
- Trinidad and Tobago
- Tuvalu
- Uganda
- Vanuatu
- Zaire
- Zambia
- Zimbabwe

B) Overseas countries and territories in association with the EC

Country having special relation with the Kingdom of Denmark

- Greenland

Overseas territories of the French Republic

- Mayotte

- St. Pierre and Miquelon
- New Caledonia and Dependencies
- French Polynesia
- French Southern and Antarctic Territories
- Wallis and Futuna Island

Overseas countries of the Kingdom of the Netherlands

- Aruba
- Netherlands Antilles
 - Bonaire
 - Curacao
 - Saba
 - Saint Eustatius
 - Saint Martin

Overseas countries and territories of the United Kingdom of Great Britain and Northern Ireland

- Anguilla
- Cayman Islands
- Falkland Islands
- South Sandwich Islands and South Georgia
- Montserrat
- Pitcairn
- Saint Helena and Dependencies
- British Antarctic Territory
- British Indian Ocean Territory
- Turks and Caicos Islands
- British Virgin Island

C) Countries not included in (A) or (B) classified on the OECD DAC list as Least-Developed Countries (LLDC), Low Income Countries (LIC) or Lower Middle Income Countries (LMIC)

- Afghanistan (LLDC)
- Albania (LIC)
- Algeria (LMIC)
- Armenia (LIC)
- Azerbaijan (LIC)
- Bangladesh (LLDC)
- Bhutan (LLDC)
- Bolivia (LMIC)
- Bosnia and Herzegovina (LIC)
- Cambodia (LLDC)

- China (LIC)
- Colombia (LMIC)
- Costa Rica (LMIC)
- Cuba (LMIC)
- East Timor (LMIC)
- Ecuador (LMIC)
- Egypt (LMIC)
- El Salvador (LMIC)
- Former Yugoslav Republic of Macedonia (LMIC)
- Georgia (LIC)
- Guatemala (LMIC)
- Honduras (LIC)
- India (LIC)
- Indonesia (LMIC)
- Iran (LMIC)
- Iraq (LMIC)
- Jordan (LMIC)
- Kazakhstan (LMIC)
- Kyrgyz Republic (LIC)
- Laos (LLDC)
- Lebanon (LMIC)
- Maldives (LLDC)
- Marshall Islands (LMIC)
- Micronesia Federated States (LMIC)
- Moldova (LMIC)
- Mongolia (LIC)
- Morocco (LMIC)
- Myanmar (LLDC)
- Nepal (LLDC)
- Nicaragua (LIC)
- Niue (LMIC)
- North Korea (LMIC)
- Palau Islands (LMIC)
- Pakistan (LIC)
- Palestinian Administered Areas (LMIC)
- Panama (LMIC)
- Paraguay (LMIC)
- Peru (LMIC)
- Philippines (LMIC)
- Sri Lanka (LIC)
- Syria (LMIC)
- Tajikistan (LIC)
- Thailand (LMIC)
- Tokelau (LMIC)
- Tunisia (LMIC)
- Turkey (LMIC)

- Turkmenistan (LMIC)
- Uzbekistan (LMIC)
- Venezuela (LMIC)
- Vietnam (LIC)
- Yemen (LLDC)
- Yugoslavia, Federal Republic (LMIC)

FLAGS OF CONVENIENCE

- Antigua and Barbuda
- Bahamas
- Bermuda
- Cayman Island
- Cyprus
- Honduras
- Lebanon
- Liberia
- Malta
- Marshall Islands
- Panama
- St. Vincent
- Vanuatu
- Mauritius

These countries appear on the OECD list of countries maintaining an open register.