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**”ANNUAL REPORT 2005 ON THE EUROPEAN COMMUNITY’S DEVELOPMENT
POLICY AND THE IMPLEMENTATION OF EXTERNAL ASSISTANCE IN 2004”**

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1. STRATEGIC FRAMEWORK: MILLENNIUM DEVELOPMENT GOALS

1.1. Introduction

1.1.1. EU development policy – A key element of EU external relations

The article 177 of the Treaty of the European Community (EC) sets three objectives for the EC development policy: the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them; the smooth and gradual integration of the developing countries into the world economy; and the campaign against poverty in the developing countries.

The article 177 underlines the fact that the political dimension of external relations is overarching and pivotal. On the one hand, it recalls the general governance-related aim of developing and consolidating democracy and the rule of law, and respecting human rights and fundamental freedoms. On the other hand, it emphasises the importance of the multilateral political dialogue on the world stage.

The draft EU Constitution confirms that development co-operation is an EU policy in its own right for which the Community has shared competence. It also reaffirms poverty eradication as one of the key objectives of external action that applies to all external policies and all regions. The Joint Declaration by the Council and the Commission of 10 November 2000 guides the Community in its co-operation and partnerships with all developing countries with which it has links, in accordance with the objectives defined in article 177. It also highlights the principles on which EC assistance is grounded: sustainable, equitable and participatory human and social development, promotion of Human Rights, democracy, the rule of law and good governance. The European Commission has also committed to focusing development assistance on achieving the Millennium Development Goals (MDGs), thereby giving developing countries a prominent role in EC development assistance.

The focus on the MDGs is complemented by adaptation of the Community's relations and assistance programmes to the diverse challenges facing different regions, and the different priorities of each partner. In 2004, the EC had co-operation programmes with 160 countries in six regions.

Assistance must also be adapted to the specific relations linking the EU more closely to certain countries, or groups of countries, and to the co-operation priorities defined in that framework. A number of close partners, once perceived mainly as in development or transition, have now moved into 'pre-accession' mode. This means that some countries now have a different relationship with the EU, based on the perspective of future membership. Secondly, the European Neighbourhood Policy (ENP) builds a privileged partnership relationship with neighbouring countries with which the EU wishes to develop a zone of prosperity and stability and a friendly environment – a ring of friends. The ENP aims to bring them closer to the European Union and offer them a stake in the EU's internal market, in parallel with support for dialogue and reform. Development policy considerations are inscribed within the broader policy framework established by the European Neighbourhood Policy. In parallel EU co-operation with Russia is pursued in the context of the strategic partnership established between the two.

A number of important objectives and activities – such as promoting peace and security, supporting institution building, and providing trade-related technical assistance – go beyond the strict limits of the MDGs, though they can help create the right environment for partners to reach them. The European Community has the capacity to be a powerful player in many areas of external action. It is an influential political actor on the world stage and the largest trading partner for many developing countries. To achieve all the ambitious objectives which the developing countries and the donor Community have set themselves, financial assistance is vital too. The EU as a whole – Community and Member States – provides more than half of all global official development assistance: over €34.5 billion in 2004, representing 0.36% of GNI. One-fifth of the EU's current aid budget – €6.9 billion in 2004 – is managed by the European Commission on behalf of the Community. The geographical span of the Community's assistance programmes is global, from the EU's immediate neighbours to developing countries in all regions of the world.

1.1.2 EU policy and the international development agenda

In September 2000, world leaders from 189 nations agreed and signed the UN Millennium Declaration, binding them to a global project to reduce extreme poverty decisively in all its key dimensions. The Millennium Development Goals (MDGs) that derive from this Declaration provide an agenda for global action. This agenda and the outcomes of the World Social Summit, the World Summit on Sustainable Development, the Doha Development Agenda and the Monterrey Consensus are mutually supportive processes and essential 'building blocks' of a worldwide partnership for sustainable development.

In the Council conclusions of 26 April 2004, the General Affairs Council once again confirmed that "achieving the Millennium Development Goals is a key objective for the European Union."

Millennium Development Goals

Goal 1: Eradicate extreme poverty and hunger

Goal 2: Achieve universal primary education

Goal 3: Promote gender equality and empower women

Goal 4: Reduce child mortality

Goal 5: Improve maternal health

Goal 6: Combat HIV/AIDS, malaria and other diseases

Goal 7: Ensure environmental sustainability

Goal 8: Develop a global partnership for development

In September 2005, the UN General Assembly will take stock of the progress made by UN Members in the implementation of this global development agenda. In

preparation for this major event, the Commission presented, in October 2004, a report on the EC contribution towards achieving the MDGs¹.

The report provided information on the extent to which the EC has focused its strategies, procedures and instruments on the implementation of the Millennium Declaration and the achievement of the Millennium Development Goals. It outlines how the EC contributes to progress towards the MDGs, and lists the further actions foreseen to promote their implementation. In its conclusion the report explains that the MDGs can still be achieved but, for this to happen, a quantum leap in scale and ambition, both in terms of resources and policies, will be necessary. The report proposes that EU efforts should be focused on three strands of action between now and 2015: (1) finance for development, (2) policy coherence, (3) a focus on Africa.

1.2. 2004 Annual Policy Strategy and annual programme of action priorities

The decision on the Annual Policy Strategy (APS) sets the Commission's priorities and corresponding key initiatives for a given year. At the same time it fixes the orientations for the allocation of resources, both financial and human, in the subsequent budgetary process. Launched by a political orientation debate held amongst the College of Commissioners, the APS is adopted by the Commission and presented to the European Council and European Parliament. Recognising that “on the international level, sustainability is becoming a more important issue”, the APS 2004 integrated development issues under its third priority: ‘sustainable growth’.

The launch of a review of the Sustainable Development Strategy was selected from among the key initiatives that had been identified under the sustainable growth priority. The importance of the follow-up of the World Summit on Sustainable Development (Johannesburg, 2002), namely through the EU Water Initiative and the EU Energy Initiative, was also highlighted. The APS then called for moving the Doha negotiations towards successful completion by the end of 2004, as well as the ongoing trade negotiations with Mercosur, Canada and ASEAN. Emphasis in the APS 2004 was also on the implementation of the Cotonou agreement and the completion of the Mid-Term Review of the co-operation between the EU and the ACP countries, as well as a first reflection on its revision and a new financial protocol. Finally, the implementation of the debt initiative, the Global Health Fund and the Action Plan on Communicable Diseases and Reproductive Health were recognised as key initiatives.

In the context of the APS 2004, additional funding was accorded to support health actions in the field of AIDS, malaria, tuberculosis, reproductive health and communicable diseases in developing countries, and increased funding was reserved for the protection of tropical forests.

In addition, a number of broad-reaching activities foreseen in the Annual Policy Strategy for 2004 have brought well-targeted contributions to EU development policy, as accounted for in the relevant sections of this report. Among others:

¹ EC Report on Millennium Development Goals 2000 – 2004 (SEC(2004)1379), 29 October 2004

- as a consequence of EU enlargement, a specific programme of actions has been implemented through the establishment of a special Task Force on Capacity Building, in order to enable acceding EU Member States to assume their new obligations to contribute to EU development policy (see Section 5.1.).
- as a follow-up of the Johannesburg World Summit for Sustainable Development (WSSD), EU initiatives on water and energy have been further developed, in particular through the establishment of the ACP-EU Water Facility (see Section 3.3).
- with regard to EU migration and asylum policy, significant progress has been achieved in its contribution to development through the establishment of AENEAS, a multi-annual programme of support to third countries to help them manage all aspects of migration flows more effectively (see Section 3.5).

1.3. Strategic objectives of EC Development Policy – The Millennium Development Goals

Since the year 2000, the EC policy focus on MDGs and poverty reduction has been further strengthened by several thematic communications and regulations², endorsed by Resolutions of the Council of Ministers and the European Parliament. Similarly, the integration of trade into development strategies has been increasingly recognized as a contributor to poverty reduction³. Synergies between the EC migration and development policy are also being explored, for example on migrant remittances, co-operation with the diaspora and the matching of labour needs between the EU and developing countries⁴. In the context of its work on the Information Society, the Commission has committed itself to addressing the digital divide and to exploiting the potential of Information and Communication technology (ICT) as a tool for development policies and an important means of achieving the MDGs⁵.

In order to establish an explicit link between EC development policy and the MDGs and successfully measure actual progress towards the MDGs, the Commission – in close collaboration with the EU Member States and international organisations such as the World Bank, UNDP and the OECD/DAC – has identified a core set of 10 key indicators⁶ drawn from the list of 48 MDG indicators. The indicators were selected by combining their relevance on the one hand and data availability, reliability and the

² Including on subjects such as health, education, communicable diseases, environmental integration and gender equality in development cooperation

³ Commission Communication on *Trade and Development: Assisting Developing Countries to benefit from Trade*. COM (2002) 513, September 2002

⁴ Commission Communication on Integrating Migration Issues in the European Union's Relations with Third Countries. COM (2002)703, December 2002

⁵ The EC contributed actively to the World Summit on Information Society held in Geneva on December 2003. The Summit adopted a Plan of Action that sets indicative targets to be achieved by 2015 that will serve as global references for improving connectivity, access and use of ICTs aiming at fighting against poverty and empowering citizens in the least developed countries and regions.

⁶ (1) Proportion of the population below \$1 a day; (2) Prevalence of child malnutrition (underweight children) under-five years of age; (3) Net enrolment ratio in primary education; (4) Primary completion rate; (5) Ratio of girls to boys in primary, secondary and tertiary education; (6) Under 5 mortality rate; (7) Proportion of 1 year old children immunised against measles; (8) Proportion of births attended by skilled health personnel; (9) HIV prevalence among 15-24 years old pregnant women; (10) Proportion of the population with sustainable access to an improved water source.

frequency with which they were included by countries for their Poverty Reduction Strategy Papers (PRSP) monitoring on the other.

From 2003 onwards the Commission started to use the 10 key indicators to assess the performance of the countries and regions where it provides development assistance⁷. In order to focus further on the outcomes in relation to the MDGs, the Commission has also put in place indicator frameworks and established a methodology for measuring progress in health and education in the countries where these are given support by the EC. All indicators are being progressively incorporated into Country Strategy Papers (CSPs) through the annual and Mid-Term Reviews, to ensure a more systematic analysis of results achieved in terms of poverty reduction. This evolution mainly concerns EC co-operation with ACP countries.

While useful as a measuring tool, indicators do not tell the full story. MDGs are closely interrelated, and development strategies rarely target just one objective. To give just a few examples: combating HIV/AIDS (MDG 6) is impossible without addressing women's empowerment (MDG 3) as a central concern. Progress on sustainable management of natural resources (MDG 7) and gender equality (MDG 3) has a direct impact on poverty reduction (MDG 1). Reducing the proportion of people living in extreme poverty or suffering from hunger (MDG 1) requires sustainable water use in agriculture and combating land degradation (MDG 7). Lack of access to clean water and sanitation (MDG 7) has a major impact on health, notably child mortality (MDG 4), and adds to the burden of already strained public health budgets. Lack of sanitation in school buildings is a strong disincentive among others for girls to go to school (MDG 2 and MDG 3).

The availability of data necessary to calculate these MDG indicators depends on the capacity of the national statistical services. In this respect further progress needs to be made, particularly among the least developed countries, to enhance statistics governance with a view to ensuring that data required can be adequately provided on a sustainable basis. The Commission recognises the importance and closely coordinates funding for statistical capacity building with EU member states and the international donor organisations.

Even if there has been some improvement in the last decade, MDG data availability has still shown considerable weaknesses in terms of accessibility and comparability, in particular in Sub Saharan Africa. The Commission closely coordinates funding for statistical capacity building with EU member states and the international donor organisations.

It should be underlined that many Community interventions contribute to creating a conducive climate for achieving the MDGs, which are also essential to accelerate progress towards the MDGs. For example, the EC's decision to provide a larger share of its assistance in the form of budget support allows the financing of recurrent costs, and gives the EC a stake in discussions on government budget priorities. The fact that an important proportion of EC development co-operation is targeted at the transport sector also helps developing countries to create an indispensable

⁷ Additional efforts are undertaken to disaggregate the indicators in order to enhance pro-poor monitoring

infrastructure basis for economic development and effective delivery of basic services.

It is also clear that the MDGs cannot be achieved in conditions of chronic insecurity, which is often linked to government failures. The importance of assisting partner countries in addressing the root causes of conflict at the earliest possible stage has been promoted by the European Commission, in recognition of the link between governance, peace, security and development. Addressing these issues requires a holistic approach and an integrated response. As a result, conflict prevention has been made a key cross-cutting issue for Community external relations in general and for external aid and development co-operation in particular⁸. Furthermore the achievement of structural stability⁹ has been included as a key objective of co-operation with partner countries, in particular through support in the area of rule of law, good governance and institution building. Moreover, preserving and ensuring continuous progress towards achieving MDGs means also integrating climate change, biodiversity loss, drought and other global environmental concerns in the strategies and addressing the vulnerability of countries and people to their impacts.

EC development policy statement 2000

The overall objective of EC development policy is the reduction and eventual eradication of poverty. Support to sustainable economic, social and environmental development, promotion of the gradual integration of developing countries in the world economy, and combating inequality are indispensable elements to achieve this objective.

EC development co-operation is concentrated on six focal sectors. These have been identified as areas in which Community action has both added value and a significant impact on poverty reduction: (a) trade and development; (b) regional integration and co-operation; (c) support for macroeconomic policies and the promotion of equitable access to social services; (d) transport; (e) food security and sustainable rural development; (f) institutional capacity building.

Three main cross-cutting themes have to be taken into consideration in all sectors and in all countries: (a) Human Rights; (b) environmental issues; (c) equality between men and women. Also conflict prevention, crisis management and good governance require specific attention in the countries concerned.

The implementation of EC development policy is steered by the ‘three Cs’: Co-ordination, Complementarity and Coherence. Furthermore the policy is based on the principles of ‘ownership’ and participation. In its allocation of resources, it gives priority to least developed and low-income countries.

1.4. EC Contribution to MDG Achievement: the six focal sectors

1.4.1. Trade and development

Increased trade is one of the most important instruments for moving towards the MDGs. During 2004 the Commission continued its efforts to achieve a development-friendly outcome of the Doha Development Agenda. By emphasising the

⁸ Conflict prevention had already been identified as a key cross-cutting issue in relations with Africa (Commission Communication on *Conflict Prevention in Africa*, SEC(96) 332 of 6 March 1996).

⁹ The concept of “structural stability”, first put forward in the 1996 Communication (see previous footnote) was proposed by the Commission to the OECD/DAC and taken up by the latter in its Policy Statement on “*Conflict, Peace and Development Co-operation*” in 1997 and in its Ministerial Statement “*Helping Prevent Violent Conflict*” in 2001

development dimension, the WTO General Council's decision of 1 August 2004 (outcome of the so-called "Geneva talks") is a promising basis to continue the negotiations, which should ultimately lead to a more level playing field for all, in particular developing countries striving to integrate into the world economy. The Commission is keen to ensure that all developing countries, especially the Least Developed Countries (LDCs) and other vulnerable and small economies, derive sizeable benefits from the Doha Round. It supports in particular an effective and specific solution for cotton trade-distorting subsidies within the WTO agricultural negotiations.

The EC continued its efforts in the area of Trade-Related Assistance (TRA). In 2004 the EC was again the largest provider of such assistance with almost €700 million in new commitments. The ACP and MEDA countries account for the largest share of this support (around 25% each). About one-third of TRA is used to build capacity in trade policy formulation and implementation and two-thirds is directed more to the private sector in the form of trade promotion, market development and business support services.

In order for trade reforms and growth strategies to lead to poverty reduction, they have to be part of a wider development effort such as the process of Poverty Reduction Strategy Papers (PRSP). In collaboration with other donors and international agencies, the Commission continues its efforts to assist developing countries with a better mainstreaming of trade into the wider development strategies. Reflecting recommendations from a recent evaluation of Trade Related Assistance, comprehensive trade needs assessments will be prepared for all countries with European co-operation programmes when appropriate¹⁰ and agreed to with the partner country in question.

1.4.2. Regional integration and co-operation

Support for regional integration is closely related to support for trade and development. The rationale for this approach is to increase the positive impact of agreements with the EU – whether negotiated on a bilateral basis, or on a regional one as foreseen among others with Mercosur, ACP, Mediterranean and the Gulf partners. The added value of a trade agreement with the EU can be significantly raised, both for the partners and the EU, when it is complemented by initiatives of regional integration, with partners moving towards a harmonised or common trade policy: South-South trade liberalisation such as under the Agadir Agreement, or regional trade facilitation measures. In addition to the economic returns from broadening markets and fostering regional complementarities, the promotion of regional trade and investment integration among partners can also induce significant positive political effects in the regions concerned on issues such as security co-operation and regional stability. Therefore many EC projects are designed to support *both* trade and regional integration. The EU is the main provider of assistance for regional integration and co-operation.

¹⁰ In cases where no comprehensive analysis of TRA needs previously exists and where the EC cooperation strategy includes a TRA component

In the ACP zone, the work continues to implement the six Regional Indicative Programmes under the 9th EDF. Important new programmes decided on during 2004 include fisheries development in the Pacific (€3 million) and the Regional Integration Support Programme (RISP) for Eastern and Southern Africa involving COMESA (Common Market for Eastern and Southern Africa), IOC (Indian Ocean Commission), EAC (East Africa Co-operation) and IGAD (Intergovernmental Authority Development) (budget €30 million).

During 2004, the regional phase of the negotiation of Economic Partnership Agreements (EPAs) came on full stream. Negotiations were formally opened with four EPA regions: Eastern and Southern Africa in February, the Caribbean in April, the South African Development Community (SADC) in July, and the Pacific in September. For West Africa and Central Africa, negotiations had already started during the last quarter of 2003.

All six regions agreed on a 'road map' for the negotiations, detailing structure, priority issues and phasing. Clarifying the regional integration agenda and its link to EPAs has been defined as a first priority for technical talks in all regions. This is designed to make EPAs a powerful instrument for regional market building. Joint EU-ACP Regional Preparatory Task Forces (RPTFs) have been set up for most regions with the aim of ensuring the link between the negotiation process and the programming of development co-operation. By translating needs identified by the negotiators into concrete support programmes, the RPTFs will enhance the role of EPAs as a development tool. Several EDF-financed activities have been carried out to support the negotiating process. They are implemented at all-ACP, regional and national level to support and accompany the negotiations with analysis and capacity building.

For the Mercosur region, negotiations towards an Association Agreement continued in 2004. Two ministerial meetings took place in Guadalajara and Lisbon. However these meetings, together with several technical discussion rounds, were not sufficient to reach an agreement.

EU-Mediterranean co-operation is guided by the 1995 Barcelona Declaration and the bilateral Association Agreements. In this context, the key objective of economic co-operation with the Mediterranean partner countries is to create a Euro-Mediterranean free trade zone. Priority is being given to the underlying economic reform programmes. The Mediterranean region is also covered by the European Neighbourhood Policy, launched in 2003. This articulates with the achievements of the Barcelona Process and goes beyond a free trade zone, with the possibility for neighbouring countries to integrate gradually into the EU Internal Market. During 2004, a first series of Action Plans that identify concrete steps towards this goal were agreed between the European Commission and Morocco, Tunisia, Jordan, Israel and the Palestinian Authority. Future co-operation will focus on the implementation of the priorities identified in these Action Plans.

In 2004, the Regional Indicative Programme for EC-ASEAN co-operation¹¹ for the period 2005-06 was adopted. The programme focuses on supporting ASEAN's

¹¹ http://europa.eu.int/comm/external_relations/asean/csp/rip_05-06_en.pdf

regional integration and region-to-region dialogue. The key activity is the continuation of the successful EC-ASEAN Programme for Regional Integration Support (APRIS), which is assisting ASEAN with policy preparation and raising the institutional capacity in particular of the ASEAN Secretariat. APRIS makes the EU's own experience with regional integration available to ASEAN. In 2004 a project to support the ASEAN Biodiversity Centre was decided on (budget €6 million). The EC will also support closer economic integration of the members of SAARC (South Asian Association for Regional Co-operation)¹² and measures to improve the prospects for the implementation of the agreement on a South Asian Free Trade Area.

1.4.3. Support for macro-economic policies and the promotion of equitable access to social services

The EC supports macro-economic stability and growth by providing additional resources for public expenditure of benefit to poor people, mostly within the frame of national Poverty Reduction Strategies. Budget support continued in 2004 linked to improvements in macroeconomic and public finance management and results achieved in service delivery.

1.4.3.1. Health

The European Community attaches great importance to the links between health and the achievement of the Millennium Development Goals, in particular those promoting gender equality, improving maternal health and preventing the spread of poverty-related diseases (HIV/AIDS, malaria, tuberculosis and other diseases). The EC also subscribes to the goal of the International Conference on Population and Development Programme for Action (Cairo, 1994), ensuring that “a full range of reproductive health services, including family planning, are accessible, affordable, acceptable, and convenient to all users.” The EC is promoting comprehensive maternal health programmes, including the provision of quality antenatal care, care during childbirth and post-natal care, and developing the pool of skilled birth attendants. Other priorities include the sustained supply, availability and affordability of contraception and protection from sexually transmitted diseases, including HIV/AIDS. Special emphasis is placed on access of young people in developing countries, the poorest in particular, to improved sexual and reproductive health.

The Community also intensified its efforts in 2004 in the fight against the major poverty-related diseases. A second progress report on the EC Programme for Action, presented in October 2004¹³, shows that significant progress has been made in some areas, though there is still need for action. Based on this and on a broad consultation process, the EC adopted a new comprehensive policy framework to confront poverty-related diseases¹⁴, widening the scope of application to all external action in this field and proposing areas of action at country and global level: these include enhanced human resources in the health sector; increased and sustainable funding; and links to the Cairo Agenda including for sexual and reproductive health and

¹² http://europa.eu.int/comm/external_relations/asia/rsp/rsp_asia.pdf

¹³ SEC(2004)1326

¹⁴ COM(2004)726

rights. At global level, the policy framework puts emphasis on capacity building on regulatory aspects while continuing to highlight the need for affordable and safe pharmaceutical products, and further research into new tools and interventions.

The European Commission's country-led financing instrument has continued to be the main approach towards improved health outcomes in developing countries. At a country level, the EC supports health sector reform and healthcare delivery approaches that ensure improved access and sustainability of basic services. In 2004, EuropeAid committed €290 million and disbursed around €300 million on health interventions. The EC used three financing channels¹⁵: specific thematic budget lines, geographical budget lines, and EDF for ACP countries. In addition the provision of general budget support to public expenditure, as part of country poverty reduction strategy, contributes to secure public funding to social sectors: part of this fungible support eventually benefits the health sector. Tranche release partly depends on the attainment of determined health objectives. In 2004, disbursements for budget support went beyond €600 million and commitments represented about €460 million. More details on specific country supports are included within the chapters dedicated to the different regions.

As regards the thematic budget lines on sexual and reproductive health and rights, and poverty-related diseases, EuropeAid launched calls for proposals and awarded projects in 2004 for a total of €51.3 million: €17 million for reproductive health and €34.3 million for poverty-related diseases. Other allocations during the year targeted support mainly to specific global initiatives with the Global Fund to Fight AIDS, Tuberculosis and Malaria (€42 million), WHO on HIV/AIDS surveillance at country level (€2.8 million), the International Partnership for Microbicides (€0.86 million).

In addition, the EC allocated €3 million to the Global Alliance for Vaccines and Immunization (GAVI) through the budget line "Aid for poverty related diseases other than HIV/AIDS, malaria and tuberculosis in developing countries" (credits to finance pilot actions with no legal basis). This assistance is designed to help the 69 countries that have received GAVI/Vaccine Fund resources move towards financially sustainable and improved immunisation programmes.

In addition, €170 million was disbursed to the Global Fund to fight HIV/AIDS, Tuberculosis and Malaria (GFATM) in March 2004, in line with a commitment under 9th EDF programming. The EC's total contribution to the Fund in 2004 was €212.5 million (thematic budget line + EDF), making it the second-largest contributor this year. This programming was also linked to joint efforts with the African Malaria Network initiative (AMANET, €7 million). Immunisation coverage is one of the most common indicators chosen within general budget support operations and is also related to EC support to countries' health services. The EC also provides funds to immunisation initiatives by the WHO, the Global Polio Eradication Initiative, UNICEF, GAVI, and other organisations.

The European Commission continued its dialogue with the WHO. The support (intra ACP funds) of €25 million towards strengthening pharmaceutical policies signed in

¹⁵ To be complete, we should add health interventions funded under humanitarian assistance (ECHO) and research programmes (RTD), but those are not managed by EuropeAid

September 2003 is ongoing and a further €25 million in the priority areas under the Strategic Partnership for Development, i.e. maternal health, communicable diseases and monitoring, has been under discussion in 2004 and should result in a new partnership agreement in 2005. The dialogue with UNFPA has also kept communication at a high level, and the programmed support aimed at enhancing countries' sustainable stocks of essential reproductive health commodities is also under discussion with the ACP Secretariat. Likewise, programming support through a UNICEF project on malaria and child health has progressed in 2004.

1.4.3.2. Education

In 2004, European Community action regarding the education component of EC development policy focused on an accelerated contribution to the Millennium Development Goals in the field of education: these aim to give all boys and girls a full primary education by 2015 and to eliminate gender disparity in primary and secondary education, preferably by 2005 and for all levels of education by 2015 at the latest. The education MDGs are part of the drive to achieve 'Education for All', a wider agenda set by the international community in Dakar in April 2000. The main outcomes in 2004 were an increase in EC financial allocations to education, a promotion of aid efficiency through donor co-ordination, and enhanced quality support to performance-monitoring in education.

In 2004, the Commission carried out the Mid-Term Review of the 9th European Development Fund (EDF). As a result of this process, financial allocations to education in African, Caribbean and Pacific (ACP) countries will be increased by €109 million. This includes €35 million support to Burkina Faso and Niger in the framework of the EFA Fast-Track Initiative (EFA-FTI), which aims to accelerate progress towards the education MDG of universal primary education by 2015.

In 2004, the Commission continued to be an active member of the EFA-FTI Partnership. It participated in the EFA-FTI technical meeting held in Washington in March 2004, as well as the EFA-FTI Partnership meeting held in Brasilia in November 2004, back-to-back with the EFA High-Level Group.

The Commission plays a key role in the field of donor harmonisation in the EFA-FTI Partnership. In 2003, in close collaboration with EU Member States education experts, it had elaborated 10 indicators to monitor donors' progress at country level in harmonising and aligning their policies and procedures in the field of education. This EU initiative was welcomed by the EFA-FTI and, in 2004, an EFA-FTI working group on harmonisation was set up to co-ordinate the implementation of this indicator approach. A specific set of indicators was tried out in four countries, Burkina Faso, Ethiopia, Mozambique and Niger: country progress reports were produced and the indicator framework further refined. A synthesis paper was presented to the FTI education partnership meeting in Brasilia, November 2004, as a first analysis of the state-of-the-art of donor coordination and harmonisation in education.

The quality and consistency of performance monitoring of EC interventions in education was enhanced while respecting the principle of country 'ownership'. The Mid-Term Review included a refinement of the performance indicators selected from the national education plans, and a reinforced policy dialogue with partner countries

on targets and data for each performance indicator. As an additional support to partner countries' monitoring systems in education, the education budget line was used to support UNESCO's Institute of Statistics in a pilot statistical capacity-building programme in 11 countries. All these countries were either invited to participate or were already participating in the Education Fast Track initiative. The purpose of the project is to strengthen country capacity to collect, analyse, disseminate and, not least, actively use the collected information for policy planning and implementation. The Commission also views this programme as an instrument for establishing more reliable and timely information that can be used in sector dialogue with each country and for disbursements in Sector Budget Support and General Budget Support.

The ODA resources committed by EuropeAid in 2004 on education interventions amounted to €300 million. Payments reached €302 million.

1.4.4. Transport and energy

1.4.4.1. Transport

The European Community's objective is to achieve sustainable transport policy and strategies in developing countries that maximise the contribution of transport to wider development goals, including the MDGs. Transport, almost exclusively roads, is a focal sector of the 9th EDF in 32 ACP countries (27 in Africa and five in the Caribbean) and, through the EC's collaboration with the Sub-Saharan Africa Transport Policy Program (SSATP), efforts are underway in 13 countries to increase the coherence between transport and poverty reduction strategies. Establishing sector programmes at a country level is leading to more affordable strategies and plans that fit within the macroeconomic framework. Improved financial sustainability is being enhanced within sector programmes by 22 Sub-Saharan Africa countries setting up Road Funds dedicated to maintenance. Similarly, the more difficult objective of institutional sustainability is being tackled by the creation of semi-autonomous road agencies: so far nine are operational. Cross-cutting issues of environment, gender and HIV/AIDS are being integrated into sector programmes, but greater efforts are needed to improve safety.

The EC's ongoing support to the transport sector contributes to the achievement of the MDGs, both through promoting economic growth and through its direct impact on the living standards of the poor.

At the macroeconomic level, improved regional and national transport infrastructures and services reduce transport costs, promote the integration of national economies into the global economy, and increase trade. Specifically in rural areas, reduced transport costs should mean lower prices for agricultural produce and consumer goods, accelerated transport of farm output to markets with higher farm gate prices, and improvements in food transport facilities to food deficit areas. Thus, transport contributes to MDG 1.

For the education and health MDGs (2, 4-6), improved transport infrastructures and services increase the incentives for teachers and health care workers to work in rural areas, as well as facilitate the distribution of medicines and vaccines.

Improved rural roads and tracks bring particular benefits, including reducing the time it takes for children to reach school (promoting higher enrolment), improving the rural population's access to health services, and facilitating the provision of services to and in rural villages, such as the maintenance of water supply and sanitation systems and the development of 'home-visit' medical services.

The EC's support for the transport sector, which is largely concentrated on the road sub-sector, is therefore considered as making an important contribution to achieving the Millennium Development Goals. However, further work is underway to ensure that EC transport sector support has an increased and more easily demonstrable impact on poverty reduction. In particular, the EC is supporting, via its financing of the Sub-Saharan Africa Transport Program (SSATP), the improved integration of transport sector strategies and poverty reduction strategies in partner countries in Africa. This initiative aims to ensure that partner countries and their donors orient their transport sector planning and expenditure to poverty reduction and pro-poor growth, rather than only to growth.

The EC is also participating in the OECD's DAC POVNET Infrastructure for Poverty Reduction task team, which will produce a series of guiding principles at the end of 2005 for making donor infrastructure support more pro-poor.

Enhancement of air transport in the developing countries of the beneficiary regions was a specific priority in 2004. This will contribute to integration into global markets and to the development of specific economic sectors (e.g. the agricultural sector by transportation of perishable goods, and the international tourism sector). Air transport can also play an important role in assuring provision of medical care or supply of water and food of isolated regions, in particular in cases of natural catastrophes.

The ODA resources committed by EuropeAid in 2004 on transport interventions amounted to €601 million. Payments reached €546 million.

1.4.4.2. The energy challenges

The World Summit for Sustainable Development (WSSD) in 2002 drew fresh attention to the important role of energy in facilitating the achievement of the MDGs and poverty alleviation. Since then, rapidly increasing demand, notably from emerging countries such as China and India, tensions on world energy markets, and ongoing concerns regarding the environmental effects of world energy consumption have given special economic as well as political prominence to energy issues. In connection with climate change, the Clean Development Mechanism under the Kyoto Agreement will have a significant international impact, including its direct relevance to energy investments.

Energy co-operation can bring important mutual benefits to the EU and its partners. The Commission's energy agenda includes the development of more effective international energy relations including with developing countries, and particularly large emerging consumer countries. Partnerships to increase energy efficiency in developing countries make sense from economic and environmental as well as development perspectives. Hence, the agenda for EU energy partnerships with third countries, known as energy dialogues, in particular with big emerging economies

such as China, India and Russia, normally includes energy efficiency cooperation measures and research and technological development aspects.

Nuclear safety assistance to the **Commonwealth of Independent States** continued during 2004 within the framework of Tacis Regulation 99/2000 and the Commission Communication 0493/2000 to the Parliament and Council. This Communication set three main priorities:

- promotion of an effective nuclear safety culture, in particular through continuous support for regulatory bodies and technical support organisations and, at the plant level, through on-site assistance, including supply of equipment;
- development and implementation of strategies for dealing with spent fuel, decommissioning and managing nuclear waste;
- contributing to international initiatives such as the G7/EU initiative on the closure of Chernobyl.

Euratom and EBRD loans were granted to Ukraine, for safety upgrades of the Khmeltnisky 2 and Rovno 4 nuclear power plants after their start up.

Other EU initiatives have concerned the Mediterranean region, where a comprehensive EU-Mediterranean policy has been established to promote market and infrastructure integration, and technical support is provided to develop EU-Maghreb and EU-Mashrek electricity and gas market integration, in addition to enhancing security of supply between Israel and the Palestinian authorities; the Balkans, for which the Energy Community Treaty will focus its strategy *inter alia* on the reduction of energy shortages in South-East Europe; and the Caspian and Black Sea region, for which a Ministerial Energy conference in Baku in November 2004 identified mutual interests and looked at ways to support the gradual development of energy markets, enhance energy cooperation within the region and with the EU, attract more funding for new infrastructure, and embark on energy efficiency policies and programmes.

The Commission has recognised the relevance to regional and global energy markets of untapped energy resources in a number of developing countries, which should mobilise these in order to support development. For example, as pointed out in the Short Term Action Plan drawn up by the New Partnership for Africa's Development (NEPAD), regions like West Africa and Central Africa could increase their energy production to the benefit of the entire Continent.

Recognising the importance of improving access to energy for the poor, the European Union launched the EU Energy Initiative for poverty eradication and sustainable development (EUEI) at the Johannesburg Summit. Enhanced energy availability is crucial to economic and social development, fuelling employment levels in agriculture, SMEs and shops, and generating income. The EUEI will contribute to the achievement of all the MDGs: improved energy efficiency will, for example, encourage a more sustainable use of natural resources – woodlands and other types of biomass – and reduce environmental pollution. The EUEI is an

important framework for co-operation and better synergy between the EC and the Member States, and for the dialogue with developing countries.

In response to requests from the Council and the ACP States, the Commission has proposed the establishment of a €250 million ACP-EU Energy Facility¹⁶, conceptually similar to the already established Water Facility (see section 3.3). The objective of the Energy Facility is to boost the sustainable delivery of energy services to the poor in rural areas, to improve energy governance and capacity, and to facilitate large-scale financing. Priorities are derived from the EUEI dialogue, in particular with ACP States. Funding from the Energy Facility may also be used in parallel with existing initiatives from Member States, international organisations and financial institutions. The development of the Facility is being handled in close co-ordination with an informal advisory group of experts from the Member States, and there is also regular consultation with other relevant donors and stakeholders.

The ODA resources committed by EuropeAid in 2004 on energy interventions amounted to €82 million. Payments reached €84 million.

1.4.5. *Sustainable rural development and food security*

– Sustainable rural development

Over 70% of poor people live in rural areas, hence the importance of rural development in the fight against poverty and hunger. Rural development is, together with food security, one of the pillars of the Development Policy of the European Commission.

Policy-wise, the Commission provided in 2004 an important contribution towards reducing poverty: the Communication “*EU Guidelines to support land policy design and reform processes in developing countries.*”¹⁷

Poverty reduction requires progress in the productive sectors in the countries concerned, in order to generate private income and state resources to finance social services. The Commission pursues this objective through support to the agricultural sector within numerous National Indicative Programmes; in Africa in particular, EC co-operation includes activities related to the agricultural sector in nearly all countries.

In particular, internationally traded agricultural commodities are crucial to the employment and income of millions of people in developing countries, as well as a major source of revenue and foreign exchange. In response to the serious challenges facing these sectors, in particular long-term price decline and volatility, the Commission submitted in 2004 two proposals to the Council of Ministers: “*Agricultural Commodity Chains, Dependence and Poverty – a proposal for an EU Action Plan*”¹⁸, and “*Proposal for an EU-Africa Partnership in support of Cotton Sector Development*”¹⁹. The aim of these initiatives is to increase incomes and reduce

¹⁶ COM(2004)711

¹⁷ COM(2004)686 final

¹⁸ COM(2004)89

¹⁹ COM(2004)87

the vulnerability of producers, in particular the most commodity-dependent developing countries (CDDCs). The focus of EU policy is on six priorities: reduction of commodity dependence as a priority at national and international level; coping with price decline; managing commodity risks and accessing finance; diversifying around traditional commodities; successfully integrating with the international trading system; and enhancing sustainable corporate practices and investments in CDDCs.

In April 2004, the Council endorsed the Action Plan on agricultural commodities and the proposal for an EU-Africa Cotton Partnership. There is thus a joint EU policy and action framework – agreed between the European Community and the Member States – signalling the importance that the EU attaches to agricultural commodities in the fight against poverty and demonstrating its strong commitment to supporting CDDCs in a strategic and co-ordinated fashion.

As a first step in implementation, an EU-Africa Cotton Forum was organised in Paris in July 2004. The 200 participants from the EU and the cotton-producing African countries endorsed the EU-Africa Cotton Partnership and adopted a detailed cotton action plan. Four African countries programmed EC resources for cotton sector development. The Commission and Member States jointly encouraged the countries to formulate cotton programmes.

EC initiatives in agricultural research focus on enhancing productivity and sustainability in developing countries and on contributing to better food security, quality and safety, including improved policies and delivery systems. The Community is working in close collaboration with the EU Member States through the EIARD (European Initiative for Agricultural Research for Development). In particular, EC contributions encompass regular and significant support to the CGIAR (Consultative Group on International Agricultural Research) centres and to sub-regional organisations for agricultural research and development in Africa.

In conjunction with the Directorate-General for Research, and with the support of EU Member States, the Development Directorate-General has formulated a proposal for a Technology Platform on Global Animal Health: this was officially launched on 16 December 2004 with the support of the Commissioners for Development, Research and Consumer Protection. This Platform will be included in preparations for the 7th Research Framework Programme.

The ODA resources committed by EuropeAid in 2004 on rural development interventions amounted to €178.59. Payments reached €189.49.

– Food security

The European Commission is engaged in the fight against hunger with a comprehensive and broad-based policy for sustainable development and poverty reduction at the national level. Significantly, this policy recognises that the primary responsibility lies with national governments, as well as regional organisations, and highlights the importance of good governance, conflict prevention and peace building. Greater efforts need to be deployed by governments to promote stronger roles for local communities and authorities in assuring food security, particularly through decentralisation.

In developing countries, as confirmed by the Food and Agriculture Organization's 2004 Food Security Assessment, over 800 million people are undernourished. While in Asia, the Pacific, Latin America and the Caribbean some countries have achieved remarkable successes in reducing the food insecurity factor, the situation in Sub-Saharan Africa continues to deteriorate due to conflicts and governance problems, natural calamities, land degradation and the HIV/AIDS pandemic.

The impact of natural and man-made crises on the lack of progress towards the achievement of the first MDG has been particularly severe in 2004. Conflicts, which the FAO has identified as the most common cause of food insecurity, are often chronic and cause protracted and complex emergencies, especially in Africa. Even a short-term crisis can trigger chronic food insecurity, as assets are quickly depleted and livelihoods undermined. Violent conflict poses particular challenges because of its capacity not only to disrupt food security and livelihoods, but also to harm existing governance structures upon which recovery depends.

The policy debate on food aid was particularly intense in 2004, the year of renegotiation of the Food Aid Convention (FAC) and the beginning of the WTO negotiations in Geneva which include food and trade-related issues. Finally the decision was taken to put the FAC into abeyance pending the conclusion of the WTO round. The Commission has consistently been warning that an improper use of food aid could undermine the fight against hunger: food aid is an instrument of humanitarian assistance to be provided exclusively in grant form in situations of acute and protracted crises as a timely response to well identified and internationally recognised needs.

In 2004, the Food Aid/Food Security Budget Line (FSBL) financed programmes for €415.5 million to meet a series of challenges in some 30 particularly vulnerable countries around the globe: combating temporary food shortages, managing post-crisis situations, ensuring the link between relief, rehabilitation and development (LRRD), and addressing structural food security problems. Furthermore ECHO, the EC Directorate for humanitarian aid, provided food aid supplies through NGOs and the World Food Programme (WFP) from an annual budget of roughly €600 million.

In order to achieve the first MDG, food needs must be timelier and more properly addressed: the Commission is supporting food security information systems in various countries. In 2004, a €15 million programme called Food Security Information for Action (2004-06) was launched for FAO implementation as from early 2005. The WFP, with Community contributions, finalised an improved needs assessment methodology for emergency situations in 2004.

Particular attention is given to the role of the Food Aid/Food Security Budget Line as a bridging instrument between short-term (crisis situations) and long-term (development) needs. The scope of this bridging function includes protracted crises, rehabilitation and tackling structural food insecurity as a first step towards long-term poverty reduction. In collaboration with EuropeAid, the DG Joint Research Center (JRC) is supporting the establishment of a global crop monitoring system in the context of food security (MARS-FOOD). Currently, the information system on crop prospects covers 35 countries in East Africa, Latin America, Russia, Central Asia and the Mediterranean Basin. In 2004, support on food demand/access has been received from JRC (i.e. on Mali, Mauritania and Sudan), in particular in food supply

assessment and needs assessment methodologies, food security information systems and vulnerability assessments.

Interventions are adapted to the specific context of each country and are carried out either directly in partnership with the governments of the beneficiary countries, or indirectly through NGOs or through international organisations, in particular various agencies of the United Nations system. Close attention is paid to co-ordination in order to ensure coherence and complementarity with other actions of the European Commission, and with the interventions of Member States and of other donors.

The year 2004 was characterised by the difficult situation in the Horn of Africa, and particularly by the crisis in Darfur, Sudan. The Food Security Budget Line has contributed significantly to the alleviation of some of the worst aspects of the Darfur crisis. In Sudan, €30 million from the 9th EDF B budget envelope have been earmarked for a programme that concerns not only support to food aid interventions, mainly in Darfur, but also capacity building to improve monitoring/assessment, as well as to reinforce co-ordination, particularly with the Sudanese authorities.

In 2004 the Commission, well aware of the threat that the massive desert locust invasion was posing to food security in Sahelian countries, decided to grant an amount of €23.5 million through the European Development Fund, in consultations with the five countries directly concerned with the plague: Mali, Mauritania, Niger, Senegal and Chad. An additional €2 million from the Food Security Budget Lines brought the total of the Community contribution to €25.5 million. These funds were made available to the partner countries via an agreement between the European Commission and the FAO. The Southern Africa region – Malawi, Mozambique, Zambia and Zimbabwe – continued to face critical food shortages in 2004, and the deficit was even slightly higher than 2003. Rising retail food prices have resulted in a reduced purchasing power of households and accentuated food access problems among vulnerable populations. In addition, the high level of HIV prevalence adds a further dimension to the food insecurity situation in the region. EC support is differentiated in line with the varying situations in southern African countries: food aid and agricultural rehabilitation in Zimbabwe, ‘safety nets’ in Malawi, budgetary support in Mozambique.

In Afghanistan, where 85% of the population of approximately 22 million live in rural areas, farming activities still play a key role in the household economy and in national growth and employment rates. The goals of the Commission's long-term strategy are to stimulate agricultural growth by increasing farm income, generate employment, and reduce poverty and food insecurity.

In North Korea, after several years of provision of food aid, the programme supports farm production by providing agricultural equipment.

The ODA resources committed by EuropeAid in 2004 on food security interventions amounted to €397 million. Payments reached €395 million.

The 2004 Thematic Evaluation of Food Aid Policy, Food Aid Management and Special Operations in support of Food Security shows the positive results of the implementation of these policies. The evaluation states that “the added value of the Food Security Regulation encompasses its strong focus on poverty reduction, the

high flexibility between its components, its acknowledged role in the Linking Relief Rehabilitation and Development approach, the fact that it creates opportunities for multi-actor partnerships and allows for interventions at various administrative and societal levels”.

Information regarding cross-cutting issues will be found in Chapter 3.

1.4.6. *Institutional Capacity Building*

Institutional capacity building is at the heart of all development and co-operation programmes funded by the EC. Without strengthening the institutions that are ultimately responsible for implementing development policies and strategies at country or regional level, there can be no ‘ownership’ and sustainable impact of EC technical and financial co-operation.

Institutional strengthening and capacity building are cross-cutting themes in all sectors and areas of assistance and are fully taken into account in every programme of support, whatever aid modalities are used. With a view to reinforcing EC expertise in the field of institutional strengthening, EuropeAid has this year initiated the development of some analytical tools and training materials on capacity development. In this context, institutions and organisations are being assessed through an ‘open systems’ approach which takes into account both the environment – the outside structural factors shaping their capacities – and their internal structure, functioning and expected output.

A number of important programmes have been approved this year where institutional capacity building is a key component of EC funding.

In the ACP region only, and as an example, a programme of support to good governance has been initiated in Senegal for an amount of €33.5 million: this programme will entail institutional strengthening of the Ministry of Finance, the Department of Justice, Parliament and the Court of Auditors, as part of the Senegalese strategy of promoting good governance at all levels of the state. It will also reinforce the interface between government and civil society on good governance issues.

In a number of ACP countries, capacity-building of the National Authorising Officers (NAOs), who are responsible jointly with the Commission’s services for the sound management of EDF resources allocated to their country, has been given increased attention. A policy dialogue has been engaged at country level and in a forum organised by the ACP group in order to identify ways and means of improving the speed and quality of implementation of EDF-funded programmes. NAO offices, which are located within the Ministries of Finance in 80 % of cases, will be strengthened through EC support, enabling them to co-ordinate and monitor overall project programming, preparation and execution and to assist line ministries and implementing agencies more effectively on methodological and management issues.

At regional level, increased attention is being devoted to capacity development of sub-regional organisations. Approval was given in 2004 to important programmes in this field, for example the NEPAD capacity building programme for public administrations in Sub-Saharan Africa which features training and exchange of

information on best practices in public services delivery. An amount of €30 million has been committed for a programme of institutional strengthening for COMESA, to enable the organisation to fulfil its regional integration mandate. A programme of reform and modernisation of the ACP secretariat – which has a key role to play in ensuring the smooth functioning of the ACP institutions, and in particular the ACP Ministerial Councils and the Joint Parliamentary Assembly sessions – has also been approved this year.

In the MEDA and TACIS regions, ‘twinning’ has been used as a privileged instrument to promote institutional strengthening, notably in the field of public administration reform.

In Latin America and Asia, capacity building and institutional strengthening are major components of all programmes in the focal areas of co-operation such as education sector reform, agrarian reforms and natural resources management.

1.5. Lessons learnt and way forward

1.5.1. Analysis of the 2000 Development Policy Statement (DPS)

It has now been four years since the European Commission and the Council issued a joint Statement on EC Development Policy (DPS): that was in November 2000.

This joint statement is a landmark, both by virtue of being the first document of its kind in the EC development sector and because of the variety of functions it performs. As a common development agenda for the European Community and its Member States, the DPS is a statement of intent and a basic guide around which the Commission develops its strategies and programmes. As such, it constitutes the starting point for more detailed policy work and the standard of accountability against which achievements have to be measured. This is particularly important at the European level because of the multiplicity of actors involved.

With the Commission chaired by President Barroso now in place, it is appropriate to revisit this Statement and consider the role it has played in the intervening years, particularly as much has changed during this period, both in the EU and in the wider world, to which the DPS is part of the EU response.

The main value of the DPS is that it sums up the state of the debate and the agreed basic principles at that particular point in time in an authoritative manner, and that it was a joint statement of both Council and Commission. This makes it a point of reference for various stakeholders and actors, as well as for new stakeholders involved in EU development co-operation, such as the Member States that joined in May 2004.

The DPS is clearly a particularly valuable document at the political and policy level, but it has also proved useful in the field of programming by driving the process of establishing more coherent and focused Country and Regional Strategy Papers.

The statement also builds on the Treaty and is widely recognised as being very instrumental in pushing the poverty focus of the EC co-operation to the top of the agenda and helping keep it there for the last few years.

At the time the DPS came out, EC development co-operation was suffering from a lack of focus, and the statement was one measure taken to resolve this situation. The DPS has played its part in re-establishing this credibility.

The statement has been used as a tool in policy discussions between the EU institutions and has become a regular point of reference in policy documents.

The DPS is used as a political tool in the discussions between the EC and the Member States in particular, but also with the European Parliament. On the policy level, it is cited as a primary point of reference in the majority of the policy documents produced by the European Commission in the development sector since 2000.

The statement is also used at the country and regional level. It is explicitly referred to in most of the ACP, MEDA, Asia and Latin America country strategies and projects.

There is a relatively wide range of views on how the poverty focus of the DPS has translated into coherent action, particularly in middle-income countries. There is also a feeling that the principle of concentration of aid on focal areas, which is present in the DPS, can negatively affect partner country ownership.

The lack of progress on implementing the focal areas was in part due to the fact that the needs of these had to be balanced with the priorities of the partner countries or with a growing number of other priorities set by the EU budget authorities (Council, European Parliament).

The principle of mainstreaming cross-cutting issues (gender, environment, Human Rights) has been generally accepted in the DPS, but implementation was problematic.

One of the principle bottlenecks of the DPS has been the lack of 'ownership' in certain Commission services, due maybe to the absence of adequate guidelines, indicators and targets for the implementation of the statement. Moreover, the DPS could have been better communicated externally in order to involve key stakeholders such as NGOs and partner country governments more effectively in its use.

Solutions designed to overcome these problems are now being examined in the process of preparing a new DPS, with earlier involvement of all External Relations Directorates-General in the drafting and with public consultation of stakeholders and partner countries.

Since the DPS was formulated, there have been some major changes in the European Union. These regard the growing importance of European foreign policy and Union enlargement.

The DPS also needs to be seen in the context of a new constitutional treaty. Development policy is recognised as a policy on its own, but also as part of a wider spectrum of external relations policies. In this respect, its links with other policy dimensions such as trade, security and migration need to be deepened.

International thinking on development policy has also evolved in the period since the DPS was issued in 2000, with the adoption of MDGs and the conclusions of the

Monterrey Conference: the latter set new standards in development efforts, namely more focus on additional resources and on poverty eradication, as well as strengthened aid effectiveness through donor co-ordination and the harmonisation of policies.

It would now seem that, although the priorities remain the same, there is a need to achieve a greater degree of consensus around a single policy statement. For these reasons the Commission launched a public consultation with a view to proposing an updated DPS in 2005.

1.5.2. New financial perspectives

The European Union's co-operation and assistance policy is the result of 50 years of successive sedimentation resulting in a multiplication of assistance instruments and a fragmentation of aid management, in terms of both the programming and implementation functions – even if recent policy and structural reforms have helped to improve the coherence and consistency of the EU's co-operation and assistance policy. European Union global external assistance efforts are currently being carried out through more than 30 different legal instruments (programmes), thematic ones like Food Security, Co-financing with NGOs, the European Initiative for Democracy and Human Rights, etc., and geographical programmes like the EDF (European Development Fund), ALA (Asian and Latin America), MEDA (Financial and technical measures to accompany the reform of economic and social structures in the framework of the Euro-Mediterranean partnership), TACIS (Technical Assistance to the Community of Independent States) and CARDS (Community Assistance for Reconstruction, Development and Stabilisation) programmes. The EU also has an array of CFSP instruments (Joint Actions), as well as some separate instruments covering the external impact of internal policies. Managing these various programmes in an efficient and co-ordinated way has become an increasingly difficult task. Furthermore, this mixed and complex set of instruments jeopardises the visibility of Community co-operation.

In the framework of the new Financial Perspectives 2007-2013, the Commission therefore proposed to the Council and the European Parliament, in September 2004, a drastic simplification of instruments, driven by the need to facilitate coherence and consistency of external actions, and to achieve better and more with the resources available. The Commission proposal invokes the following principles:

- policy must lead the instruments, making the instruments more coherent and results-oriented and increasing their leverage effect and flexibility;
- overall policy coherence must be ensured, particularly through Country and Regional Strategy Papers;
- structure and procedures must be simplified, and financing instruments, legal bases, and budget lines streamlined in order to make them more efficient and effective;
- resources allocation to partner countries and regions must be output-oriented;
- dialogue and coordination with other donors and institutions must improve;

- a better dialogue has to be established with third countries.

In the proposed new architecture, three general instruments directly support European external policies: the pre-accession policy, the European Neighbourhood policy and the development policy. Three thematic instruments are designed to respond to crisis situations, whether political, humanitarian or financial, and cover all third countries.

During 2005, the Council and the European Parliament will assess the proposals and amend them according to their own views. The legislative power is expected to take a final decision in early 2006.

2. GEOGRAPHICAL FOCUS

The description and analysis of EC co-operation activities are presented in this section on a geographical basis, and have been organized around the following six regions:

- Western Balkans
- Eastern Europe and Central Asia
- Mediterranean and Middle East countries
- Africa, Caribbean and Pacific (ACP) countries and Overseas Countries and Territories (OCTs)
- Asia
- Latin America.

Each of these six geographical sub-chapters has the same structure to permit parallel reading. The general introduction on each region is followed by the programming activities and developments in 2004. Co-operation activities are reported according to the actual priorities in each region, underlining the results obtained from implementation of the principal programmes and projects. Therefore, the picture is clear even if the accent is put on different kinds of activities, reflecting the realities of EC implementation during the reporting period. Co-operation with other donors, including Member States, is an important feature of each region. The variations in information between regions mirrors the real differences in the degree of collaboration between the EC, its member States and international organisations, as well as the variations in data available from Member States about each country.

Some figures are given to illustrate the contents of this chapter but there is no overall information on the financial transactions. The reader may find exhaustive financial information in Chapter 6 (financial tables) where the general tables include 2004 disbursements, in line with the OECD's DAC categories. Regional activity tables include all commitments made during the period covered in terms of 'geographical' budget lines as well as 'thematic' ones. Figures in the tables and graphs below include bilateral and multilateral Official Development Aid and Official Aid managed by EuropeAid.

2.1. The Balkans

2.1.1. Introduction

Economic performance in the Western Balkans in 2004 presented a mixed picture. Regional growth was estimated at around 4.5% and some countries were expected to post growth rates of at least 5%. However, growth remained relatively subdued in the **former Yugoslav Republic of Macedonia** and in **Kosovo**. Inflation eased further in 2004, down to 5.6% on average. After marked improvements in previous years, fiscal consolidation has advanced very unevenly across countries. External imbalances remain a challenge to macroeconomic stability. For the region as a whole, the merchandise trade deficit remained high in 2003-04 (some 25% of GDP). The average current account deficit is estimated at around 12% of GDP in 2004. Most of the core legislative framework of a market economy has been introduced. However, implementation of legislation is severely hampered by weak institutions, in particular the judiciary.

Politically, the region presented a mixed picture. **Croatia** was granted EU candidate status and the **former Yugoslav Republic of Macedonia** submitted its application for EU Membership. However, at the same time, some countries of the region were still not co-operating fully with the International Criminal Tribunal for the former Yugoslavia (ICTY). In March 2004 **Kosovo** saw the worst riots since 1999, seriously undermining efforts to create a stable, peaceful society based on the respect of all ethnic groups. In October, elections to the Kosovo Assembly were conducted peacefully but the turnout among the Serb community, at less than 1%, was insignificant.

2.1.2. Evolution of EU co-operation

The strategic objective of Community actions in the Western Balkans remains to support the Stabilisation and Association Process, notably through institution building and closer alignment with the *acquis communautaire*. The approach involves a mix of political dialogue, an *ad hoc* trade regime, extensive financial programmes covering co-operation in the field of justice and home affairs, democratic stabilisation and economic reforms. Naturally, the countries' priorities reflect political realities and their degree of association, ranging from wanting to start accession negotiations to starting a feasibility report on the conclusion of a Stabilisation and Association Agreement.

The Stabilisation and Association Agreement between the **former Yugoslav Republic of Macedonia** and the EU entered into force in April 2004. Following the country's application for EU Membership in March, President Prodi submitted the questionnaire for the preparation of the European Commission's Opinion on the application of the former Republic of Macedonia for membership of the European Union to the authorities in October 2004.

The Commission issued its positive opinion on **Croatia's** application for membership in April. It found that, even if significant efforts were still needed, Croatia fulfilled the Copenhagen criteria, and recommended that accession negotiations should be opened. Based on the opinion, the European Council awarded

candidate status to the country in June. The Commission adopted a pre-accession strategy for the country in October as part of the 2004 enlargement package.

In **Bosnia and Herzegovina**, the EU military mission EUFOR replaced SFOR in December 2004 with the same mandate. EUFOR's mission, code-named Althea, features 7 000 troops from 33 countries, of which 22 are EU Member States. Over the year work has continued on the 16 reform priorities identified in the November 2003 Feasibility Study on concluding a Stabilisation and Association Agreement.

Following full endorsement of the EU's 'twin-track' approach by political leaders of **Serbia and Montenegro**, the Commission announced that it would re-launch the Feasibility Report on a Stabilisation and Association Agreement with Serbia and Montenegro. The Feasibility Report will assess the country's capacity to negotiate and implement the far-reaching political and economic obligations under a Stabilisation and Association Agreement. The 'twin track' approach to SAA negotiations means dealing with the two republics on policies which they conduct separately, notably trade, economic and sectoral policies, while continuing to work with the State Union where it is the competent authority, for example on international political obligations and Human Rights.

In August the European Commission opened a liaison office in **Kosovo** in order to ensure an even closer contact with the UN Mission in Kosovo (UNMIK) and the Provisional Institutions of Self-Government on the ground.

The Annual Reports on the Stabilisation and Association process for South-East Europe, published in March 2004, provided an assessment of the progress over the past year of **Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia and Serbia and Montenegro**, including **Kosovo**, as defined by UN Security Council Resolution 1244. The third part of these reports contained the Commission's proposal for the first European Partnerships. These identify short and medium-term priorities which each country needs to address. Generally, the reports found that reform efforts in the economic and political fields had to be intensified and accelerated across the region. The reports were adopted by the Council in June. The Partnership with **Croatia** was approved in September 2004.

Substantial progress has also been achieved concerning the regional energy market and transport infrastructures. A Memorandum of Understanding on the South-East Europe Core Transport Network was signed in June 2004. In December, the 25 EU Member States and 11 countries of South-East Europe, including Turkey, agreed on the basic principles contained in a text of a treaty to establish an Energy Community which builds on the Athens Memorandum of Understanding on regional energy markets. The Energy Community will create a single regulatory space for energy. It will help reinforce security of supply, and will also help South-East European countries to address energy poverty issues with the aim of providing power supplies to all citizens at an affordable price.

The CARDS (Community Assistance for Reconstruction, Development and Stabilisation) programme remains the main instrument for EC financial assistance to the Balkans. During 2004, the Commission made a proposal to replace CARDS and the various other geographic and thematic instruments with a leaner set of harmonised and simplified instruments, starting in 2007.

2.1.3. Implementation

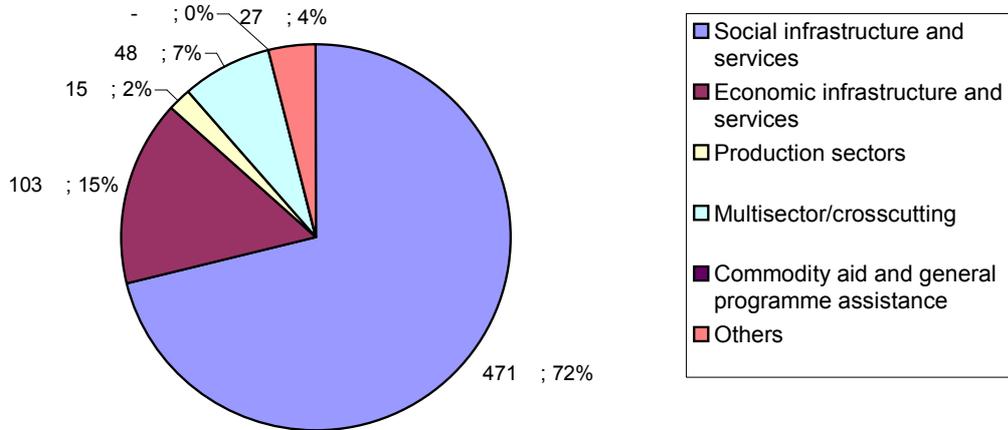
During 2004, the EC set annual action programmes for all countries/entities of the region: **Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Serbia and Montenegro and Kosovo**. Under the regional envelope the Neighbourhood Programme also received its first allocation. A further boost to the programme was received when, in late 2004, €48.9 million were added to the 2004 CARDS programmes for **Albania, Bosnia and Herzegovina, Croatia, Kosovo** and the **former Yugoslav Republic of Macedonia**, bringing total financial commitments to the Balkans in 2004 to €663 million. Payments reached €510 million in 2004, up from €425 million in 2003.

External aid financed on the General Commission Budget managed by EuropeAid					
2000-2004					
€ million	2000	2001	2002	2003	2004
Commitment	863	705	658	624	664
Payment	677	845	619	425	510

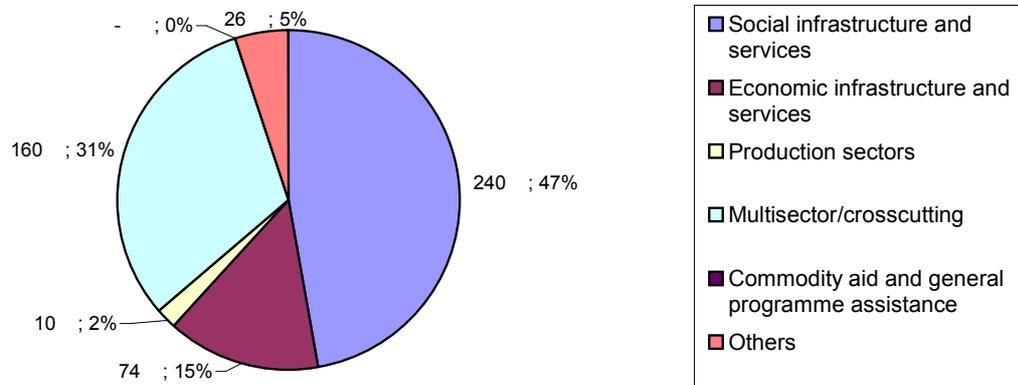
In past years the trend of assistance has been away from reconstruction work towards institution-building programmes which now make up the bulk of CARDS assistance.

Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2004

Commitment in € Million

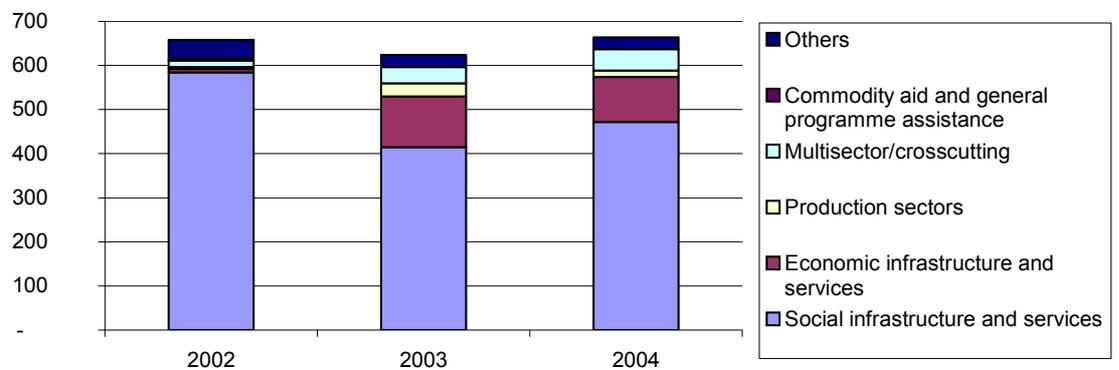


Payment in € Million



Bilateral and Multilateral ODA/OA (EuropeAid only).

Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid. Commitment 2002-2004



Bilateral and Multilateral ODA/OA (EuropeAid only). Amount in € Million.

– Institution Building

Assistance in this sector aims to consolidate democracy and the rule of law in the region. Priority interventions focus on strengthening capacity to initiate and manage legislative processes, administrative reforms, improve financial management, statistics and enhance the rule of law.

In **Bosnia and Herzegovina**, 2004 funding was allocated to complete the State-level Indirect Tax Authority and a unified customs service, aiming to boost Bosnia and Herzegovina's tax receipts. The establishment of a more efficient indirect tax system will generate additional revenue and reduce the level of fraud, thus protecting people from illicit activity (e.g. drug trafficking) and facilitating legitimate trade to support economic and social development. Specifically, support to the creation of the Indirect Tax Administration will be provided: this will include support for the migration from Sales Tax to an EU-compatible VAT at State level.

– Justice and Home Affairs

Justice and Home Affairs continues to be a major priority under the Stabilisation and Association Process, which is also reflected in allocations under the CARDS programme. This comprises the broad areas of justice system reform, policing and the fight against organised crime, asylum and migration. These programmes constitute an important part of the CARDS national and regional programmes.

In 2004 the EC published its *Guidelines for Integrated Border Management in the Western Balkans (IBM)*. They define in some detail this concept, which fundamentally seeks to ensure proper in-country and international co-ordination among the various services involved in border management issues. This is to guarantee that borders are managed with maximum effectiveness and efficiency. The aim of these IBM Guidelines is to help national authorities in further improving their national strategies and action plans on border management. By following these Guidelines, partner countries will be able to ensure that policies and subsequent projects being developed are fully in line with EU standards. It will equally ensure that the approach taken is in line with the requirements needed for progressively closer association and, at a later stage, accession to the European Union. This important tool is now being used by all actors involved in the region to align national activities and by the EC and the European Agency for Reconstruction (EAR) to design significant national CARDS allocations for integrated border management.

– Economic and Social Development

EC support in this field covers a broad range of objectives such as fostering the creation and consolidation of SMEs, creating sound foundations for the development of a market economy, continuing the reconstruction and rehabilitation processes, and supporting vocational, educational and training measures.

In **Serbia**, a part of the 2004 programme will further finance capacity building of the Serbia Investment and Export Promotion Agency (SIEPA) as well as enterprise development through technical assistance and investment promotion. The ultimate aim is to increase the flow of foreign direct investment and thereby accelerate the

transition to a market economy, underpin the European Union accession process and create long-term sustainable private-sector development.

The economic and social component of the 2004 programme for **Kosovo** aims to promote sustainable economic development for all of Kosovo's communities. Support will be provided to strengthen the financial viability and development of the energy sector – a prerequisite for economic growth. The capacity of the Ministries of Environment and Agriculture to implement the necessary reforms will be further strengthened. Assistance will also be provided to restructure Kosovo's publicly-owned companies, improve the management and competitiveness of Kosovo's enterprises, increase the effectiveness of commercial banking services, and establish an effective food safety control system. The programme will also further assist the economic and social development and re-integration of minority communities, and the development of a sustainable returns process.

In addition, the European Commission continued to implement the Tempus programme in the CARDS region²⁰. The programme implementation was guided by national priorities focusing in particular on the implementation of the Bologna process which aims at the establishment of a European higher education area. In 2004, the European Commission committed a total of € 12.5 million for university co-operation projects involving institutions from the CARDS countries.

– Environment and Natural Resources

Urgent attention has been paid to immediate environmental threats in the Balkans such as local contamination by heavy metal and other by-products from obsolete industries. Longer-term improvements are also being implemented, through the reinforcement of Ministries, in order to boost water quality, reduce air pollution and improve waste management. Support is also targeted at small banks and local authorities on how to lend, borrow and monitor the use of money for environmental projects: this will help the region secure loans from such institutions as the EBRD.

In **Albania**, the environment component of the 2004 programme will finance the construction of a secure hazardous waste landfill, completing the second phase of a long-term waste management project. Furthermore, an environmental monitoring system will be established, aiming to increase **Albania's** capacity to monitor, analyse and design suitable measures regarding environmental quality and to enable **Albania** to comply with European Environment Agency standards. The sustainable and integrated development of the Tirana-Durres region will also be supported. This should provide the principles and guidelines for sound land-use management and strengthen the planning capacities of local government to ensure sustainable economic growth compatible with environmental protection practices.

– Regional Co-operation

Regionally, the European Commission launched the CARDS Neighbourhood Programme. It promotes cross-border co-operation between the countries of the Western Balkans and their EU or candidate country neighbours. The Neighbourhood

²⁰ <http://europa.eu.int/comm/europeaid/projects/cards/reg5.htm>

programmes cover all those regions of Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and **Serbia and Montenegro** (including **Kosovo**) which border the EU and candidate countries. The neighbourhood programmes mirror the much larger Interreg and Phare cross-border co-operation programmes on the EU side of the border. The CARDS Neighbourhood Programmes aim to address issues such as economic development of the border areas, the environment, communicable diseases and people-to-people contacts.

The respective EC Delegations implement the CARDS programme in **Albania, Bosnia and Herzegovina** and **Croatia**, while the European Agency for Reconstruction (EAR) manages the programmes in Serbia, Montenegro, Kosovo and in the former Yugoslav Republic of Macedonia. The CARDS regional programme is co-ordinated and implemented by the European Commission in Brussels.

The overall priority of EuropeAid's annual management plan for 2004 was to anchor the CARDS programme in the Stabilisation and Association Process, thereby stabilising the region. This was achieved through a continued focus on institution-building programmes and regional co-operation, and on providing thematic expertise to EC Delegations in the region. The overall objective of implementing the CARDS programme in a timely and effective manner has been reached and is mirrored by the improved payment rates.

Evaluating EC Assistance

In June 2004 two independent evaluation reports were published, assessing the CARDS programme and the work of the European Agency for Reconstruction. The CARDS evaluation found that CARDS assistance has made a significant contribution to reconstruction in the Western Balkans, and that it remains relevant in the context of the goals of the Stabilisation and Association Process. The report made a number of recommendations to improve the implementation of the CARDS Regulation, addressing inter alia, instruments and management and implementation issues, affecting both the national and regional programmes. The devolved implementation models for CARDS assistance, the European Agency for Reconstruction (EAR) and the de-concentrated delegations have strengths which should be capitalised on. The EAR evaluation found that the Agency has allowed the European Commission to exercise leadership in effectively implementing programmes and projects in the Western Balkans and that it has several strengths on which the Commission should build. The Agency has, however, a weaker role in the policy process and dialogue with partners than the de-concentrated delegations in other countries of the region. While the EAR has made significant progress in quality assurance of its activities, it needs to prepare itself for the adoption of a more sector-based approach to its planning, monitoring and evaluation. Following the evaluation, the mandate of the European Agency for Reconstruction was extended until the end of 2006.

2.1.4. Assessment of the EC's contribution towards poverty reduction and the achievement of the Millennium Development Goals

With increasing growth in the region, poverty looks set to decrease and the MDG poverty goal should be achieved. The future will show whether the resources needed to meet the education, health and environmental goals are available. Progress towards the goals of universal primary education, gender equality in general and in education makes them look achievable. The issue of the spread of HIV/AIDS to the Western Balkans and the wider Central and Eastern Europe region poses a major threat to MDG achievement and has to be tackled.

Meeting these challenges will require significant resources and major administrative and institutional reforms which are partly financed through EC assistance.

Institution building is at the core of the CARDS programme. All countries of the region benefit from heavy institution-building programmes. While these are varied and range from support for the administration of justice to reforming public procurement practices and the structural reform of ministries, they have in common the fact that they strengthen the local bodies. In other words, only raised and more efficient tax collection and customs receipts will increase the state's budget, only a well organised ministry of environment will be able to ensure that environmental protection laws will be developed and implemented and only a reformed national health service will improve public health. These are but a few examples where CARDS institution- building assistance is playing a role in helping these countries realise the Millennium Development Goals.

The Stabilisation and Association Process includes two elements that have a direct impact on economic development in the partner countries: trade and CARDS assistance. The EC's trade strategy with the Western Balkans is based on unprecedented and wide-ranging autonomous trade preferences, the creation of a bilateral free trade area under the Stabilisation and Association Agreements, strong support to regional trade integration, support to WTO accession and important trade-related technical assistance. Economic development also depends on enterprise and job creation. CARDS assistance has been directly used to support enterprise development, for example by supporting the development of a network of local SME support agencies through technical assistance and advisory services to these agencies in **Bosnia and Herzegovina, Serbia and Kosovo**. In **Croatia, Serbia and Montenegro, Kosovo** as well as the **former Yugoslav Republic of Macedonia** the EC provided technical assistance to the Ministry responsible for enterprises to help support the development and implementation of policies favourable to enterprise development and investment climate.

Sustainable development and support to environmental activities is part of the EC's assistance throughout the region, ranging in 2004 from central institutional support to reforming for instance municipal waste management service providers. In **Croatia**, CARDS 2004 assistance provided support for the approximation of Croatian legislation with the environmental *acquis*. In **Bosnia and Herzegovina**, 2004 assistance is helping the country shape its environmental policy and launch a public awareness programme. In **Serbia** and **Kosovo** significant funds have been made available to address environmental issues, such as improving environmental legislation in **Kosovo** at all levels and supporting the treatment of hazardous waste in **Serbia**. In the **former Yugoslav Republic of Macedonia**, funds were committed to ensure that environmental legislation and enforcement measures increasingly follow EU norms and standards.

2.1.5. *Co-operation with Member States and other donors*

Efficient donor co-operation is at the heart of effective assistance. Throughout the Western Balkans, the EC Delegations and the European Agency for Reconstruction's operational centres organise regular briefing meetings with EU Member States and other multilateral and bilateral donors, sometimes on a sector-specific basis. This

gives both Member States and donors an opportunity to exchange relevant information, to share best practices and to improve co-ordination.

In its decision-making process on financing proposals, the Commission thoroughly analyses how to ensure consistency and complementarity, while avoiding overlap with other donors' activities in a given country and sector.

As in previous years, in 2004, the European Commission concluded a number of contribution agreements with international organisations, where resources are pooled and activities closely co-ordinated.

The 'twinning' instrument is now widely used throughout the region. 'Twinning' supports and finances the secondment of civil servants from EU Member States to work as advisers to beneficiary institutions.

PAMECA – Supporting Police Reform in Albania

Spain's *Guardia Civil* has since January 2003 been leading a CARDS-financed *Police Assistance Mission of the European Commission to Albania* (PAMECA), mobilising 15 police experts from eight different EU Member States. PAMECA advises the local police on modern methods of investigating and countering crime and ensuring effective co-operation with the judiciary. Boosting professionalism and improving the management of human, material and information resources were the main objectives of this two-year €6.5 million project. Following a call for proposals sent to all EU Member States, the European Commission has now awarded a €10.8 million follow-up grant for the implementation of the next *Police Assistance Mission of the European Commission to Albania* for the period 2005-07. PAMECA II, which will build on the achievements of its predecessor and comprise a multinational team of 16 long-term experts, will provide strategic advice and specialised technical assistance and training, including coaching and on-the-job training, to the Albanian State Police – all this in key areas such as the fight against organised crime and terrorism, integrated border management, public order and major crisis management, community policing and crime prevention. PAMECA is a prime example of how the EC and EU Member States have pooled their resources – human and financial – to provide the most professional assistance possible.

2.1.6. Overview results-oriented monitoring (ROM)

In 2004, 79 projects for a total budget of €140.1 million were monitored, producing 112 reports and showing globally good results with a marked improvement compared with the previous year²¹.

2004 by priority area in the Balkans /CARDS	Trade & development	Regional integration	Macroeconomic & social sectors	Transport	Food security & rural development	Institutional capacity / good governance	Other	Total / Average
Number of projects	7		6	3	11	52		79

²¹ For more information on methodology and ratings, please refer to chapter 5.8.2.

monitored								
€ million covered	9.0		7.4	4.7	12.6	106.4		140.1
Scores								
Relevance	2.67		2.50	2.50	2.40	2.72		2.64
Efficiency	2.22		2.60	2.83	2.53	2.64		2.60
Effectiveness	2.56		2.40	3.17	2.60	2.60		2.61
Impact	2.56		2.80	3.00	2.67	2.81		2.78
Sustainability	2.56		2.60	2.33	2.47	2.51		2.51
Average	2.51		2.58	2.77	2.53	2.66		2.63

Scores can range from 4 (excellent performance) to 1 (serious deficiencies in performance). A 2.5 score indicates that performance is on track, and achieving expected results.

The Balkans/CARDS projects are ‘on track’ but face continuing problems in securing consistent and stable support from experienced local project partners. Other constraints are the generally less mature project implementation environment, and more dispersed nature of projects resulting in many small operations. These constraints possibly contribute to a lower score in efficiency and reflect the frequent observation of a greater proportion of less experienced contractors. Monitoring results are used to improve assistance delivery in project management and in the design of future programmes and projects.

2.1.7. *Conclusions and perspectives*

The EU reaffirms its commitment to contribute to a more secure and stable future for the Western Balkans countries.

The countries of the Western Balkans stand on the threshold of the European Union. **Croatia** is now a candidate country and the **former Yugoslav Republic of Macedonia** has applied for membership. The other countries of the Balkans have indicated their desire to join the European Union eventually and the EU has confirmed its readiness to welcome them as soon as they meet the relevant accession criteria.

EU assistance remains a crucial factor in supporting change, supplying expertise and helping to build the structures needed to provide peace and prosperity in the context of what has become a shared agenda.

Support will continue to be provided under CARDS in the areas of democratic stabilisation, administrative capacity building, justice and home affairs, economic and social development, infrastructure, and environment and natural resources. In

addition, the regional strategic framework will foster regional co-operation in these areas and cross-border co-operation in general.

2.2. Eastern Europe and Central Asia

2.2.1. Introduction

Closely following EU enlargement in May 2004, the Council approved the European Neighbourhood Policy (ENP)²², which aims to share the benefits of enlargement with the EU's eastern and southern neighbours. EU enlargement has also had an important impact on EU relations with **Russia**, and agreement was reached in 2004 on the extension of the Partnership and Co-operation Agreement to the new Member States. Negotiations were concluded during the year on an EU-Russia bilateral agreement on Russia's accession to the WTO. Russia also ratified the Kyoto Protocol in November 2004, enabling it to enter into force. This significant step which will require follow-up in terms of commitments from governments, the scientific community and researchers will significantly contribute to the achievement of the targets.

In **Belarus**, the EU remained seriously concerned about the continuing deterioration of the situation with regard to democracy, freedom of speech and media, and respect for Human Rights. The EU confirmed the restrictions on EU-Belarus contacts at ministerial level and extended the visa ban against Belarusian ministers and some other officials, while at the same time calling for active EU engagement in order to support the needs of the population, civil society and democratisation.

In **Moldova**, the EU further intensified its efforts in support of the OSCE mediation process to resolve the conflict in Transdnistria.

In **Ukraine**, the developments surrounding the presidential elections in December confirmed the country's clear choice for democracy and the rule of law. The entry into office of a new administration following the presidential election provided the conditions for increased engagement and progress in areas both within and beyond the scope of the EU-Ukraine Partnership and Co-operation Agreement, and, in particular, in key sectors such as the strengthening of democratic institutions, trade, economic reform, and justice and home affairs.

The European Neighbourhood Policy was also extended to the three Southern Caucasus countries of **Georgia**, **Armenia** and **Azerbaijan** in 2004, and the Commission launched the process of preparing the Country Reports for their presentation to the Council in Spring 2005. Three conflicts, 'frozen' for more than 10 years (Nagorno-Karabakh, South Ossetia and Abkhazia), continue to hamper the development of the region. However, a peaceful reunification of the semi-autonomous region of Adjara with Georgia took place in May 2004. The political changes in **Georgia** since the "Rose Revolution" led to a strong commitment of the new government to democratic reforms.

The political dialogue with Central Asia progressed with the visit of the then Commissioner for External Relations in March 2004. However, electoral processes

²² COM(2004)373 final, issued on May 12, 2004

which took place in 2004 in **Kazakhstan, Kyrgyzstan, Turkmenistan** and **Uzbekistan** failed to meet agreed OSCE and international standards.

2.2.2. *Evolution of EU co-operation*

The European Neighbourhood Policy (ENP) sets ambitious objectives for enhanced co-operation between the EU and its eastern and southern neighbours in a broad number of areas based on clear commitments to shared values and effective implementation of political, economic and institutional reforms. As a first step, enhanced co-ordination between existing instruments will be introduced for the period 2004-06.

In 2004, the EU adopted ENP Action Plans with two partner countries in the region (**Moldova** and **Ukraine**). The Action Plans have subsequently been endorsed by respectively the EU-Moldova and the EU-Ukraine Co-operation Councils. The implementation of the Action Plans will allow an increasingly close relationship, deepening political co-operation and involving a significant measure of economic integration.

The Tacis Regulation, due to expire on 31 December 2006, will not now be revised. From 2007 a new financial instrument, the European Neighbourhood and Partnership Instrument (ENPI), will be created. Increased emphasis is being placed upon fighting poverty, both in planning under Tacis, and in the context of the ENPI.

Co-operation Councils have been established with most countries - a Permanent Partnership Council was set up with **Russia**. There, Tacis programmes need to be refocused to develop closer links with the four Common Spaces and to be scaled down, taking into consideration Russia's economic development and needs in other countries. It is hoped that negotiations on a package of Road Maps for the creation of the four Common Spaces will be concluded at the next EU-Russia Summit in May 2005. These Common Spaces will set the agenda for co-operation between the EU and Russia for the medium term.

For the **Western Newly Independent States (WNIS)**, the European Neighbourhood Policy (ENP) will be the dominant framework for programming and priority making. There has been, and will continue to be, a steady increase in the share of the Tacis budget allocated to **Ukraine** and **Moldova**, with the intention of strengthening these countries' institutional capacity to participate fully in the ENP. The Commission has also played an active role in the search for additional funds to replenish the Chernobyl Shelter Fund, and made an important contribution to efforts to ensure timely agreement on the K2R4 loan²³.

The Commission co-organised a donor conference with the World Bank in June 2004 where the international community pledged a total of €850 million in support of the Georgian Government's reform efforts. In line with these commitments, the Commission proposed to allocate €125 million for the period 2004-06. The Tacis budget for **Georgia** in 2004 almost doubled to €27 million.

²³ This loan relates to the commissioning of the two nuclear power plants due to replace Chernobyl, i.e. Khmelnitsky and Rive.

Taking into account EU enlargement and the adoption of the European Neighbourhood Policy, the Commission and the thirteen countries of the Caspian and the Black Sea regions agreed, end-2004, to initiate a new co-operation process aimed at the progressive integration of their respective energy and transport markets.

Following the proposal by the Commission for a Partnership and Co-operation Agreement with **Tajikistan**, the Council concluded an interim agreement in August 2004, which has given a new impetus to co-operation, opening the way to enhanced dialogue.

2.2.3. *Implementation*

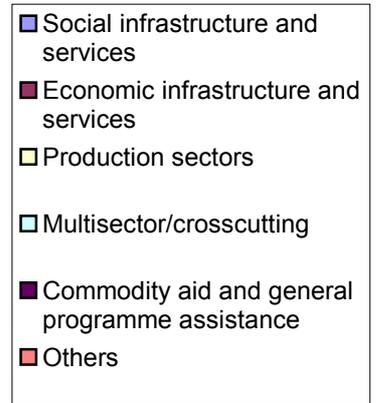
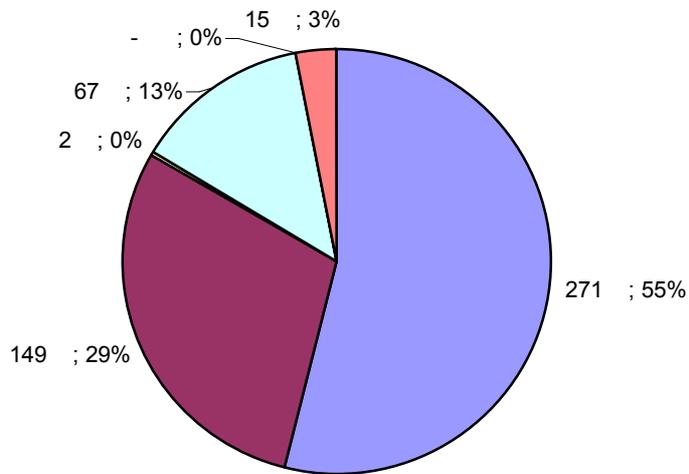
In 2004, Tacis Action Programmes were adopted for all the countries of the region, with the exception of **Belarus** and **Moldova** which have a bi-annual programming, and for the Regional and Cross-Border Programmes, including the first European Neighbourhood Programmes. With enlargement taking effect in 2004, Tacis focused in particular on the introduction of the New Neighbourhood programmes. In budgetary terms, a total amount of €504 million was committed in 2004. Late signature of Financing Agreements by several partner countries accounts for a decrease in payments, to €359 million.

External aid financed on the General Commission Budget managed by EuropeAid 2000-2004					
€ million	2000	2001	2002	2003	2004
Commitment	449	426	432	504	504
Payment	468	402	384	396	359

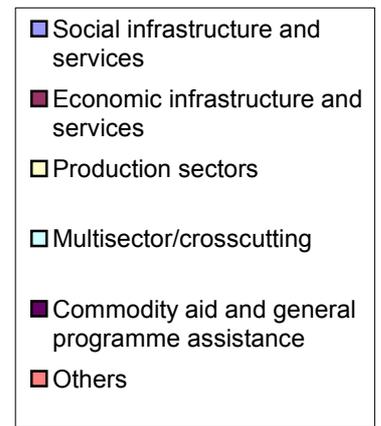
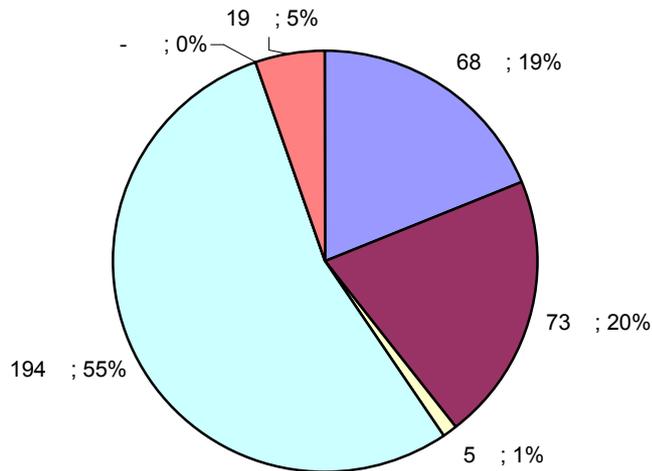
As regards the dispatching of funds per sector of co-operation in 2004, the social sectors represent, as in the previous years, the largest part of the budget with 55% of total funds. Aid to economic infrastructure reached the second position, with 29% of the external aid managed by EuropeAid in 2004, and the multisector/crosscutting issues represented 13 % of the total.

Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2004

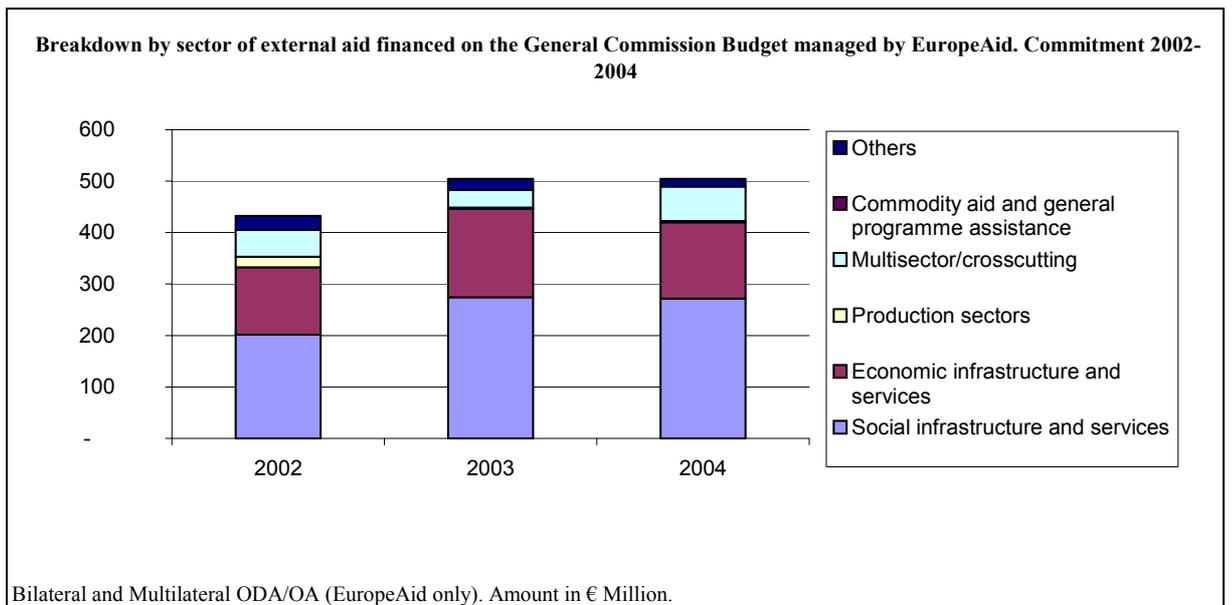
Commitment in € Million



Payment in € Million



Bilateral and Multilateral ODA/OA (EuropeAid only).



The overall priorities of EuropeAid's annual management plan for 2004 were to further promote the transition to a market economy and to reinforce democracy and the rule of law in the partner states. This was achieved with significant initiatives in the areas of:

- institutional, legal and administrative reform,
- private sector and economic development,
- social consequences of transition,
- infrastructure network
- nuclear safety.
- support for institutional, legal and administrative reform

One of the key priorities for the Tacis programme is the work done in the field of institutional, legal and administrative reform, in particular to support the partner countries in meeting their obligations under the Partnership and Co-operation Agreements (PCA). In Russia, for instance, legal assistance has been provided to the State Duma to improve its administrative performance and reinforce its modern budgeting techniques. Justice, law and security continue to grow in importance as a priority for Tacis assistance. Specific attention has been given in 2004 to the development of asylum systems, migration policies, and border management, especially in **Ukraine, Azerbaijan and Central Asia**. The fight against organised crime, and especially drug and human trafficking, has been addressed through the CADAP (Central Asia Drug Action Programme) and the BOMCA initiative (Border Management Initiative for Central Asia). Such programmes exist as well in the Caucasus and **Moldova**.

Lastly, it is important to underline Tacis involvement in the field of civil society, where a proportion of each national budget is allocated to support NGOs and professional associations through small grants.

Promoting Democracy through Social NGOs

Implemented over two years in Russia with a budget of €2 million, the project ‘Promoting Democracy through Social NGOs’ developed co-operation mechanisms between the government, municipal authorities and NGOs in the provision of social services to vulnerable groups of population. Within the framework of the project, a team of experts was active at federal and local levels, analysing the existing legislation on the provision of social services by NGOs and working on the finalisation of the Law on Social Order. Building on this finalised Law, a series of 12 projects in diverse pilot regions (cities, towns, rural areas) was implemented to establish co-operation mechanisms bringing together different organisations and beneficiaries, while flexibly taking into account the local situation. An integrated training process for all social services providers (including municipal authorities and NGOs) was developed and tested. One of the key factors for the success of the project was that each administration acted as a partner, especially at regional and local government levels, with different actors involved. The project helped administrations gain the trust of social NGOs, providing the basis for the sustainability of the initiated joint actions.

- Support to the private sector and assistance for economic development

Across the NIS region, there has been a substantial investment in assisting partner governments with the transition from centrally managed economies, through the process of privatisation, to the development of transparent and effective corporate governance. Tacis continues to concentrate about one-third of its support to the private sector and to economic development. In **Russia** and **Ukraine**, the EC has decided to emphasise its assistance to the development of SMEs. Furthermore, particular attention has been directed towards the integration of Russia into the world economy. This is essentially reflected by trade-related projects targeting customs procedures and sanitary and phyto-sanitary rules, identified as crucial areas for the further development of EU-Russia economic relations. Emphasis is equally put on trade-related assistance in Central Asia, to help **Kyrgyzstan** meet its obligations regarding its WTO membership, and assist **Kazakhstan** and **Uzbekistan** in their applications for WTO membership.

- Support in addressing the social consequences of transition

2004 has seen the launch of the implementation of a medium-term strategy to reduce poverty in pilot regions of **Uzbekistan**, **Kyrgyzstan** and **Tajikistan**. In the last two countries, Tacis complements the assistance provided through other instruments such as humanitarian aid and the Food Security Programme, thereby giving a comprehensive approach linking relief, rehabilitation and development.

Tacis has also continued to support the combat against communicable diseases, notably HIV/AIDS and tuberculosis. In this context, the programme has provided assistance to the reform of public health and related social assistance services.

Tacis support has also continued in the area of higher and technical education. A project was launched in **Uzbekistan** to promote ‘Social Partnership in Education and Training’, and another one in **Tajikistan** on ‘Linking the vocational education and training system to the labour market’, the aim being to make the Tajik labour force more responsive to the needs of the labour market.

Continued support was provided to the Tempus programme²⁴. In 2004, the European Commission committed a total of € 18 million for university co-operation projects involving institutions from the Tacis countries. Funded projects focused on national priorities such as the updating of curricula and the establishment of quality assurance and accreditation systems.

– Nuclear Safety

The European Commission has made significant investments in improving the safety culture and the on-the-ground situation, primarily in **Ukraine** and **Russia** but also in **Kazakhstan** and **Armenia**. The year 2004 saw significant improvements in the management of ongoing projects and in the number of very important projects that were launched. In line with the new approach developed in 2003, the contracting of large Plant Improvement Projects (PIPs) was launched in 2004 in favour of **Ukraine** (improvement of South Ukraine, Rovno and Khmelnytskyi). In parallel, similar large projects were started in **Russia** (Novovoronezh, Smolensk).

In 2004, the Nuclear Waste sector also saw the start of the Northern Dimension Environmental Partnership (NDEP) with the design of the Strategic Master Plan that will be used as a basis for the future implementation of the fund under EBRD management.

The environmentally friendly dismantling of the Chernobyl nuclear power plant is still underway, through the Chernobyl Shelter Fund for which the last part of the total pledge was committed, and is accompanied by the construction of a radioactive waste treatment plant to come into service in 2005-06.

– Regional co-operation

In the regional programme, major emphasis continues to be put on co-operation in energy and transport on the one hand and the fight against crime on the other hand.

In 2004, assistance was provided to develop the interconnection of energy networks (especially oil and gas pipelines) further through INOGATE (Interstate oil and gas transport to Europe), reinforce the transport corridors with TRACECA (Transport Corridor Europe-Caucasus-Asia) assistance, and enhance co-operation in environmental protection, with a special focus on water resources.

Help was also provided in the fight against terrorism and organised crime (money-laundering and trafficking in human beings). In addition, Tacis will continue its work fighting drugs through the BUMAD (Belarus, Ukraine, Moldova Action Drug Programme) in the Western NIS, SCAD (South Caucasus Action Drug Programme) in the Southern Caucasus and CADAP (Central Asia Drug Action Programme) in Central Asia, all now part of the comprehensive approach to promoting integrated border management in the region under the BOMCA (Border management in Central Asia) programme.

While regional co-operation between several countries of the region is sometimes facing resistance due to regional conflicts and disputes, the programmes have

²⁴ http://europa.eu.int/comm/europeaid/projects/tacis/tempus_en.htm

contributed to improving the situation by offering opportunities for co-operation during their implementation. Border management is also one of the crucial points of those programmes, especially in the context of the European Neighbourhood Policy.

Capacity Development for Senior Transport Sector Officials

The Capacity Development for Senior Transport Sector Officials project (for Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan) recorded significant achievements in 2004. The objective of this project, implemented within the framework of the TRACECA (Transport Corridor Europe-Caucasus-Asia) programme, is to transfer Western European know-how on best practices in the area of customs and transit transport facilitation to the concerned Ministries and agencies. This is done through the organisation of training courses/seminars and study tours for senior transport sector officials. The results of the first phase of the project are very positive, with more than 300 senior officials from all the countries actively participating in the different training courses that have been organised. Both public and private sector representatives have confirmed the usefulness of the training provided for the development of the transit transport sector in their respective countries. The project is also contributing significantly to the TRACECA IGC's (InterGovernmental Conference) and National Commissions' capacity building, and plays an important role in the promotion of the harmonisation of legislation, standards, rules and procedures in the transport sector of the region.

Besides the before mentioned EU-Black Sea – Caspian Basin Ministerial conference on energy, a similar Ministerial Conference on regional cooperation in the transport sector took place in Baku in November 2004.

– Cross Border co-operation

The Tacis Cross-Border Co-operation (CBC) programme reflects the policy objectives of Wider Europe and the European Neighbourhood Policy. It aims at addressing the common challenges arising from proximity, such as economic development of the border areas, environment, communicable diseases, illegal immigration, trafficking and people-to-people contacts.

The 2004 CBC Action Programme consists of two parts: the Neighbourhood Project Facility (€23 million) and Border Crossings (€20 million). The Neighbourhood projects will pave the way for the implementation of the New Neighbourhood Instrument in 2007 by developing management capacity and promoting a project pipeline.

2.2.4. *Assessment of the EC's contribution towards poverty reduction and towards the achievement of the Millennium Development Goals*

The social infrastructure that some Eastern Europe and Central Asia countries had inherited (whatever its quality, efficiency, reliability and accessibility) could have resulted in their having, at the beginning of the 1990s, more favourable statistical social indicators than some countries in other regions with similar income levels. The early transition stages may, on the other hand, have been concomitant with a deterioration in selected social indicators, including poverty levels. More recently, robust growth across the region has started to lead to poverty reduction, particularly in countries such as **Kyrgyzstan, Moldova and Russia**. Nevertheless growth will need to accelerate if the region is to meet the MDG poverty reduction goal. The

achievement of the education, health and environmental goals will require significant resource reallocations and major public sector and institutional reforms.

Although the Tacis Regulation does not specify poverty reduction as a direct objective, it nonetheless contributes to the fight against poverty through institutional reforms and measures to address the social cost of transition. Furthermore, an explicit reference to poverty reduction is now made in the Annual Action Programmes of countries such as **Armenia, Azerbaijan, Georgia, Kyrgyzstan, Moldova and Tajikistan** where a Poverty Reduction Strategy Paper has been developed. Under the 2002-06 Strategy Paper for Central Asia, the first poverty reduction projects started in 2004 in **Uzbekistan, Kyrgyzstan and Tajikistan**. The last two also benefit from the Food Security Programme.

As regards the education MDG, a number of countries in the region have made progress towards universal primary education, although **Armenia, Belarus, Georgia and Tajikistan** still need to make substantial progress to reach this goal by 2015. Gender equality in education will need to be kept under review as severe budget constraints appear to affect attendance in many countries of the region, although the MDG targets are nearly attained or have already been met.

The health MDGs present the greatest challenge in the region. On current trends, most Caucasus and Central Asian countries will not meet the child and maternal mortality MDGs. Progress in reducing mortality rates of children under five may be limited because utilisation rates at secondary hospitals are often lower than international averages. There are also concerns about quality and out-of-pocket payments acting as barriers to care. In the case of maternal mortality reduction, factors of poverty, distance and poorly performing hospital networks inhibit progress and, in some cases such as **Georgia**, maternal deaths are increasing rather than decreasing. However, the situation is notably better in **Azerbaijan, Belarus and Ukraine**, where those MDGs have either already been achieved or are likely to be so.

While absolute numbers may be lower than in other regions, the region is experiencing the world's fastest growing HIV epidemic. Tacis contributes to the fight against the spread of communicable diseases such as HIV/AIDS and tuberculosis, notably in **Azerbaijan and Ukraine**.

While on the basis of access to improved water sources, the region appears to be doing relatively well, there has been little investment in water infrastructure and water quality is becoming a serious issue. The EU Water Initiative aims to contribute to making drinking water meet biological and chemical standards. In this respect, a project on the development of the Caspian Sea Framework Convention and marine strategies was approved in 2004. Another project was accepted contributing to environmental collaboration in the Black Sea region, by strengthening institutions and regional collaboration. This project also aims to support further co-operation in the development, implementation and enforcement of water legislation for **Moldova, Ukraine, Russia and Georgia**, taking into account agreed action plans from the Black Sea Commission.

2.2.5. *Co-operation with Member States and other donors*

Co-operation with other donors in the Tacis countries continues to be intensified.

Co-ordination has been fostered in **Georgia** with Germany, US departments and the World Bank in the field of judiciary reforms and law enforcement. Further co-operation will be developed with relevant NGOs working in this field. In the primary health care sector, the EC Delegation signed a Memorandum of Understanding with the Georgian Ministry of Health, the World Bank and the UK Department for International Development (DFID) on a common approach and co-operation. Co-operation was intensified in **Ukraine** and **Moldova**, with the EC Delegation of Kyiv launching a process towards a sector approach. This newly developing sector approach is now involving the European Commission in more and more joint working groups. Some of them already function (as in the health sector), others will follow.

In **Azerbaijan**, several projects are co-ordinated with the EBRD in the transport sector, and with the World Bank for projects related to social protection. Support to the border management services and customs is also co-ordinated with the US. In general, co-ordination with the World Bank and the Asian Development Bank (ADB) regarding the implementation of the Poverty Reduction Strategy Paper (PRSP) approach is considered as essential and therefore promoted.

In **Russia**, the EC Delegation maintains regular dialogue with Member State embassies, the international financial institutions and other major donors. A series of co-ordination meetings with the EU Member States hosted by the Delegation every three months has been set up.

In **Central Asia**, efforts on donor co-ordination have intensified, not least thanks to the opening up of the regionalised Delegations in **Tajikistan** and **Kyrgyzstan**. Furthermore, the latter is a pilot country for implementation of the Rome Declaration on harmonisation of donor activities. A Steering Committee consisting of representatives of government and the donor community has been established in that context.

2.2.6. Overview results-oriented monitoring (ROM)

In 2004, 282 projects for a total budget of €479 million were monitored in this region, producing 419 reports and showing globally very good results: these have been maintained over the last two years now, with only statistically insignificant variations²⁵.

2004 by priority area in Tacis	Trade & development	Regional integration	Macroeconomic & social sectors	Transport	Food security & rural development	Institutional capacity / good governance	Other	Total / Average
Number of projects monitored	98		41	12	31	83	17	282
€ million covered	153.4		71.8	20.2	57.7	156.6	19.3	479.0
Scores								
Relevance	2.79		2.75	2.45	2.55	2.56	2.75	2.66
Efficiency	2.69		2.86	2.95	2.70	2.57	2.90	2.70
Effectiveness	2.83		3.00	2.90	2.70	2.63	2.85	2.78
Impact	2.84		2.95	2.65	2.84	2.69	3.00	2.80
Sustainability	2.90		2.88	2.65	2.75	2.68	3.00	2.80
Average	2.81		2.89	2.72	2.71	2.63	2.90	2.75

Scores can range from 4 (excellent performance) to 1 (serious deficiencies in performance). A 2.5 score indicates that performance is on track, and achieving expected results.

2004 is the first year of the exclusive application of the ROM approach, the earlier activity/input monitoring having been phased out.

High ratings for *Effectiveness*, *Impact* and *Sustainability* in Tacis reflect generally adequate formulation of achievable project purpose which, in combination with reasonable *Efficiency* of Implementation and appropriate support of properly defined Project Partners, ensures good prospects for contribution to wider objectives. Simultaneously, such an environment increases project ownership, thus also resulting in a better *Sustainability* score. Tacis projects feature an operational update of

²⁵ For more information on methodology and ratings, please refer to chapter 5.8.2.

planning, at the start of effective implementation, and this contributes to the chances of success.

2.2.7. Conclusions and perspectives

With EU enlargement, several countries of Eastern Europe and the Southern Caucasus have become immediate neighbours. In response, the European Commission has proposed the introduction of a new Neighbourhood instrument from 2007 to replace Tacis and other instruments. The European Neighbourhood and Partnership Instrument (ENPI) will provide a more comprehensive approach to the specific opportunities and challenges arising from closer geographical proximity of the EU and its neighbours, and promote progressive economic integration and deeper political co-operation.

It is also proposed that EC co-operation with the countries of Central Asia should be covered by a new financial instrument from 2007 onwards: this will support development and economic co-operation, with the ultimate aim of reducing poverty.

In the meantime, Tacis forms the bridge to these new instruments. The Commission will continue to give priority to improving the speed and quality of its assistance programmes in the region. This will involve further devolution to the EC Delegations in the region, the reinforcement of those delegations, and the introduction of new initiatives, in particular in Neighbourhood and cross-border programmes.

2.3. Mediterranean and Near and Middle East

2.3.1. Introduction

The Barcelona Process, the Association Agreements and the European Neighbourhood Policy Action Plans provide the strategic framework for an enhanced Euro-Mediterranean Partnership. Although the year 2004 was marked by the continuation of the Middle East conflict and the war in Iraq, some promising strategic events occurred. In Iraq, the elections of a Transitional National Assembly and a governorate council, as well as the elections of the new Kurdish Assembly, have represented significant democratic steps that cannot be ignored. Other major developments were the Conference of Neighbourhood Countries held in Sharm el Sheikh, the handover of power from the Coalition Provisional Authority to the Interim Iraqi Government on 28 June 2004, and the implementation of donor support through the International Reconstruction Fund Facility for Iraq (IRFFI). In the Middle East conflict, the year gave serious reasons for hope with the re-launching of the peace process and preparations for the upcoming Palestinian Presidential elections, as well as prospects for the implementation of the Israeli withdrawal from the Gaza Strip in 2005.

At the economic level, the countries of the southern Mediterranean region are still characterised by a high unemployment rate and stagnating average income – almost 10 times lower than the European level. This makes growth a vital economic and political objective for all these countries. There was a continuation of the economic reform process in 2004, but acceleration will be required in most of these countries in order to meet the challenges of growth and sustainable development. To achieve this, Mediterranean countries will need to vitalise the private sector by creating a more

conducive environment for domestic and foreign investors alike. This should include an appropriate regulatory framework that secures property rights, stimulates reform of public administration and the state-owned parts of the economy, and ensures a restructuring and modernisation of the financial sector.

2.3.2. *Evolution of EU co-operation*

– Priorities and key initiatives during 2004 in the Mediterranean region

In 2004, the Commission continued the ongoing implementation of Euro-Mediterranean co-operation, and notably the MEDA Programme, aiming to promote sustainable economic and social development by eradicating poverty in Mediterranean third countries. This also implied bringing forward measures to promote intercultural dialogue and support to democracy and development in South Mediterranean civil societies. As a complement to the existing Mediterranean programmes, the Commission initiated in 2004 a deeper, more inclusive and consistent relationship with the eastern and southern neighbours of the enlarged EU. The effective launch of the European Neighbourhood Policy (ENP) and the stabilisation of the Middle East thus continued to be at the core of the Commission's efforts in 2004.

– Enhanced stability and regional integration

In the Middle East, prospects for better regional co-operation increased after the Israeli announcement of its disengagement plans from Gaza and parts of the West Bank. Other hopeful developments were the political transition in the Palestinian Authority and the preparations for Palestinian Presidential elections to be held in January 2005 with EU support and the presence of neutral European observers.

The first five national Action Plans for Mediterranean Partners under the ENP, drawn up in close consultation with the countries' national authorities, were presented by the Commission and endorsed by the European Council in December 2004. These Action Plans laid the operational framework for future Euro-Mediterranean bilateral co-operation with **Israel, Jordan, Morocco, the Palestinian Authority and Tunisia** over a period of three to five years. At regional level, the Commission adopted the first Neighbourhood Programme focusing mainly on the energy and transport sectors (€35 million for 2004-2006), especially on the integration of the Euro-Maghreb electricity market, the creation of an Euro-Mashrek gas market, the development of energy interconnections between Israel and the Palestinian Authority, the promotion of an Euro-Mediterranean air space, the reinforcement of maritime safety and security, the promotion of Galileo and the setting up of a joint transport office between Israel and the Palestinian Authority.

– Economic development and support to private sector reforms

Economic growth in the Mediterranean region improved in 2004 as a direct consequence of increased oil prices and high world trade growth. However, despite this economic improvement, growth rates remain insufficient to address the employment challenge in the region. The network of Association Agreements with Mediterranean Partners was completed in October 2004 with the conclusion of negotiations with **Syria**, which gave a new impetus to the MEDA co-operation

projects with this country. Although the stalemate in the Peace Process continued to have a negative impact on the region's economic performance, renewed interest in comprehensive economic reform – in particular reform in the areas of external trade, financial sector development and privatisation – was evident in **Algeria, Egypt and Syria**. The MEDA programme continued to provide critical support in these areas, both under sector reform programmes and through the provision of technical assistance.

– Social and human development

Thanks to training and, more generally, capacity-building initiatives provided by EuropeAid, as well as a continuous dialogue with the relevant stakeholders and beneficiaries, sector support is clearly becoming a privileged tool for EU co-operation in the social development area. Indeed 2004 recorded a further development of policy reform-oriented programmes in sectors such as education and vocational training (**Morocco and Tunisia**). Also, new and promising poverty alleviation initiatives focused on decentralised local development processes were launched in partnership with beneficiary countries (**Jordan and Yemen**). Moreover, it is worth mentioning that, following on the EC Communication on 'Reinvigorating EU Actions on Human Rights and Democratisation with Mediterranean Partners', new initiatives to strengthen democracy, Human Rights and a major involvement of civil society are also under way in **Algeria, Morocco, Lebanon, Jordan, Egypt, Syria and Yemen**. Attention is particularly drawn to the socio-economic, civil and political rights of women in these programmes. This complements steps already taken towards enhancing the access of women to education, training and the employment market, in the framework of the relevant programmes adopted for **Morocco and Tunisia**, as well as the regional programme promoting the role of women in economic life.

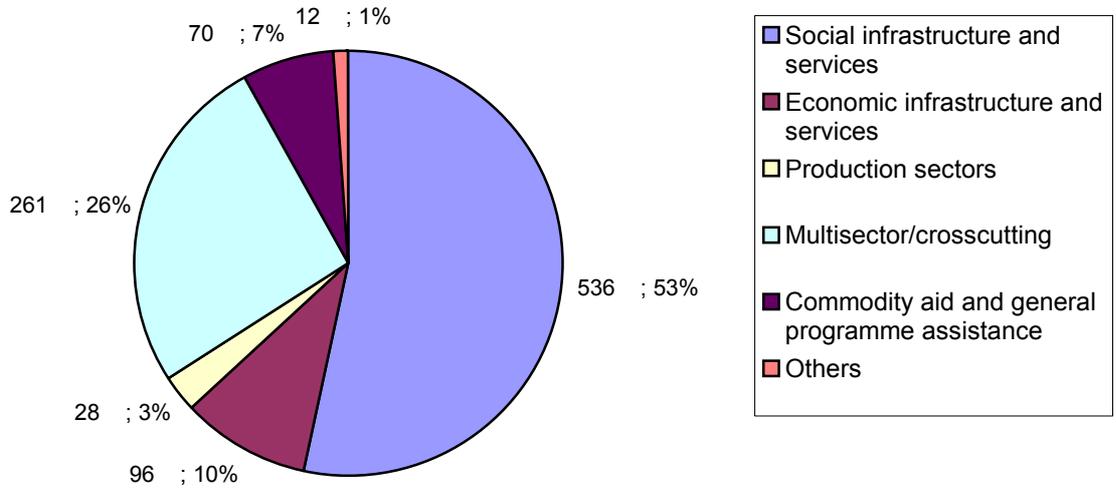
2.3.3. *Implementation*

In terms of financial performance, the year 2004 was a record year with a Payments/Commitments ratio reaching 112% for all Mediterranean and Middle East budget lines. For MEDA only, commitments amount to €700 million and payments to €800 million, with a Payments/Commitments ratio reaching 115%. Indeed, the total amount of payments made for 2004 alone is equivalent to the total amount of payments made during the MEDA I period (1995-1999).

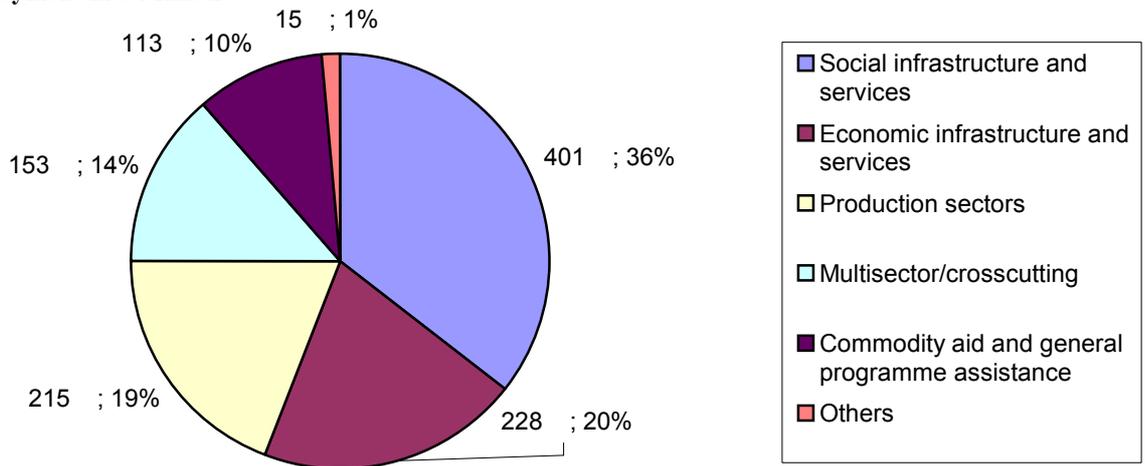
External aid financed on the General Commission Budget managed by EuropeAid 2000-2004					
€ million	2000	2001	2002	2003	2004
Commitment	731	709	762	782	1.003
Payment	459	488	707	700	1.125

Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2004

Commitment in € Million

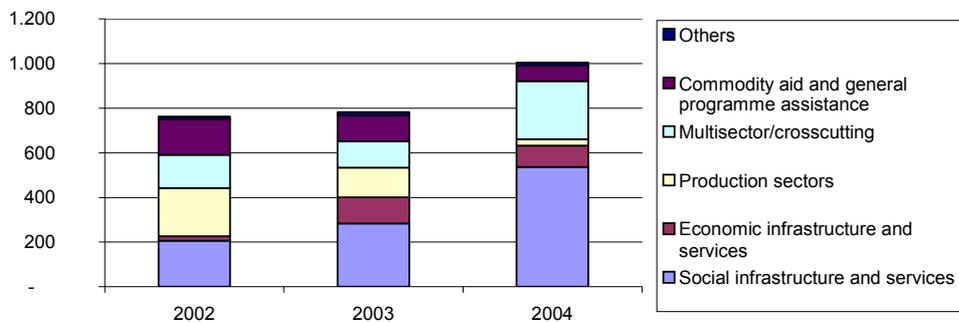


Payment in € Million



Bilateral and Multilateral ODA/OA (EuropeAid only).

Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid. Commitment 2002-2004



Bilateral and Multilateral ODA/OA (EuropeAid only). Amount in € Million.

As regards the dispatching of funds per sector of co-operation in 2004, an increasing part of commitments falls in the social sector, which represents the largest part of the EuropeAid budget with 53% of total funds. Aid to multisector/crosscutting issues was second with 26% of the external aid managed by EuropeAid in 2004, and support to economic infrastructure and services represented 10 % of the total. The remaining 11% were allocated to production sectors and various other assistance programmes.

In 2004, bilateral and regional co-operation activities in the Mediterranean region were characterised by the approval and implementation of programmes and projects relating to private sector reforms, regional integration, social and human development, Association Agreements, governance and infrastructure. Apart from the ongoing implementation of the MEDA Programme, 2004 also saw the effective launch of the European Neighbourhood Policy (ENP) and a window of opportunity for peace in the Middle East.

– Enhanced regional integration

In 2004, regional co-operation activities in the Mediterranean region represented 20% of total funds engaged in the MEDA Programme. In respect of the Political and Security Chapter of the Barcelona Process, in the framework of the Justice, Police and Migration Programme, the Justice strand extending EuroMed co-operation to judges was launched, while the first training activities got under way within the Police and Migration strands.

As regards the Economic and Financial Chapter, a number of workshops under the EuroMed Market Programme were held to prepare for the Euro-Mediterranean Free Trade Area, and a project was also initiated to help the countries that signed the Agadir agreement (**Egypt, Jordan, Morocco and Tunisia**) operate their own smaller free trade area. The Euromed transport project produced an exhaustive diagnostic study on the transport situation in the Mediterranean partner countries. A new regional project on satellite navigation was launched aiming at promoting the EGNOS (European Geostationary Navigation Overlay Service) and Galileo applications and services in the region. Two regional programmes on training got under way, one for public administrations and the other on education and training for employment. Various regional projects in the fields of energy, (including photovoltaic pumping for electricity production), environment (see below) and the information society produced tangible results in 2004. In the framework of the EUMEDIS programme covering 21 pilot projects in the areas of health, e-commerce, tourism and cultural heritage, industry innovation and research, education and training, preparations were made for a Virtual Euro-Mediterranean Hospital (within the framework of EMISPHER - Euro-Mediterranean Internet-Satellite Platform for Health, Education and Research). The MEDSTAT Programme on statistical co-operation was also recently reinforced.

Finally, within the Social, Cultural and Human Chapter, the 2nd Euromed Audiovisual Programme focusing mainly on film distribution and marketing was launched. A number of exhibitions, training courses, concerts and master classes were held in the context of various Euromed Heritage projects, and preparations for action under the Information and Communication Programme got under way. Last but not least, the Anna Lindh Euro-Mediterranean Foundation for the Dialogue

between Cultures was created in 2004 and will receive MEDA support for its activities.

Preserving and managing marine and coastal biological diversity (Regional Programme)²⁶

This project, co-financed under the Regional Environment Programme (SMAP II) aimed to assist seven Mediterranean countries in the conservation and sustainable management of their marine and coastal biological diversity. The project contributed towards developing management plans for protected areas and identifying sites hosting habitats of interest with a view to establishing additional protected areas. Underwater ecological assessment formed part of this work. The operation, which lasted for almost three years and came to an end in early 2005, was carried out in coastal areas in Algeria, Cyprus, Israel, Malta, Morocco, Syria and Tunisia. A particular feature of the project is that it covers entire ecosystems, addressing both marine and coastline issues. Capacity building activities, consultation with stakeholders, as well as considerations relating to tourism development and fisheries management were also included. Activities were managed by the Regional Activity Centre for Specially Protected Areas (RAC/SPA) based in Tunisia, with the participation of three European partners in France, Italy and Spain.

- Economic development and support to private-sector reforms

Maintaining a viable macroeconomic framework is an essential condition for trade and private-sector development as well as for social stability. In this context, a number of important initiatives were undertaken with Mediterranean countries in 2004. For example, in close co-ordination with the World Bank, a new sector reform programme was agreed with **Morocco** with a view to improving the management of the government's budgetary and human resources: the MEDA contribution to this programme will amount to €79 million. In **West Bank Gaza**, important efforts were made to improve public financial management, including the strengthening of internal and external audit. In this context, the Commission contributed an amount of €65 million to the World Bank's Public Finance Reform Trust Fund. The World Bank established this Trust Fund with EC support, with a view to co-ordinating the contributions of the international donor community more effectively. In **Syria**, two important programmes were agreed in support of the economic reform agenda: a €6 million banking sector support programme and a €8 million programme focusing on areas for which the Ministry of Finance is competent (taxation, financial and budget management).

- Social and human development

In addition to the ongoing project portfolio, eleven new projects were initiated in favour of the social and human development of the MEDA region. These new projects impact on various sectors such as education in **Algeria**, and vocational training for Palestinian refugees in **Syria** and **Lebanon**. Initiatives were also financed in **Jordan** and in **Yemen** to reduce poverty through local development and social funds, and to manage the social impact of industrial restructuring (the spinning and weaving industry) in **Egypt**.

In addition, the European Commission continued to implement the Tempus programme²⁷ which was extended to the MEDA countries in 2002. The programme

²⁶ website : <http://www.medmpa.net/>

²⁷ <http://www.etf.eu.int/tempus.nsf>

implementation was guided by national priorities focusing on issues such as accreditation, quality assurance and university management. In 2004, the European Commission committed a total of € 23.3 million for university co-operation projects involving institutions from the MEDA countries.

In 2004, the EC allocated a total of €217.5 million to reconstruction in **Iraq**, making the Commission one of the most important donors in terms of funding level. Funding was primarily channelled through the International Reconstruction Fund Facility for Iraq via the United Nations Trust Fund and the World Bank Trust Fund. This assistance was mainly dedicated to combating the day-to-day challenges facing Iraqis through supporting projects in the fields of education, health, water and sanitation, rural development, income-generating activities, and Human Rights and civil society, as well as electoral support to the January 2005 elections.

In the social field, the EU intervention in favour of the **Palestinian Territories** continued to be focused on emergency needs in 2004, notably through the World Bank Trust Fund Emergency Support Services Programme (education and health), and on technical assistance to the Palestinian Authority.

Jordan - Support to Poverty Reduction through Local Development

This €30 million support programme builds on existing experiences with local development and poverty reduction in Jordan, in the wave of the ongoing Jordan decentralisation process, while developing more effective approaches and strategies. Multidimensional local development plans will address economic, social, environmental and institutional issues that affect the livelihoods of the poor. In addition, assistance is provided in designing strategies for poverty reduction and local development. The programme will reinforce capacities and competencies at the national, governorate and local levels. Jordanian policy reform efforts are supported by a sector-wide approach programme channelled through the National Budget, allowing Jordanian authorities to launch and maintain viable local development processes in poor areas and offer perspectives for improved living conditions, in particular for deprived population groups. These processes will be characterised by an increased delivery of quality public services, improved human and institutional capabilities and active participation of local communities.

– Association Agreement, Governance and Infrastructure

In the areas of institutional support, governance and rule of law, several projects have been prepared or implemented in response to the growing importance of the Justice and Home Affairs sector in co-operation programmes with Southern Mediterranean and Near and Middle East countries.

Projects related to migration issues and judicial system reforms have been signed with **Morocco**, **Algeria** and **Tunisia**. In **Syria**, the Municipal Administration Modernisation project has been finalised and the financing agreement signed.

There has been steady progress in the implementation of the ongoing Association Agreement Support Programmes (AAAs). The first ‘twinning’ projects in the area were launched by **Jordan**. The first projects in **Morocco** are in the last stages of preparation. The Annual Work Plans for **Lebanon** and **Tunisia** were approved. Two ‘twinning’ projects were submitted by Lebanese administrations to the Member States. In relation with the Association Agreement Support Programmes (AAAs) and in particular with the institutional ‘twinning’ component, European Commission headquarters have been developing a common legal and procedural framework for all

the regions concerned (Phare, CARDS, Tacis and MEDA), including the preparation of a thesaurus of existing projects and a harmonised manual of procedures.

New projects in 2004 have dealt with the water sector and environmental issues, mainly in **Morocco, Lebanon and Jordan**. Additional new projects have concerned the rehabilitation of rural areas in **Algeria** and the transport sector in **Morocco**.

2.3.4. *Assessment of the EC's contribution towards poverty reduction and towards the achievement of the Millennium Development Goals*

Despite the fact that a majority of MEDA countries are considered to be middle-income ones, their present level of development – combined with weak economic growth, demographic pressures, the effects of economic reforms and controversial governance – have induced a growing structural pauperisation of important strata of the population. All these factors justify the need to make poverty alleviation one of the main priorities of EU co-operation policies in the region.

Subject to a regular dialogue with the partner countries, economic co-operation makes a critical contribution to poverty reduction – in particular by increasing capacity for growth and addressing the Mediterranean region's employment challenges. Appropriate attention was therefore paid to various aspects of the labour-intensive component of economic growth and the functioning of the labour market.

EU support is driven by the recognition that sound economic policies, leading to economic growth, are probably the most powerful engines for poverty reduction. At the same time, as experience demonstrates, these policies are often insufficient in tackling the multiple aspects of the poverty challenge. EC-supported sector policies in education, health, housing and water therefore also aim to ensure fair access of the poor to these basic services. More generally, the social consequences of economic transition are to be addressed through the setting up of mechanisms to reduce inequalities, including the development of appropriate social protection mechanisms. Also, policies and initiatives targeted at the most vulnerable groups of the population or at deprived areas aim to provide income-generating opportunities through Social Development Funds or through territorially based programmes. Beyond the need to help poor people overcome their feelings of powerlessness, these EU-supported projects recognise the importance of launching empowerment initiatives to elevate the neediest as the object of policies to the status of being participants in their own future.

The fight against poverty at the regional level remains a key priority of the MEDA programme. This is clearly the case with operations boosting investment, such as the training sessions, exchanges of best practice and other activities of the Euro-Mediterranean Network of Investment Promotion Agencies established under the ANIMA Programme. The Internet-based Mediterranean Investor's Guide has a similar role to play. Programmes and projects with a training component related to employment (Education and Training for Employment, Euromed Heritage, and Euromed Audiovisual) are also instrumental in creating jobs, directly or indirectly. Euromed Heritage and Euromed Audiovisual both help develop existing economic activities and set up new ones in their respective fields, thereby creating new job opportunities. The new Education and Training for Employment project will support self-employment and the creation of micro-enterprises, in addition to initiatives

designed to promote more active employment policies among the Mediterranean Partners.

UN Millennium Development Goals (MDGs) relevant to the Mediterranean region include several key priorities, notably environmental sustainability which is at the heart of the SMAP (Short and Medium-term Priority Environmental Action Programme) Regional Programme and also legitimises integrated local water management, as well as waste and coastal zone management and the fight against desertification. Improving good governance is also one of the strategic goals, notably in the form of training activities under the justice, police and migration programme. Finally, important issues such as developing the information society and empowering women are also furthered through pilot projects under the Euro-Mediterranean Information Society Programme (EUMEDIS): this helps bring the benefits of the information society to the Mediterranean region in, for example, the health and tourism sectors. In addition, the new 'Role of Women in Economic Life' programme will play a major role in support of empowerment of women.

Co-operation for rural development has continued to target the enhancement of living conditions in rural areas. This includes the creation of new employment opportunities and the improvement of water resources management, increasing water supplies and access to sanitation for local populations. Initiatives planned in the energy sector encourage the improvement of energy efficiency and the use of cleaner sources of energy, mostly natural gas.

2.3.5. *Co-operation with Member States and other donors*

The Regional Indicative Programme 2002-04, which provided the framework for the year's regional activities, takes the plans of other donors into account. To this end, all regional programmes and projects are subject both to approval by representatives of the EU Member States sitting on the MED Committee and to adoption by the European Commission. Other opportunities for consultations with representatives of the EU Member States and for monitoring MEDA regional activities are the meetings of the Euro-Mediterranean Committee of the Barcelona Process ('EuroMed Committee'), as regards the Economic and Financial Chapter of Barcelona, and those of senior officials of the Euro-Mediterranean Partnership responsible for political and security issues with regard to their own areas of competence. Finally, regular meetings with other international donors are held in relevant areas such as environment, energy and transport.

In addition to a continued dialogue with the Bretton Woods institutions, focusing on the main economic trends in the Southern Mediterranean region, important new operational synergies were developed in 2004. In particular, the preparation of the public administration reform programme in **Morocco** paved the way for the first project-specific agreement in the region, between the World Bank and the European Community, designed to introduce operational co-operation based on the joint preparation and supervision of programmes. This co-operation not only aims to avoid duplication and reduce the costs for the donors and beneficiary countries, but also to enhance the capacity to influence the design and accompany the implementation of the reform process in the countries concerned. It should also be noted that a specific approach to reinforced co-ordination with the World Bank was adopted for the Public Finance Reform Trust Fund for the **West Bank and Gaza**. Project-related co-

ordination is also taking place with the African Development Bank in the context of the water and transport reform programmes in Morocco.

As regards social and human development issues, the Commission has enhanced local co-ordination and Member States have been systematically consulted on the new initiatives. Co-ordination with relevant projects supported by Member States or other major donors has also been ensured. Briefings during special sessions of the MED Committee on social thematic issues, such as poverty alleviation policies, have also been held. In addition, the EC participates in the recent G8 initiatives (introduced at the Sea Island meeting in June 2004 and followed by the Rabat Conference ‘Forum for the Future’ held in December 2004) with a view to strengthening literacy and the educational and vocational training systems in the Broader Middle East and North Africa (*BMENA*) area (MEDA countries plus **Gulf** countries, **Afghanistan** and **Pakistan**), capitalising on the approach and results of the Barcelona Process. In **Iraq** and the **West Bank and Gaza** in particular, policy and working co-ordination with Member States, major donors and international organisations, such as the United Nations and the World Bank, have been strengthened through *ad hoc* structures such as the Ad-hoc Liaison Committee for West Bank and Gaza Strip and, in the case of Iraq, through the International Reconstruction Fund Facility (IRFFI) and more informal channels such as the Iraq Core Group. Several projects are also being developed together with UNDP to improve the living standards of the refugee camp populations.

Finally, with regard to the Association Agreement Support Programmes, they have introduced institutional ‘twinning’ in the MEDA region, a co-operation instrument relying on the Member States for their implementation. Several projects, in the form of interest rates subsidies, have also been implemented in the water and environment sectors in close co-operation with the European Investment Bank.

2.3.6. Overview results-oriented monitoring (ROM)

In 2004 the external monitors in charge of the ROM issued a total of 133 reports covering a total budget of €1.8 billion concerning the Mediterranean region, showing globally excellent results which have now been maintained over a period of three years with only statistically insignificant variations²⁸. Reports cover both bilateral and regional projects.

Average rating by priority area								
2004 by priority area in the Mediterranean /Middle East	Trade & Dev	Regional integration	Macro-economic	Transport	Food Security	Institutional capacity	Other	All
Number of projects monitored	13	58	17	2	16	26	1	133

²⁸ For more information on methodology and ratings, please refer to chapter 5.8.2

€ million covered	549.15	268.84	479.76	24.7	136.27	298.55	2.00	1777.27
Scores								
Relevance	2.54	3.00	2.88	3.50	2.81	2.62	4.00	2.86
Efficiency	2.77	2.88	2.59	3.00	2.56	2.69	2.00	2.75
Effectiveness	2.62	2.86	2.88	3.00	2.75	2.73	2.00	2.80
Impact	2.46	2.93	2.71	3.00	2.75	2.54	2.00	2.75
Sustainability	2.62	2.97	2.71	2.50	2.63	2.85	3.00	2.83
Average	2.60	2.93	2.75	3.00	2.70	2.68	2.60	2.80

Scores can range from 4 (excellent performance) to 1 (serious deficiencies in performance). A 2.5 score indicates that performance is on track, and achieving expected results.

A comparison of results issued in previous years shows that quality of projects has improved. Findings in 2004 reinforce observations made in previous years, for example that, if a project enjoys certain flexibility in implementation, its efficiency, effectiveness and impact are likely to be better.

In the MEDA region a particular effort was made on projects with ratings indicating major problems in at least one of the five criteria (relevance and quality of design during the period, efficiency of implementation, effectiveness, impact and potential sustainability). Further improvements of the very good ratings for regional projects may be attributed to the close follow-up of recommendations from monitoring.

2.3.7. *Conclusions and perspectives*

The operational results of Euro-Mediterranean co-operation in 2004 show a remarkable improvement in the implementation of the different Mediterranean programmes (notably MEDA, but also the other budget lines relating to aid to the Palestinians and support to the reconstruction effort in Iraq). They reflect the best financial results ever reached since the beginning of the Euro-Mediterranean Partnership. In 2005 and for the years to come stability and safety on the one hand and sustainable and interdependent economic development on the other hand remain the two strategic priorities for the Mediterranean region.

As regards stability and regional security, the continuation of peace efforts in the Middle East is more than ever the imperative for 2005. Indeed, the new geopolitical deal which is taking shape in the Middle East with the announced withdrawal of Israel from the Gaza Strip and the transition of power within the Palestinian Authority lays the foundations for continued EU support in favour of the 'road map' and renewed dialogue between the parties concerned.

Regarding co-operation with **Iraq**, the reconstruction efforts will be pursued in agreement with the Iraqi Transitional then elected Government and other donors, including the international financial institutions and the United Nations. In 2005 a

new package of support to the Iraqi reconstruction effort will be provided, amounting to €200 million. It is intended that this amount should support basic services – education and health – as well as income-generating activities and the strengthening of Iraqi institutions, starting with those in the energy and trade sectors. The package will also maintain the EC's support to the political and constitutional process, including respect for Human Rights.

Concerning sustainable economic development and enhancement of the existing partnership with the neighbouring countries of Eastern Europe and the Southern Mediterranean, 2004-06 will constitute a vital transitional period marked by the operational implementation of new trans-national and cross-border programmes in the Southern Mediterranean region amounting to €45 million. Finally, the implementation of the new European Neighbourhood and Partnership Instrument (ENPI) as of 2007 will strengthen economic and social integration and democratic reforms, and will allow closer and long-term stabilised relations with the neighbouring Mediterranean countries.

2.4. ACP countries and OCTs

2.4.1. *Introduction*

Africa, the Caribbean and the Pacific saw many grounds for hope in 2004. African-led attempts to restore peace, funded substantially by the EC, started to yield results. The African Union inaugurated a Peace and Security Council to deploy troops to prevent genocide and crimes against humanity, and to keep the peace, and promptly sent peacekeepers to **Burundi** and ceasefire monitors to Darfur in the **Sudan**. EC-funded talks between warlords and politicians led to the inauguration of a new parliament in **Somalia**, which in turn appointed a prime minister, and a post-conflict programme financed by the EC in **Sierra Leone** had disarmed more than 70 000 soldiers by year-end. In addition, long-running conflicts neared resolution in **Senegal**, in southern Sudan, and along the **Ethiopia-Eritrea** border.

Many African countries also continued their efforts to improve the way they are governed, with financial support from the EC. Free and fair elections, partly funded by the Commission, were held in **Ghana**, **Guinea-Bissau** and **Niger**, and voters in the **Central African Republic** approved a new constitution.

In addition, some African economies saw significant growth. Oil production in **Angola** grew to a million barrels per day, **Gabon** signed a deal to export oil to China, and by year-end, **South Africa**'s trade with the rest of the continent had increased by 300% from 1994 levels, with annual exports up fourfold to almost €5 billion.

However, challenges and threats to long-term stability and growth remained, especially in Africa. Pro-government militia killed thousands of African villagers in the Darfur region of the **Sudan**. Civil conflict returned to **Côte d'Ivoire**, coups were attempted in **DR Congo**, **Equatorial Guinea** and **Mauritania**, and President Aristide of **Haiti** was forced into exile after a violent uprising.

Nor did Africa's economy fare much better. Senegal's President Abdoulaye Wade, who launched the New Partnership for Africa's Development (NEPAD) with three

other African leaders in 2001, claimed results so far had been ‘disappointing.’ Furthermore, all three ACP regions remained disproportionately susceptible to natural disasters. **Swaziland** and **Kenya** faced food crises after rains failed, and in **Mali** a locust plague cut harvests by 40%. Hurricane Ivan wrought devastation in the **Dominican Republic, Grenada, Haiti** and **Jamaica**, while at year-end the Asian tsunami killed hundreds and displaced thousands more in **Somalia**.

2.4.2. *Evolution of EU co-operation*

Outgoing European Commission President Romano Prodi’s visit to Africa in February underlined the importance the EC attaches to its relationship with ACP countries. Addressing heads of state at an extraordinary African Union (AU) summit in Libya, President Prodi praised the AU’s “dynamism” and the “impressive pace” of its progress so far.

Several major initiatives in 2004 further strengthened this commitment and sought to increase its impact. Indeed, EC co-operation focused more than ever on facilitating African-led solutions to the continent’s problems, and on empowering ACP administrations to conceive and deliver them. At the regional level, the Commission launched the €250 million African Peace Facility, through which the EC finances peace-keeping undertaken by the African Union (AU) and sub-regional entities such as the Central African Economic and Monetary Community (CEMAC) and the Economic Community of West African States (ECOWAS).

At the national level, the EC continued to devote a large share of its aid to ACP countries to budgetary and sectoral support – 30% of programmes approved in 2004 – and to work with other donors to assess more effectively the impact of such support.

It also launched the innovative ACP-EU Water Facility with a total budget of €500 million (first tranche of €250 million agreed in 2004). This will fund proposals from community groups, private companies and other non-state actors, in addition to central governments, historically the EC’s principal partners in development. The Commission hopes thereby to channel funds through entities directly involved in widening access to water and sanitation and to encourage further private-sector investment. It was also preparing a similar energy facility in 2004.

Furthermore, the year saw the signing of a new EC-Africa partnership on cotton, part of the Commission’s plan to help African economies heavily dependent on agricultural commodity exports. The partnership aims to limit developed countries’ subsidies to their cotton farmers, and to help African producers become more competitive.

Moreover, the Commission continued in 2004 to fund programmes in 20 Overseas Countries and Territories (OCTs). These are territories linked constitutionally to the

UK (11 OCTs), France (6), the Netherlands (2) and Denmark (1), with a total population of around one million²⁹.

2.4.3. Implementation

The EC finances most of its development programmes in ACP countries and OCTs from the European Development Fund (EDF), to which EU Member States jointly contribute. In addition, the Commission funds other ACP programmes from the EC budget. From these two sources, the Commission made global commitments for official development assistance (ODA) in 2004 of €2 570 million and paid out €2 528 million, continuing its recent year-on-year acceleration in disbursements.

EC external assistance: commitments and payments to ACP countries and OCTs					
from the EC Budget and the European Development Fund (EDF) (€ million)³⁰					
	2000	2001	2002	2003	2004
Commitments	4 207	2 092	2 278	3 897	2 570
Payments	1 789	1 913	2 087	2 484	2 528

External aid financed on the General Commission Budget and the European Development Fund (EDF) managed by EuropeAid in 2004						
	Commitment			Payment		
	Budget + EDF	EDF	Budget	Budget + EDF	EDF	Budget
Africa	2.095	1.951	144	2.036	1.919	117
Caribbean	223	195	28	130	123	7
Pacific	51	51	-	51	51	-
Overseas Countries & Territories	31	31	-	31	31	-
ACP Unallocated	170	170	0	281	281	0
Total	2.570	2.398	172	2.528	2.405	124

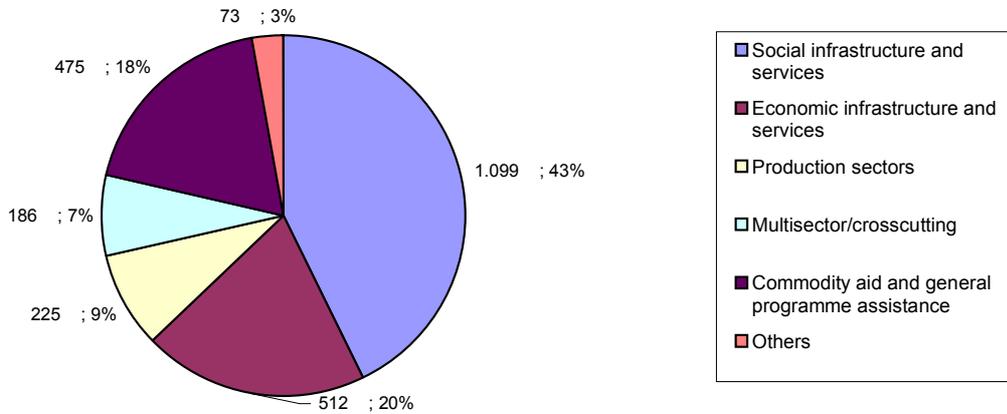
Bilateral and Multilateral ODA/OA (EuropeAid only). Excl non-ODA/OA resources (Peace facility,...).

²⁹ Annex II to the EC Treaty lists 21 Overseas Countries and Territories (OCTs) with which the EC has a close link. The Council takes an Overseas Association Decision every ten years to define this link in practice, but the decision does not apply to Bermuda, at its request. So the Commission has direct relations with only 20 of the 21 OCTs.

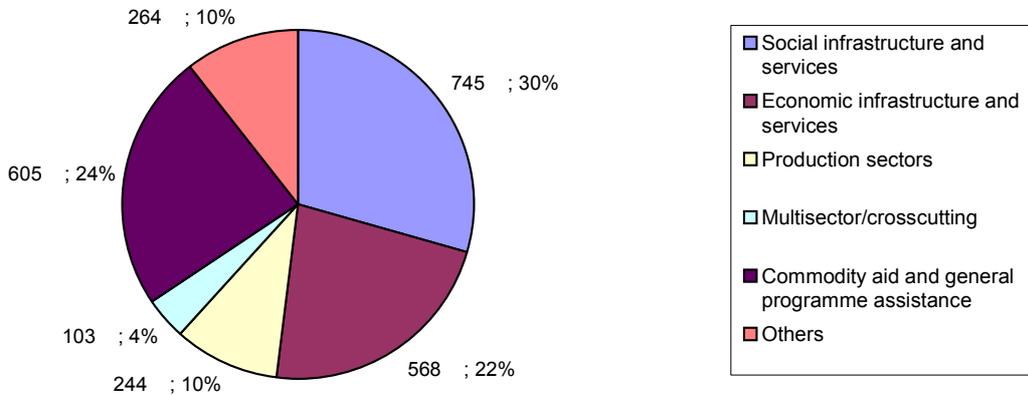
³⁰ To allow comparison with other regions, this table covers only the EC's Official Development Assistance (ODA), as defined by the OECD. It does not include the EC's peace support operations (i.e. the African Peace Facility and programmes in Burundi and Côte d'Ivoire). Commitments for peace support in 2004 amounted to €250 million, and payments to €60 million

Breakdown by sector of external aid financed on the General Commission Budget and the European Development Fund (EDF) managed by EuropeAid in 2004

Commitment in € Million

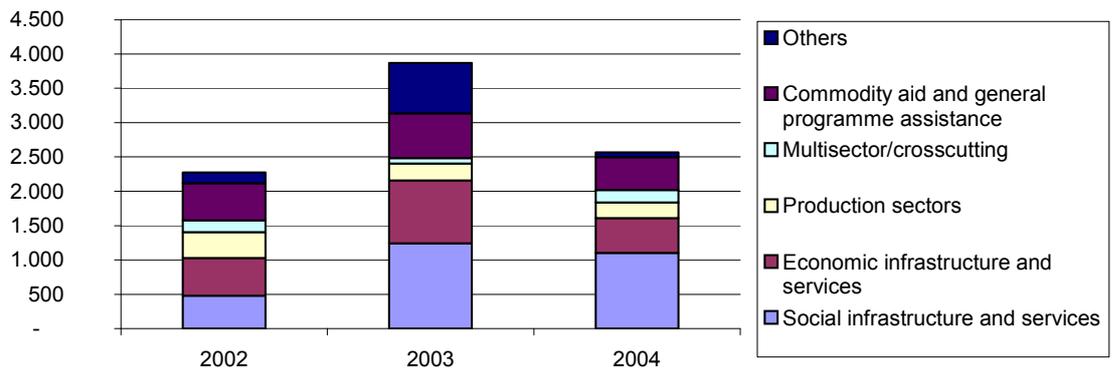


F



Bilateral and Multilateral ODA/OA (EuropeAid only). Excl non-ODA/OA resources (Peace facility,...).

Breakdown by sector of external aid financed on the General Commission Budget and the European Development Fund (EDF) managed by EuropeAid. Commitment 2002-2004



Bilateral and Multilateral ODA/OA (EuropeAid only). Excl non-ODA/OA resources (Peace facility,...). Amount in € Million.

Education, health and other social welfare programmes received by far the highest proportion of EC commitments and payments to ACP countries, reflecting the

importance the EC attaches to helping achieve the UN's Millennium Development Goals. The EC also continued to devote considerable resources to infrastructure programmes, in which it has many years' experience and expertise, and to budget support to fund government-led initiatives to tackle poverty and promote growth.

The EC maintained the high share of its ACP aid devoted to budgetary support and sectoral programmes. In 2004 alone the Commission approved new macroeconomic budget support programmes³¹ in 10 countries, and eight new sector policy support programmes (SPSPs)³². Four of the latter – for education, health, rural growth and infrastructure – will be funded using budget support, while the remaining four will finance projects.

The EC also made progress in responding to emerging needs and emergencies in ACP countries. For example, it continued to complete projects more quickly.

Similarly, in May, the EC launched the €250 million African Peace Facility. This enabled it to fulfil immediately the African Union's later request for help to send a ceasefire monitoring mission to Darfur in western Sudan. In mid-August, the UN's Food and Agriculture Organization (FAO) appealed to the EC to help tackle a locust invasion in West Africa. Within 35 days, the EC had transferred €24 million. It also issued a detailed plan to respond better to the needs of National Authorising Officers (NAOs), the recipient government officials who disburse EC funds.

The EC's objectives for its co-operation with ACP countries in 2004 included raising the quality of its programmes. For the first time, European Commission headquarters' specialists reviewed all new programmes early in the design process, and selected one in four proposals for more in-depth review at a later stage.

The Commission also made substantial progress with a number of its efficiency targets. For instance, it formally transferred responsibility for programmes from its headquarters to its offices in 24 more ACP countries. 79% of all ACP programmes are now managed by in-country offices, allowing officials to make, for example, payment decisions more quickly without having to refer back to headquarters.

In 2001, the Commission adopted a new approach in **Mozambique**, as it joined forces with the government and other donors to deliver a four-year national plan to cut poverty and raise spending on healthcare, drugs and vaccines. Donor and government officials review progress at monthly meetings chaired by the Minister of Health. The plan has helped cut absolute poverty by half since 1997, the mortality rate for under-fives by 20%, and infant mortality by 10%.³³

Similarly in **Burkina Faso**, the Commission's €125 million budgetary support programme (2002-05) has helped to improve key poverty-related measures. Primary

³¹ For a detailed explanation of budget support programmes, see feature article chapter 4.1.

³² The EC adopts SPSPs in countries where the government has developed a sector programme comprising : i) a policy document for the sector, approved by the EC and other donors, and an overall strategic framework ; ii) a medium-term spending plan for the sector and an annual budget; iii) a government-led co-ordination process between donors in the sector

³³ Ministry of Health, Mozambique (1997, 2004). *Demographic Health Survey*

education enrolment has risen by over 25% since 2000³⁴, and vaccination rates for measles and yellow fever have more than doubled since 1998, covering 80% of infants.³⁵

2.4.4. *Assessment of the EC's contribution towards poverty reduction and towards the achievement of the Millennium Development Goals*

A 2005 report by the UN Millennium Project on achieving the Millennium Development Goals (MDGs) refers to Africa as the 'epicentre of crisis.'³⁶ The African, Caribbean and Pacific (ACP) regions include over two-thirds of the world's poorest countries.³⁷ Africa is the only continent to have become poorer in the last 25 years, and its economy is barely keeping up with its expanding population. So ACP governments and their partner donors, including the EC, remain far from achieving the MDGs and much has still to be done.

The aim of the EC's development strategy is therefore to help ACP countries achieve the MDGs and cut – and eventually eradicate – poverty through comprehensive support that has a long-term impact. In October 2004, the Commission presented a detailed report to the Council assessing its contribution so far to achieving the MDGs³⁸. Below are highlighted some examples of this contribution:

- Goal 1: Eradicate extreme poverty and hunger

In 2001 **Mozambique** adopted a comprehensive poverty reduction action plan.³⁹ The EC has been the main donor helping to turn the plan into reality, through budget support amounting to almost 4% of gross national product (GNP). The plan has helped to stabilise inflation, interest rates and other macroeconomic indicators, and this has in turn sustained annual economic growth of over 7% and cut absolute poverty by almost 50% since 1996.⁴⁰

- Goal 2: Achieve universal primary education
- Goal 3: Promote gender equality and empower women

The EC and ACP countries reviewed all EC-funded programmes in 2004 and, as a result, the Commission increased resources for education in ACP countries by €109 million. In addition, the Commission is committed to harmonising its education programmes in ACP countries with those of other donors and recipient governments. This allows it to deliver programmes more efficiently and cuts ACP governments' administrative burden. The EC has collaborated closely with education experts from

³⁴ Ministère de l'Éducation de base de l'alphabétisation (QMEBA), Burkina Faso : 2004 : *Plan d'action consolidé 2004* du MEBA – 2001, 2002, 2003 et 2004 : *Annuaire Statistique*

³⁵ Projected rates for 2004 ; Ministère de la Santé, Burkina Faso

³⁶ UN Development Project (2005), *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*. Overview p.9

³⁷ World Bank (2004), *World Development Indicators, 2004*. 64 countries are identified as "low-income", of which 42 are in Africa, the Caribbean and the Pacific

³⁸ EC Report on Millennium Development Goals 2000 – 2004, October 2004, SEC(2004) 1379

³⁹ The plan is generally referred to by its Portuguese acronym, PARPA (Plano de Acção pela Redução da Pobreza Absoluta)

⁴⁰ The share of the population living on less than a dollar a day, the measure of absolute poverty used by the World Bank, has fallen from 38 % in 1996-97 to 20 % in 2002-03

across the EU Member States to devise 10 measures of progress in harmonising programmes: these were used for the first time in 2004 in **Burkina Faso, Ethiopia, Mozambique** and **Niger**.

- Goal 4: Reduce child mortality
- Goal 5: Improve maternal health
- Goal 6: Combat HIV/AIDS, malaria and other diseases

In March 2004, the EC paid €170 million into the Global Fund to fight HIV/AIDS, Tuberculosis and Malaria, which finances programmes led by the governments of recipient countries. Two-thirds of funds are granted to low-income countries, and 60% to countries in sub-Saharan Africa. The EC also contributed €7 million to the African Malaria Network initiative, which aims to strengthen governments' ability to tackle malaria through research, development and training.

- Goal 7: Ensure environmental sustainability

The European Council adopted the €500 million ACP-EU Water Facility in March 2004. This promises to contribute significantly to environmental sustainability in ACP countries by setting targets for access to safe drinking water and sanitation, and funding efforts to achieve them. It will also fund government efforts to manage water resources using the latest integrated policies (so-called Integrated Water Resource Management or IWRM). The Commission also proposed a similar €250 million ACP-EU Energy Facility in 2004. Together, the two facilities can help achieve other MDGs too, for example by widening access to safe drinking water and reducing families' dependence on wood, which is often burnt indoors as a fuel. These initiatives will cut diarrhoeal disease and acute respiratory infections in children, and thereby lower child mortality rates (MDG 4).

- Goal 8: Develop a global partnership for development

The Commission is committed to supporting development in ACP countries by working as closely as possible with other donors, including EU Member States, as well as NGOs, civil society groups and local communities. The next section outlines its progress with other donors.

2.4.5. *Co-operation with Member States and other donors*

In recent years the Commission has coordinated much more closely with other donors in ACP states, including EU Member States, both in planning development policy and delivering programmes on the ground. This trend continued in 2004. In terms of policy, for example, the Commission identified a set of revised performance indicators for public finance management, on which budget support decisions are partly based. These indicators are now being tested through a joint project between the EC, the World Bank, the IMF (International Monetary Fund), France, Norway, Switzerland and the United Kingdom.

The Commission also participated in several fora at which donors review their respective strategies: the Strategic Partnership for Africa (SPA), round tables with the IMF and the World Bank, and the OECD's Development Assistance Committee (DAC). Similarly, the EC continued to take a lead in strategic initiatives uniting all major donors. For example, it paid €56 million into the Global Polio Eradication Initiative in order to bolster the World Health Organisation's work in 14 African states.

The Commission is also working more closely with other donors in its implementation of programmes. In **Burkina Faso**, for example, the government, the EC and eight other donors have adopted a single set of rules and commitments for budgetary support. Donors now also match their payments with the government's budget planning schedule. In **Namibia**, the Commission will deliver a €21 million budget support programme for education, approved in 2004, along with Swedish overseas aid agency SIDA. Similarly, the EC's €31 million infrastructure project on **Zanzibar** in the Indian Ocean, also approved in 2004, complements work funded by the IMF, the World Bank and other donors. KfW, the German development agency, will implement the project, leveraging its extensive experience in **Tanzania**. The European Community also continued its close partnership with UN agencies. In **Nigeria**, for example, the EC and the UNDP jointly delivered a €114 million EC project to prepare for a nationwide census in 2005.

2.4.6 *Overview - results-oriented monitoring (ROM)*

During 2004 independent monitors assessed the impact of 302 of the EC's 900 ACP projects, amounting to €3 billion. They found that overall results were on track for the third successive year. Figures in the table below are based on rounded averages - for each project, the overall score for each criterion measured, such as relevance, comprises a weighted average of sub-scores, rounded up or down to the nearest whole number. The unrounded figures give an even higher average score for overall performance of 2.59 (as opposed to 2.48), above the 'on track' level of 2.5.

However, the table also reveals two areas where performance in ACP countries needs to improve – sustainability and efficiency. In response, the EC now requires financing agreements for infrastructure projects to include commitments by ACP governments to fund maintenance once EC financing has ended. In addition, both European Commission headquarters and the EC's ACP offices are set to complete the devolution process and consolidate new procedures in 2005, which should raise efficiency.

Measuring impact: results for EC programmes in ACP countries and OCTs, 2004								
	Priority area							
	Trade & development	Regional integration	Macroeconomic support & social sector	Transport	Food security & rural development	Institutional capacity & good governance	Other	Total / Average – all priority areas ⁴¹
Number of projects monitored	26	36	55	33	96	84	12	342
€ million covered	234.2	636.9	471.4	1 217.7	637.0	340.6	104.6	3 005.6
Scores								
Relevance	2.62	2.53	2.65	2.61	2.53	2.58	2.64	2.58
Efficiency	2.42	2.37	2.37	2.46	2.45	2.38	2.36	2.41
Effectiveness	2.31	2.40	2.57	2.85	2.47	2.58	2.71	2.55
Impact	2.39	2.33	2.57	2.61	2.34	2.48	2.71	2.46
Sustainability	2.27	2.26	2.54	2.30	2.30	2.37	2.64	2.38
Average	2.40	2.38	2.54	2.56	2.42	2.48	2.61	2.48

Scores can range from 4 (excellent performance) to 1 (serious deficiencies in performance). A 2.5 score indicates that performance is on track, and achieving expected results.

2.4.7 Conclusions and perspectives

The UN Millennium Project's 2005 report on achieving the Millennium Development Goals (MDGs) neatly summarises the challenge facing donors: "The year 2005 should inaugurate a decade of bold action ... The specific technologies for achieving the Goals are known. What is needed is to apply them at scale."

The Commission is committed to playing its part in meeting this challenge. On the policy agenda, it will examine closely the recommendations made in the UN Millennium Project's report. In addition, the EC's Africa Peace Facility is already offering useful lessons about peace-keeping and capacity-building on the continent. It will act as forerunner to a new peace and stability instrument due in 2007, which

⁴¹ To avoid double counting, the last column – total average scores for all six priority development areas – excludes the "Regional integration" scores. This is because every regional integration project addresses two of the EC's six priorities areas for development – regional integration, plus a second area, such as trade. So in the table, scores for regional projects appear not just under "Regional integration" but also under a second column – for example, "Trade and Development"

the Commission will link with related initiatives such as the Common Foreign and Security Policy.

In terms of institutions, EC co-operation with ACP countries will be directly affected by the continuing debate about possible 'budgetisation'. To date EU Member States have financed the Commission's ACP development programmes through the European Development Fund (EDF). This is separate from the EC's general budget, from which Member States are considering funding ACP programmes in future.

Finally, in its delivery of programmes, the European Commission will further refine its budgetary support. The success of such programmes depends to a large extent on how accurately the Commission can gauge recipient governments' performance in managing public finances. Such assessments are complex and, in 2005, the Commission will further refine the way it conducts them. A European Court of Auditors survey currently under way in recipient countries should help to improve the Commission's assessment tools. In addition, the Commission, the World Bank and other donors will adopt for the first time a single set of performance indicators for public finance management (PFM). This will allow the EC to assess progress over time and across countries.

The Commission will also work with the World Bank and other donors to link performance-related payments more closely to results. It will encourage recipient governments to set poverty reduction targets based on their results in previous years – for example, in education and health – and to prepare their budgets to meet updated objectives. The EC will also support ACP governments in strengthening their statistical services and the monitoring capacities of their health and education departments.

2.5. Asia

2.5.1. Introduction

The developing countries in Asia benefited in 2004 from a favourable regional economic environment and economic recovery in **Japan**. The average growth rate of over 6% was driven largely by **China** and **India** as they continued to integrate more deeply into the world economy. Asia now accounts for one-third of world output, one-fifth of world exports and attracts one-third of all foreign direct investment in emerging markets.

In **Afghanistan** there were signs of increased economic activity in the commercial and construction sectors, although opium poppy cultivation increased sharply as compared to 2003 and risks destabilizing the economy of the country. The country held its first-ever presidential elections in October, paving the way for further normalisation of the political situation in the country.

Malaysia witnessed a peaceful transfer to a new generation of leaders. **Indonesia**, the world's largest Muslim country, successfully held its presidential election, which was assessed very positively by a European Union Election Observation Mission. Elections also brought a new government in **Mongolia** and decisions were taken in the **Philippines** by the country's congress to improve the present voting system. The political situation deteriorated sharply in **Nepal** and the peace process in **Sri Lanka**

remained on hold. In some areas of South-East Asia, terrorism remains a serious threat to development.

2.5.2. *Evolution of EU co-operation*

At the Berlin conference on **Afghanistan** in March 2004, the EU reaffirmed its commitment to provide assistance to the rehabilitation and reconstruction of the country. At the beginning of November, the United Nations Office for Control on Drugs and Crime published its report on the development of drug production and trafficking in Afghanistan in 2004. The report pointed to a significant increase in poppy cultivation and opium production and helped to push concern about these increases – and their corrosive effects on state institutions – towards the top of the agenda of the government and international donors. Following the presidential election, President Karzai appointed a dedicated minister for counter-narcotics and reaffirmed his government's strong commitment to dealing with the opium economy. In the latter part of the year, the government – with support from international donors – continued working on a new counter-narcotics implementation plan setting out a balanced approach to dealing with this multi-dimensional problem.

The 5th ASEM summit in Hanoi in October 2004 formally enlarged the membership of ASEM to 39 by taking in the new EU Member States as well as **Laos, Cambodia and Burma/Myanmar**. A successful summit ensued, marking a return to dialogue. The chair statement, together with joint declarations on closer Asia-Europe economic partnership and on the dialogue of cultures and civilizations, set a new substantive agenda, to be developed by foreign, economic and finance ministers. 2005 will see concrete follow-through in a number of areas important for developing the multi-layered nature of the relationship (Ministerial conference on Cultures and Civilizations, Interfaith Dialogue) as well as a return to dialogue on the economic track, by carrying on discussions on new economic and trade related issues. Foreign ministers will meet in Kyoto in May to debate the future of ASEM in preparation for next year's 6th Summit in Tampere.

The EU continued to nurture its relationship with **India** in the context of its Communication "*An EU-India Strategic Partnership*". At their 5th summit in November 2004, the EU and India displayed a strong determination to further strengthen and broaden their relationship and agreed to establish a strategic partnership, which should be implemented through an action plan. As a result of this strengthened relationship it was also agreed to set up an India-EU Energy Panel with the aim to coordinate joint efforts and discuss energy related matters of mutual interest including energy efficiency also in the context with climate change.

In **Bangladesh**, the development climate has deteriorated as the authorities have imposed restrictions on the work of local NGOs, many of which are involved in projects co-financed by the EU.

The 7th EU-**China** Summit held in The Hague in December 2004 was a major success. Sectoral policy dialogues and exchanges continued to intensify, as highlighted by the conclusion of new agreements on customs co-operation, tourism and peaceful nuclear research, and four financing agreements for important new development co-operation projects. Synergies between the policy dialogues and respective co-operation projects are increasingly exploited and reinforce the

developing strategic partnership between the EU and **China**. The 5th EU-China Energy Conference took place in May 2004 in Brussels. The implementation of the EU-China agreement on Galileo (satellite navigation) and on maritime transport continued. China is now itself an aid donor, especially to countries in Asia and Africa with which it entertains trade relations.

Timor-Leste (East Timor) became a signatory to the ACP-EC Partnership Agreement in May 2003, following a Joint ACP-EU Council Decision, but will continue to benefit from funding under the ALA budget line until it formally joins the ACP group by ratifying the Agreement.

Relations in the area of justice, freedom and security with Asia are of growing importance. Key issues in the co-operation are migration, terrorism and drugs. A readmission agreement was signed during the year with **Sri Lanka** and the issue has also been discussed with **Pakistan** and **China**. An approved destination status memorandum of understanding was agreed with China which grants the EU the status of approved destination for groups of Chinese tourists and facilitates procedures for the issuing of visas. Furthermore there are regular high level consultations on fighting illegal migration and trafficking in human beings with China.

New National Indicative Programmes for EC development assistance, reflecting current development priorities for the period 2005-06, were prepared and approved for most of the countries in the region⁴². In view of the preparation of the new round of Country Strategy Papers and National Indicative Programmes for the period after 2006, a series of strategic reviews, pre-programming missions and trade needs assessments was launched in late-2004. The conclusions of these missions will serve as input for the definition of future strategy towards Asia.

2.5.3. *Implementation*

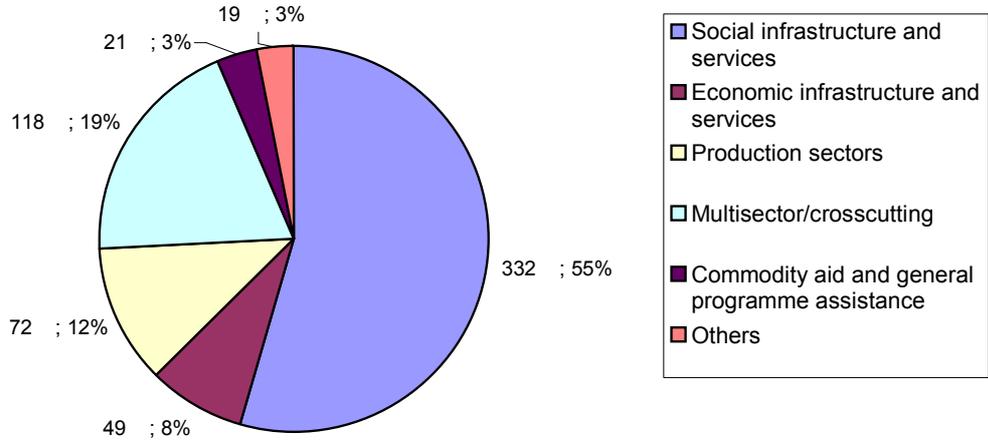
In 2002, the Commission introduced country-specific Country Strategy Papers and National Indicative Programmes as tools for programming its development aid. For Asia, the objectives for the first three-year programming period (2002-04) were attained, in terms of total commitments and in terms of sector orientations. The evolution of new commitments and payments over the last five years is the following:

External aid financed on the General Commission Budget managed by EuropeAid 2000-2004					
€ million	2000	2001	2002	2003	2004
Commitments	481	407	575	558	611
Payments	322	383	455	470	526

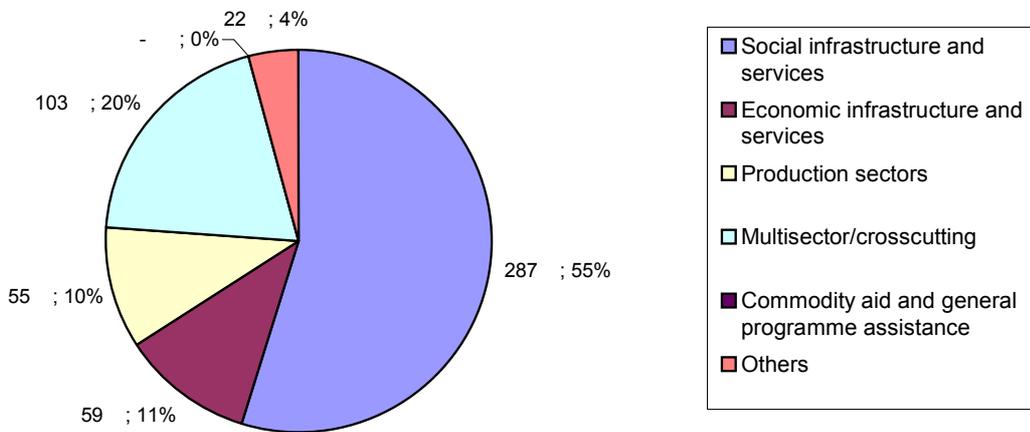
⁴² National Indicative Programmes and Country Strategy Papers are available on http://europa.eu.int/comm/external_relations/index.htm

Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2004

Commitment in € Million

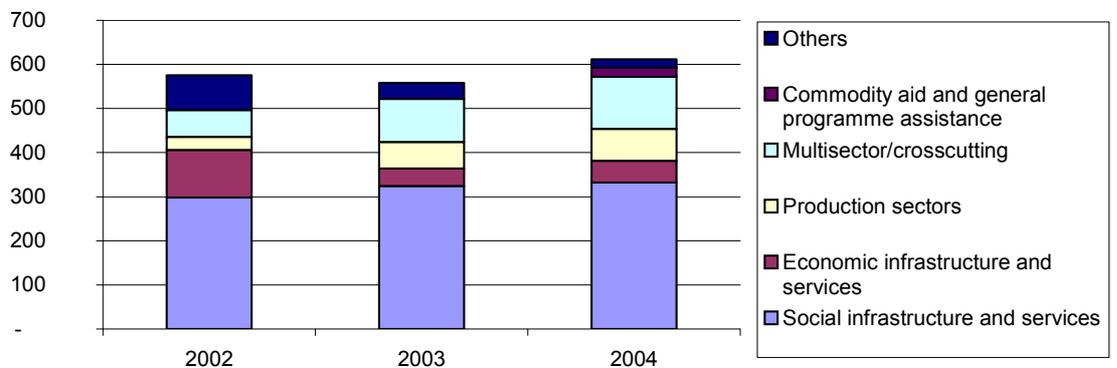


Payment in € Million



Bilateral and Multilateral ODA/OA (EuropeAid only).

Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid. Commitment 2002-2004



Bilateral and Multilateral ODA/OA (EuropeAid only). Amount in € Million.

Well over 50% of the new commitments have been allocated to the social sector, mainly health and education, during the last three years. No major change has taken place in the overall sector allocation policy in 2004.

The new commitments in 2004 followed the planning outlined in the National Indicative Programmes and the Annual Management Plan, and a high degree of readiness to support the peace process in Sri Lanka.

Afghanistan remained the main geographical priority in Asia, and at the donor conference in Berlin in March, the EC confirmed its earlier pledge of €1 billion over the five years 2002-06. The commitments in 2004 amount to €216,5 million (inc.€23 million for food safety actions), and cover for instance actions related to the elections, capacity building within the Afghanistan Transitional Authority, provision of primary health services in 10 provinces, and the reconstruction of the Kabul-Jalalabad-Torkham road. The support to elections consisted in contributing to voter registration and to the administration of the successful presidential elections in October. Contracting and disbursement of aid continues at a satisfactory rate. The number and severity of security incidents increased during 2004, as measured by the number of humanitarian workers, national and international soldiers and government officials killed and injured. The security situation remains particularly tense in the South and South-East, partly jeopardising reconstruction activities there. The increase in opium poppy production and drug trafficking is adding to insecurity throughout the country.

The political environment in **Sri Lanka** was not conducive to the preparation of new aid activities in 2004, and the pledge of €50 million at the Tokyo conference, in addition to the earlier programmed assistance, was conditional on a certain degree of progress in the peace process. Only limited activities could be initiated during the year, among which were an agreement for de-mining and a road project, for €16 million overall. Two Commission-sponsored events, the EU-Sri Lanka Partenariat and the Asia Invest Forum, were successfully held in Colombo in May/June 2004 with the participation of 150 local companies and 116 representatives from 80 Chambers of Commerce from Asia and Europe. Following the tsunami disaster that struck the island in late-December, support to Sri Lanka was included as a major component of the Tsunami assistance programme.

Strengthening the voice of women in health care matters in Indian villages

Low and inappropriate use of health services by those living in the rural areas of the state of Chhattisgarh in India has led to a high level of avoidable illness there. As part of a larger project with €97 million in EC grants, a state-wide health volunteer programme is training 60 000 female health care workers, each one providing some 50 families with health-related services and advice. Through this volunteer programme an effective link has also been created with the public health system so as to facilitate patient access to public health facilities and first-contact curative care for common illnesses. At the same time, women have become more vocal in making their healthcare needs known. The programme contributes notably to the lowering of infant mortality.

Several new projects were initiated in the area of trade and economic co-operation, such as a large project in **Bangladesh** to improve the quality management system of the country and its export potential (EC grant: €10 million), co-operation on certain aspects of the information society with **China** (EC grant: €15 million) and the

Multilateral Trade Assistance Project in Cambodia (EC grant: €2 million), as well as flexible facilities for providing short-term technical assistance to countries that need to find rapid solutions to trade-related issues.

As in previous years, social infrastructure and services targeting poverty reduction remained an important objective for EC assistance in Asia, often carried out in the form of sector support programmes, or in close co-operation with other donors. An example is the support to the World Bank Poverty Reduction Support Credit programme in **Vietnam**.

Aid to up-rooted people in Asia amounted to €25 million. Assistance was provided to Burmese up-rooted people, to Bhutanese refugees in Nepal, and to internally displaced persons in the Philippines, Indonesia and Sri Lanka. The 2004 programme was implemented through calls for proposals and direct awards to international organizations.

In order to provide increased opportunities for Chinese post-graduates to study in Europe, a targeted reinforcement of the world-wide Erasmus Mundus programme was agreed. Similar targeted actions will also be considered for other Asian countries during 2005. In another innovative approach, the **Philippines** was granted aid for a border management project, in line with the United Nations Security Council Resolution 1373 (2001) related to the fight against terrorism and combating international crime.

A particular effort was made in 2004 in respect of the environment pillar of sustainable development in **China** with two projects for €55 million, to be implemented in close co-operation with UNDP and the World Bank.

The devolution of management responsibilities from the European Commission headquarters in Brussels to EU Delegations in the beneficiary countries, which started in 2002, was completed in 2004 with the final transfers of projects and programmes under the Asia-wide horizontal programmes (in particular Asia-Link, Asia-Invest, Asia Pro Eco) and thematic budget lines like food security.

An integrated environmental programme in the Liaoning province in China

The Liaoning province in north-west China was once the heartland of Chinese industrialisation, with coal mining, iron production and chemical industries. These industries however left a legacy of environmental degradation, and the region came to be regarded as a polluted 'rust belt'. Here, in 1999, the EC started its biggest environmental project so far in Asia, the total cost of which is €48.5 million, partly financed by China's own resources together with an EC grant of €37 million. The project assisted the province in defining and implementing sustainable strategies for environmental management and engendered a move away from 'end-of-pipe' pollution control solutions towards pollution prevention, cleaner production and waste minimisation. The evolution in priority setting on the part of political and economic decision-makers is clearly demonstrated in new environmental technology and protection. Recent master plans for industrial parks are now, for example, based on the recycling concept. An environmental awareness survey in 2003 indicated that more than 80% of the population felt that the environment had improved over the last five years.

2.5.4. *Assessment of the EC's contribution towards poverty reduction and towards the achievement of the Millennium Development Goals*

An assessment of the progress toward the Millennium Development Goals (MDGs), commissioned by the World Bank in September 2004, notes that **East Asia** has done well on meeting several of these goals; however, progress has been uneven. The region has performed well in reducing poverty, making strides toward universal primary education and bridging the gender gap. The assessment shows that many countries are well on track for meeting the MDG targets, and some have already achieved them. Others, especially low-income countries, are lagging behind in several dimensions. Based on the current trend the region is not on track to achieve the goal of reducing infant mortality rates by two-thirds, despite significant progress made in middle-income countries such as **Indonesia**, **Malaysia** and the **Philippines**. The World Bank finds that the persistence of disparities within countries remains a continuing challenge, even when goals have been or are about to be attained in the aggregate.

For **South Asia**, the World Bank acknowledges the rapid GDP growth, which has helped to reduce the consumption poverty rate substantially: **India** has reduced its poverty rate by close to 10% since 1990, and most other countries registered a significant reduction in poverty over the period, except for **Pakistan** where the poverty rate has stagnated at around 33% – using national poverty lines. Looking beyond consumption poverty at other indicators of social progress, the region has had encouraging success in some areas: for example, mortality in children under five has been reduced substantially between 1990 and 2002, especially in **Bangladesh**, and appreciable gains have also been achieved in total enrolments and completion rates. At the same time, as the World Bank assessment points out, challenges remain in key areas such as child malnutrition, maternal mortality, and gender balance in education and health outcomes: nearly half of all children under the age of five are malnourished and youth illiteracy is high: 23% for males and 39% for females. While sustained growth would be necessary for poverty reduction, an accompanying improvement in institutional service delivery mechanisms will be essential for progress in all the other dimensions of the MDGs.

The Commission has over the last three years devoted a major part of its Asia development budget to actions aimed at assisting the countries in the region to attain the MDGs. These actions, which normally span three to six years, are still ongoing, thereby making it difficult to evaluate in the short term their overall contribution to the attainment of these goals. Also, with the emphasis on sector-wide programmes to which several donors contribute, there may be little possibility of establishing any direct links between the inputs of a single donor and the final outcome of the entire programme. However, most of the EC projects in the region have been geared to attaining the MDGs, either as the primary objective or as an important secondary objective.

During 2004, EC support to ongoing programmes in the education sector in Asia amounted to nearly €70 million. EC resources have continued to contribute to improving access to and quality of education in eight countries, particularly for girls and under-served groups (children belonging to minorities; children with disabilities; poor, working and street children). All this has in turn contributed to increased completion and transition rates to secondary education as well as to fewer children

dropping out of school. In countries such as **Cambodia** and **Vietnam**, the EC has also contributed in an important way to developing sector-wide education management information systems, and to strengthening public finance management in the education sector.

Ensuring universal access to quality healthcare is a key aspect of the MDGs. EC support to this sector exceeded €100 million has helped countries in Asia progress towards this goal during 2004. In countries such as **Bangladesh, Cambodia, India, Indonesia, Thailand, the Philippines** and **Vietnam**, EC resources have been used primarily to support sector reforms seeking to improve health service delivery through decentralisation, community participation and public/private partnerships. In countries emerging from conflict such as **Afghanistan** and **Timor-Leste**, the focus of EC support has been on ensuring delivery of basic health services such as immunisations, antenatal care, assisted deliveries, treatment of malaria and other infectious diseases, as well as basic curative care to poorer sections of the population.

2.5.5. *Co-operation with Member States and other donors*

The close donor co-operation required in the context of the reconstruction of **Afghanistan** and the increasing emphasis on sector approaches in the region as a whole, have been conducive to enhanced donor co-ordination in the Asia region. This trend was confirmed and reinforced in 2004.

In the field of economic and trade co-operation, co-operation with specialised UN agencies and EU Member States has been further consolidated. International agencies involved in co-operation projects such as the Bangladesh Total Quality Programme and the Asia TRTA Trust Fund have included UNIDO (United Nations Industrial Development Organisation), the ITC (International Trade Centre), WTO (World Trade Organisation), WIPO (World Intellectual Property Organisation), UNCTAD (United Nations Conference on Trade and Development) and UNESCAP (United Nations Economic and Social Commission for Asia and the Pacific).

An example of a particularly advanced co-ordination is **Vietnam**, where the Commission launched in 2002 an initiative on Co-ordination of Policies and Harmonisation of Procedures, following the Conclusions of the Barcelona European Council in March that same year. An action plan for co-ordination and harmonization was agreed among EU donors in 2003 and in 2004, groups of EU specialists were established to promote synergies among development programmes of the EC and Member States, formulate joint EU positions regarding sector policies, and develop and implement practical solutions to the challenges of harmonisation and co-development. The Commission, in collaboration with Member States, launched a study of donor practices in order to standardise arrangements between government and donors with regard to facilities for experts, taxation and government contributions towards project running costs. In addition, the EU donors revised the so-called “EU cost norms” which set maximum amounts payable for local costs, such as salaries and travel allowances payable to local project staff. The cost norms have already become an important reference for many other donors and enjoy wide application well beyond the European Union. Also, important progress has been made with preparatory work for the contributions from the EC and other EU donors to the World Bank-led Poverty Reduction Support Credit (PRSC) programme. The Commission played a key role in donor working groups set up to agree on reform

priorities, with particular attention paid to the reform agenda in the health and education sectors, as well as public financial management. The World Bank board approval of the PRSC in June 2004 cited the close collaboration of donors in this exercise as best practice. EU donors, with the EC, in conjunction with the Presidency, continued to make comprehensive joint statements at Government-donor consultative group meetings and to make joint EU financial pledges.

2.5.6. Overview results-oriented monitoring (ROM)

In 2004 some 154 operations/projects with a total budget of over €1.3 billion (EC grants) were monitored. Globally results were positive, with satisfactory trends maintained in most sectors. Some 10% of ongoing operations were considered to be performing less than satisfactorily and remedial measures were taken⁴³.

2004 by priority area	ASIA	Trade & development	Regional integration	Macroeconomic & social sectors	Transport	Food security & rural development	Institutional capacity / good governance	Other	Total / Average
Number of projects monitored		21	-	51	-	56	23	3	154
€ million covered		81.8	-	519.7	-	538.6	148.1	18.2	1 306.4
Scores									
Relevance		2.81	-	2.82	-	2.66	2.65	2.33	2.73
Efficiency		2.52	-	2.67	-	2.54	2.48	2.33	2.56
Effectiveness		2.67	-	2.71	-	2.73	2.74	2.67	2.71
Impact		2.86	-	2.73	-	2.80	2.65	2.67	2.76
Sustainability		2.81	-	2.69	-	2.59	2.70	2.67	2.67
Average Asia 2004		2.73	-	2.72	-	2.66	2.64	2.53	2.69

Scores can range from 4 (excellent performance) to 1 (serious deficiencies in performance). A 2.5 score indicates that performance is on track, and achieving expected results.

The performance of two sectors in particular merits to be highlighted:

- Nearly one-third (€539 million in budget terms) of all Food Security and Rural Development projects worldwide (a total of €1,743 million subject to ROM)

⁴³ For more information on methodology and ratings, please refer to chapter 5.8.2.

are implemented in Asia. They show a better performance in Asia (2.66) than average (2.61 for all regions).

- Social sectors which account for the largest share of EC assistance to Asia continue to show excellent performance: 2.72, well above average.

The monitoring work in 2004 highlighted some of the challenges in using projects as a mode of delivery of assistance: these challenges include the better transposition of EC procedures and the more realistic setting of objectives. Efficiency gains due to devolution have not yet been fully realised.

2.5.7. *Conclusions and perspectives*

The year saw the successful completion of the 2002-04 National Indicative Programmes, and the year's budget for new commitments for geographically linked activities in Asia of €590 million was fully utilised. The results-oriented monitoring of the EC-financed programmes and projects, as well as the UN progress report on Millennium Development Goals, bear witness to the positive effects of the activities carried out by the EC and other donors in Asia.

The dynamism and economic growth in many parts of Asia imply that the EU co-operation objectives need to be continuously adjusted. Terrorism and armed conflicts remain threats to the development and democratic stability of some countries in the region. These factors will be taken into account in the preparation of the development aid strategy for the period 2007- 2013. This strategy will be prepared in 2005 and is expected to be formally finalised in late 2005/early 2006.

The earthquake and tsunami waves which submerged the shores of numerous countries across the Indian Ocean on 26 December 2004 caused a huge loss of human life and dramatic destruction of property and livelihoods. The European Commission reacted in the days immediately following the disaster by making available the first part of a larger humanitarian aid package which, after further additions in 2005, came to a total of €123 million. During these last days of 2004, the outline for an extensive reconstruction and rehabilitation planning was also drawn up: this made it possible for the Commission to announce a pledge of a further €350 million at the tsunami pledging meetings in Jakarta on 6 January and at the OCHA (United Nation's Office for the Coordination of Humanitarian Affairs) meeting in Geneva on 11 January. This planning, which will be further developed and presented for formal approval by the budgetary authorities in 2005, foresees a close co-operation with the authorities in the affected countries and also with other donors.

2.6. **Latin America**

2.6.1. *Introduction*

The third European Union, Latin America and Caribbean Summit gathered the 58 EU-LAC heads of state and government and gave new impetus to the bi-regional relationship. It was held in Guadalajara (Mexico) on 28 May 2004. Discussions and the final declaration⁴⁴ focused on reinforcing social cohesion, regional integration

⁴⁴ http://europa.eu.int/comm/world/lac-guadal/declar/01_decl_polit_final_en.pdf

and multilateralism. In the margin of the Guadalajara Summit, it was decided both with **Central American** countries and with the **Andean Community** to carry out a joint assessment of their respective economic integration processes which should lead, in due course, to the negotiation of an Association Agreement, including a free trade area. The European Parliament had already approved the two agreements on political dialogue and co-operation signed in 2003 with both regions. The negotiations for an EU-Mercosur Association Agreement are ongoing: the chapters on political dialogue and co-operation are practically closed. Negotiations on the remaining trade chapter are in progress. In January, the EU and Brazil signed a science and technology agreement.

Also in 2004 the EU-**Chile** Association Agreement and the EU-**Mexico** political economic and co-operation partnership were adapted to the enlargement of the European Union by signing two additional protocols to include the 10 new EU Member States as contracting parties to these agreements.

2.6.2. *Evolution of EU co-operation*

– Programming EU aid in Latin America

The 2003 Mid-Term Review of 2002-06 programming indicated that there were no major new developments in most of the countries of Latin America, and the strategies adopted in 2002 were still valid.

The Mid-Term Review concluded that there was a need to revise the Country Strategy Paper in the case of **Argentina**, because of the economic breakdown, and the Regional Indicative Programme in the case of the **Andean Community**.

In **Argentina**, the new Country Strategy Paper takes into account the reshaped political, economic and social landscape characterized by loss of public confidence in the state institutions, massive currency devaluation, the collapse of financial system and the sharp economic decline with consequent dramatic rise of poverty levels. It includes short-term social actions (food aid) and trade-related measures (notably in agriculture and the GSP (Generalised System of Preferences) to ease the situation. Over this period, and despite the difficulties, economic and technical/financial co-operation continued in different sectors, including support to SMEs, ongoing social projects, support to NGOs. As a result of the new strategy, the EC will devote three-quarters of the remaining funds to projects putting the most emphasis on the social fields of health, education and justice. The remainder will be used for trade-related measures, notably in agriculture and the GSP system, bearing in mind the current negotiations with Mercosur.

In the **Andean Community** region, while the strategy was still valid, there was a need to increase the allocation devoted to trade-related assistance in support of the Andean economic integration process, and also efforts to combat drugs at the regional level.

A programming exercise was launched in 2004 to prepare the bilateral and regional Strategy Papers and the consequent multi-year programming for 2007-2013. The Commission is initiating preparation of the next Country Strategy Papers in order to allow sufficient time to assess the needs of the countries/regions, to identify the most

effective EC priority sectors for co-operation, to provide adequate consultation as well as ensure that EC policies are taken into account adequately, and to mainstream 'cross-cutting' issues. Particular attention is to be paid in this exercise to 'ownership' by beneficiaries and to the involvement of Member States.

2.6.3. *Implementation*

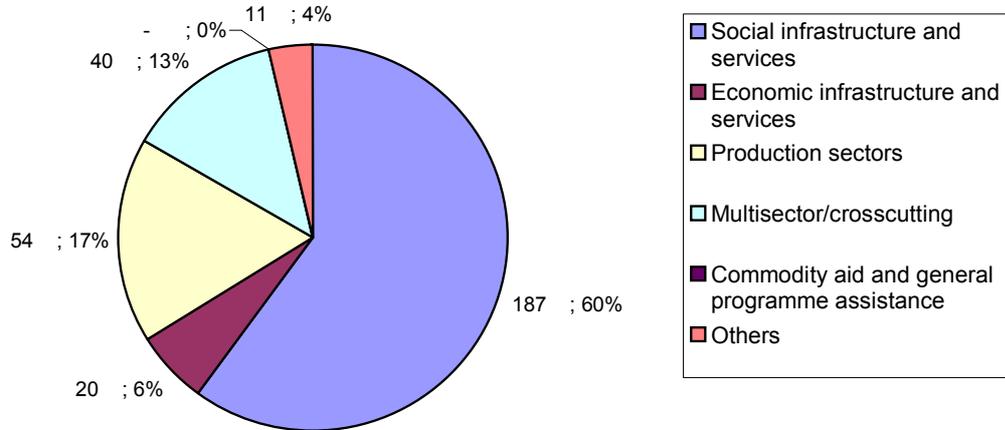
- EU co-operation projects and programmes in Latin America

In terms of financial performance 2004 was very positive. This is reflected in the table below. The increasing payment trend since 2000 resulted in an all-time-high in 2004.

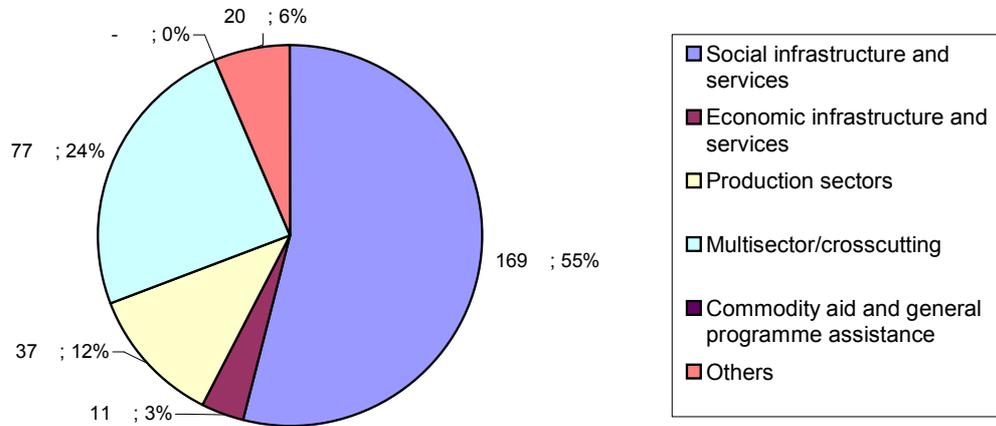
External aid financed on the General Commission Budget managed by EuropeAid 2000-2004					
€ million	2000	2001	2002	2003	2004
Commitments	277	301	333	342	312
Payments	195	152	182	290	314

Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2004

Commitment in € Million

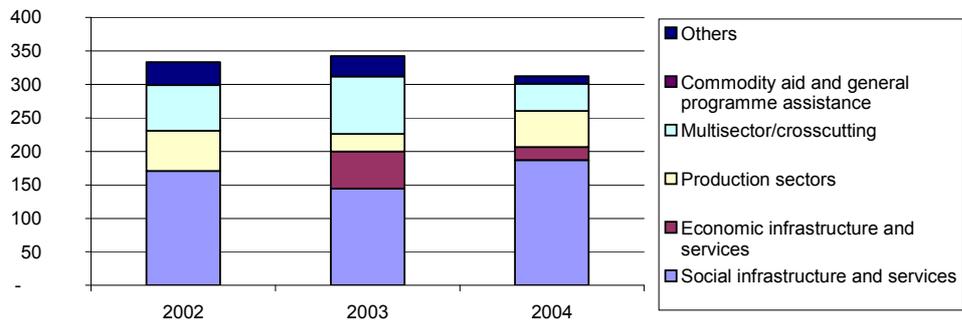


Payment in € Million



Bilateral and Multilateral ODA/OA (EuropeAid only).

Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid. Commitment 2002-2004



Bilateral and Multilateral ODA/OA (EuropeAid only). Amount in € Million.

As shown in the previous table, and in line with the EC policies in this region, funds committed for Latin America in the social sector have constantly increased since 2002 reaching in 2004 60% of the total funds committed.

In line with the EU's co-operation strategy for the Latin American region, 2004 saw the approval of programmes and projects in the following fields:

- social cohesion, social development and the development of the less prosperous regions,
 - institutional and democratic reinforcement, modernisation of the state and Human Rights,
 - trade-related technical assistance and regional integration.
- Social cohesion, social development and the development of the less prosperous regions

Social cohesion has become a growing concern in the partnership between the European Union and Latin America. The European Union and its Latin partners chose to promote social cohesion as a priority theme for the EU-LAC Summit held in Guadalajara. The EU's past experiences in promoting social cohesion provide an instructive example for co-operation with the Latin American countries and can help them to develop their own ways of tackling inequalities, exclusion and poverty.

In line with this strategy, in 2004 the EC approved the EUROsociAL programme (€30 million), the main objective of which is to help increase the social cohesion of the Latin-American countries through public policies of education, health, administration of justice, taxation and employment as authentic vectors of social cohesion. The implementation of EUROsociAL will be entrusted to the International Labour Organisation in the case of employment policy, and to four consortia grouping public institutions of the European Union and Latin America for each of the other policy sectors.

In addition to this programme, the EC has continued, through actions financed in 2004, to support the development of the less prosperous regions as follows:

In **Bolivia** the European Commission is providing assistance for the first time through investment-focused budget support for operations in the water and sanitation sector (€51.5 million). The programme will strengthen the capacity of the Bolivian authorities in developing and carrying out reforms and will also provide financial assistance to promote investments in the sector.

Also in Bolivia, funds were committed for the New Alternative Development Strategy (€13 million). This initiative will enhance capabilities in designing and implementing the national alternative development policy, an integral part of the Bolivian government's strategy to combat illegal drugs production and trafficking. Currently, three other EC-funded projects with a total contribution of €32 million are under implementation in the fields of illegal coca cultivation and labour migration to coca-producing zones.

In **Ecuador** the EC is supporting the Health Sector Support Project (PASSE), the ongoing healthcare reform aimed at implementing an integral and intercultural model of care based on primary health care, promotion of health, and prevention of diseases (budget €28 million).

In this sector, the EC also committed funds in **Peru** to support the country's Vocational Education and Training System. This programme (€5 million) will promote competition and the quality of the labour force and stimulate economic development by refocusing the structure of vocational education and training on the demands of the labour market, socio-economic needs and the development of the country.

- Institutional and democratic reinforcement, modernisation of the state and Human Rights

Strengthening democracy and enhancing and consolidating democratic institutions is one of the priorities of the EC's co-operation with Latin America. The European Union continued its assistance in this area with the following initiatives:

Support for the process of restoring peace in **Colombia** remains a priority for the European Commission. Whereas, the previous year, efforts were concentrated on the launch of the Peace Laboratories that are now being implemented, in 2004 a €10.5 million EU-funded programme supported the reinforcement of the justice sector, with the aim of reducing the number of offenders going unpunished. Internally displaced people (IDPs) in this country are also a major concern. The integration process and improvement of living conditions with the return, resettlement and socio-economic integration of IDPs was also financed by the EC.

Latin American States continue to modernise their institutions and the European Union continues to support this process. In **Peru**, support was provided to the Reform of the Justice System (JUS PER) programme (budget €10 million): this project will contribute to making the Peruvian judicial system more efficient and accessible to all through promotion and implementation of a judicial and prosecutorial career process, the strengthening of constitutional justice and improvement of basic justice. In **Chile** the EC supported the Programme for the Modernisation of the State (budget €11.67 million) which aims to strengthen the process of state modernisation, in line with Chilean government priorities, and contribute to reinforcement of the association process between the European Union and Chile.

The EC has also encouraged decentralisation processes, involving the devolution of powers and functions from central government to the local authorities. During 2004 funds of €34 million were committed to finance the development and implementation of the Decentralisation Support Programme (PROADES) in **Honduras**: this programme has reduction of poverty and implementation of a modern and efficient public administration as its core objectives.

The integration of women into civil society and their participation in the design and implementation of public policies is also a major concern for the EU in the region. In **Guatemala** approval was given for the financing of a project aimed at contributing to the social, economical and political integration of rural women living in poverty, with a special focus on indigenous women.

- Trade-related technical assistance and regional integration

The Declaration of Guadalajara emphasises the potential of external trade as a catalyst for economic growth in the region. It also highlights the importance of trade in fostering sustainable development and poverty reduction in a way that supports the integration of developing countries into the global economy and the multilateral trade system.

A series of projects for a total amount of €53.5 million, completing existing projects, were approved in this area of co-operation in 2004.

In the **Andean Community** further funds (€3 million) were committed for a programme approved in 2003, the objectives of which included the elimination of unnecessary trade barriers between the Andean countries, the establishment of a common customs code, and specific measures aimed at enhancing regional economic integration.

In order to facilitate the implementation of the free trade agreement concluded between EU and **Mexico**, and to promote trade and investment flows, a project was approved which aims at the institutional strengthening of the governmental agencies in charge of the implementation of the trade agreement (budget €8 million).

Improvements in the competitiveness of Latin American economic sectors and businesses are also a privileged area of intervention, with various projects approved in 2004. In **Argentina**, the EU is supporting the improved competitiveness of SMEs in the forestry industries (budget €6 million). In **Paraguay** a more global approach was adopted, with the object of strengthening the competitiveness of the export sector (budget €13 million). **Uruguay's** capacity for technological innovation was promoted with a programme that aims at improving the production systems, productivity and competitiveness of the chemical/biotechnology and information technology sectors (budget €3 million). Strengthening the competitiveness of micro- and small enterprises is the focal objective of programmes approved in **El Salvador** (budget €10.5 million) and in **Ecuador** (budget €10 million), where the programme also supports consolidation of the customs union and the creation of a legal regional framework for commercial matters.

– EC supports regional integration in Central America

The European Union is sharing with Central America its expertise in the area of customs union and institutional reform, specifically through a regional co-operation strategy that encompasses the following two projects in particular:

The Central American Customs Union (UAC) Support Programme (budget €10.4 million) aims to help the SICA (Central American Integration System) and the customs administrations of the participating countries move towards a customs union. This project involves three aspects: technical assistance on the development of the Customs Union, organisation of the automated information exchange system between customs offices and the fiscal environments of each country, and the creation of a Central American Customs School.

To complement the functioning of the Customs Union, the EU is also implementing the Support Programme for Central American Integration (PAIRCA), with a budget of €15 million. This project focuses on helping Central America's institutional

bodies cope with integration, as well as developing the role of civil society in this process.

Supporting the community that works for and promotes local development (Ecuador)

The European Community is supporting a project in a suburban neighbourhood, Bastion Popular, to the north of Guayaquil. The project addresses concrete problems such as the lack of formal drinking water systems, street access, sewage systems, poor sanitation conditions, and lack of sufficient healthcare and infant services. Social problems include intra-family violence, unemployment, youth gangs and community insecurity. The objective of ZUMAR (Zonas Urbano-Marginales de Guayaquil) is to improve the quality of life of the inhabitants of Bastion Popular by enhancing the capacity of individuals, families and social organisations, as well as by promoting local development. The activities implemented under this project are based on inter-institutional and community consensus, elements essential to project sustainability. As a result of this initiative, a multifunctional centre for mother and child healthcare has been built, benefiting 17 000 families; drinking water systems have been constructed for more than 5 000 families; green areas have been rehabilitated with the participation of the community; and social networks, in co-operation with NGOs, have been strengthened through activities such as the development of neighbourhood action plans and the training of young people to promote a 'peace' culture.

These programmes are currently demonstrating their effectiveness in furthering regional integration. The next step will be for the Commission and its Central American partners to decide whether the Guadalajara requirements for the negotiation of a fully fledged Association Agreement have been met.

– Regional Programmes

The Guadalajara Summit confirmed the interest of Latin American governments and EU Member States in continuing to support regional co-operation programmes, as well as the will to reinforce the decentralised approach on which these programmes are based, with a view to increasing the future involvement of both regions, in terms of both participants and recipients. These regional programmes include:

AlBan⁴⁵: Programme of High Level Scholarships for Education/Training of Latin American Citizens in the EU. This programme awarded a total of 779 scholarships in 2004 with a view to education/training of Latin Americans in the European Union. The average duration of the award is two years.

ALFA⁴⁶: Latin America Academic Training. A further 64 new projects were approved during 2004. A reinforcement of the ALFA programme budget of a supplementary €10 million was also approved this year. This co-operation in the field of higher education involves, at present, a total of over 1 750 institutions from the European Union and Latin America.

@LIS⁴⁷: Alliance for the Information Society. A new activity of this programme on a policy and regulatory dialogue with Latin America focusing on the development of e-strategies aimed at fostering digital inclusion in that region, taking as a reference the European model of eEurope, was approved during 2004.

⁴⁵ For more information: http://europa.eu.int/comm/europeaid/projects/alban/index_en.htm

⁴⁶ For more information: http://europa.eu.int/comm/europeaid/projects/alfa/index_en.htm

⁴⁷ For more information: http://europa.eu.int/comm/europeaid/projects/alis/index_en.htm

AL-INVEST⁴⁸: Business Meetings Programme. A total of 111 activities were approved, including the organisation of business meetings and capacity-building activities for SMEs as well as private-sector representatives from both regions.

URB-AL⁴⁹: Latin American Urban Partnership. In 2004, 27 new projects were approved and the URB-AL Resource Centre and the EU-AL Observatory of Decentralised Co-operation were created. Their function is to improve the diffusion of the results and the best practices from the Programme.

OREAL⁵⁰: Observatory of EU-Latin American Relations. In 2004 a consortium of universities led by the University of Barcelona was selected, to begin its activities in February 2005.

2.6.4. *Assessment of the EC's contribution towards poverty reduction and towards the achievement of the Millennium Development Goals*

Various programmes and projects financed in 2004 for Latin America will, for their mid-term or long-term results, be considered as a contribution to the achievement of the MDGs and as a result, of poverty reduction. Measuring by the core set of 10 key indicators identified by the European Commission and covering essential parts of MDGs 1-7, these programmes are the following:

Poverty reduction: various programmes aiming at the development of economic activities in urban and rural environments can be mentioned in this context, in particular the programmes supporting private-sector development in **Ecuador** and **Paraguay** and forest sector development in **Argentina**, as well as the programme aiming at alternative development in the rural Yungas region of **Bolivia**.

Education: A second tranche of the budget support programme for **Nicaragua** aims to contribute further to the improvement of educational conditions, in particular those of primary education.

Health: improvements in organisation of the health system and its capacity to deliver the necessary services, in particular at the primary care level, is the main objective of the programme financed in **Ecuador**, the aim being to assure equitable access to social services in the health field.

Water: increasing the number of municipalities and houses with appropriate water source and sanitation is the objective of an important multi-annual budget support programme in **Bolivia**.

As regards the MDG 8 goal, i.e. develop a global partnership for development, mention can be made of a further programme of trade-related technical assistance to **Mexico**.

The above-mentioned programmes represent €114 million, i.e. some 40% of the total amount of credits available for Latin America under the main two budget lines for

⁴⁸ For more information: http://europa.eu.int/comm/europeaid/projects/al-invest/index_en.htm

⁴⁹ For more information: http://europa.eu.int/comm/europeaid/projects/urbal/index_en.htm

⁵⁰ For more information: http://europa.eu.int/comm/europeaid/projects/amlat/oreal_en.htm

technical, financial and economic co-operation (excluding the thematic budget line for aid to uprooted people).

2.6.5. *Co-operation with Member States and other donors*

In the Latin American region, where the EC actively co-ordinates with EU Member States and other donors, sector approaches have encouraged a more harmonised and effective pooling of development potential in 2004.

In **Bolivia**, in addition to participating in the five donor co-ordination groups established by the government, the European Commission has played a leading role in promoting a multi-donor sector approach in the field of water and sanitation, leading to the development of a sector support programme. The Commission is also actively engaged alongside other donors and the government of Bolivia in exploring possibilities for a sector approach to health.

The Decentralisation Support Programme in **Honduras** (PROADES) led to a reactivation of co-ordination, with the creation of a Tripartite Forum composed of the donors in the sector (the EC, the USA, Spain, Japan, Sweden, Germany, Canada, the Inter-American Development Bank (IDB), the UNDP), civil society and the government. Correct functioning of this forum is a prerequisite for proceeding with payments.

In general terms, during 2004, the European Commission worked extensively with Member States and other donors in ensuring broad 'ownership' of its programmes by working with existing instruments or developing new initiatives. The latter applied for instance in **Peru**, where an EU co-operation matrix was developed in 2003. This tool is a dynamic database containing selected parameters such as geographical and sectoral information, local public investment figures, MDGs and other relevant data. This matrix has encouraged the international community to launch an exercise co-ordinated and financed by the World Bank with the participation of the UN agencies, Japan, Switzerland, Canada, the IDB and the Corporación Andina de Fomento (CAF) aimed at giving a general overview of co-operation in the country.

Examples of collaboration with other donors in 2004 include one with the Economic Commission for Latin America (ECLA), the regional commission of the United Nations, regarding the launch of the second phase of REDIMA (Red de Diálogo Macroeconómico): this is designed to foster dialogue among policy experts and senior officials from the ministries, secretariats and central banks of the Latin American countries.

The EUROsociAL programme mentioned earlier relies on the participation of the IDB, UNDP and CEPAL (Comisión Económica para América Latina) who, together with the EC, will form a Steering Committee in charge of assuring coherence of the programme with the co-operation policies implemented by the multilateral organisations

2.6.6. Overview results-oriented monitoring (ROM)

In 2004 150 projects for a total budget of €873 million were monitored in this region: these have maintained globally excellent results for over three years now, with only statistically insignificant variations⁵¹.

2004 by priority area	Trade & development	Regional integration	Macroeconomic & social sectors	Transport	Food security & rural development	Institutional capacity / good governance	Other	Total / Average
Number of projects monitored	8		27		67	42		144
€ million covered	25.71		243.47		361.05	242.49		872.72
Scores								
Relevance	2.63		2.85		2.87	2.85		2.80
Efficiency	2.50		2.81		2.66	2.70		2.67
Effectiveness	2.67		2.78		2.85	3.09		2.85
Impact	2.83		2.90		2.79	3.18		2.92
Sustainability	3.29		2.63		2.67	2.77		2.84
Average	2.78		2.79		2.77	2.92		2.82

Scores can range from 4 (excellent performance) to 1 (serious deficiencies in performance). A 2.5 score indicates that performance is on track, and achieving expected results.

The Institutional Capacity and Good Governance sector includes a high number of Human Rights projects (50% of the sample) that have scored particularly well, especially with regard to effectiveness and impact. These results reflect the high degree of coherence achieved between Human Rights projects and the priorities identified by the beneficiaries and their communities. These projects have contributed significantly in reducing the marginalisation of the most vulnerable sections of the population and promoting the socio-political and economic integration of both the urban and the rural poor.

While devolution is in its final stages in 2004, the full impact will only become clear in the medium term. However, there are already some encouraging signs, in

⁵¹ For more information on methodology and ratings, please refer to chapter 5.8.2.

particular with regard to efficiency, where a marked improvement was recorded between 2003 and 2004.

2.6.7. *Conclusions and perspectives*

The European Union and Latin America have gradually developed a dialogue marked by frank and fruitful co-operation and resulting in considerable progress. The third summit of heads of state or government of the two regions, held in May 2004, provided the opportunity to ensure and continue the reinforcement of the strategic partnership between the two regions started in the Rio Summit of 1999 and reaffirmed in Madrid in 2002. Building on the outcome of the Guadalajara Summit, the European Union will now work towards the next Summit in Vienna in 2006.

This year's Summit provided an opportunity to take up a major challenge: to continue increasing the wealth generated by the economy and share the fruits of growth on a fairer basis, in the context of increasing economic liberalisation and market integration. The European Union's experience in promoting social cohesion is a basis for its co-operation with Latin American countries. It also enables Latin American countries to find their own ways of combating inequality, exclusion and poverty.

As far as current and future negotiations are concerned, the joint assessment of the integration processes of Central America and the Andean Community – leading in due course to the negotiation of Association Agreements – will be carried out in 2005. The year will also be a decisive one for the ongoing negotiations on Mercosur.

3. MAINSTREAMING, CROSS-CUTTING ISSUES AND THEMATIC LINES

3.1 Introduction

The EC Development policy statement of 2000 identifies a number of cross-cutting themes including (a) Human Rights, (b) environmental issues and (c) equality between men and women. In addition, special attention should be paid to conflict prevention, crisis management (see feature article section 4.2.) and good governance.

Under the European Community Budget for each year, the Community has access to a number of thematic budget lines which it can use to fund activities for identified themes, many of which facilitate directly or indirectly the fulfilment of the European Union's commitment to the aims of the Millennium Development Goals and the promotion of cross-cutting issues. Unlike the main financial instruments that exist for external action, such as the European Development Fund and the budget lines for co-operation with each region, funds allocated to thematic budget lines are not specifically targeted towards any particular geographical region.

Thematic budget lines increase consistency of, and provide added value to, the Community's development co-operation in several ways. These budget lines can provide complementary funds in a particular sector – for example, the HIV/AIDS budget line is being used to focus assistance in this area as part of the Community's Programme for Action on Communicable Diseases in the Context of Poverty Reduction. At the international level thematic budget lines, particularly those related

to food security, de-mining, the fight against drugs and HIV/AIDS and other poverty-related diseases, provide the Commission with the basis for a highly visible and co-ordinated approach to the multilateral forums dedicated to these sectors. Moreover, they represent an integral part of the EC's relations with development and Human Rights NGOs, as the overwhelming majority of projects funded by thematic budget lines are implemented by NGOs, selected by calls for proposals. The financial or structural viability of the NGO partners and their experience in the field of intervention are systematically checked during the selection process for calls for proposals. There are also specific, 'actors-based' budget lines devoted to the co-financing of operations of European NGOs in developing countries and to decentralised co-operation with Non-State Actors. Finally, smaller pilot thematic budget lines are also used to test a new approach or initiative before it is either confirmed under a specific thematic line with its own legal basis, or integrated into country and regional strategies. Examples include the pilot budget lines devoted to basic education in developing countries, information and communication technologies and cultural co-operation with developing countries.

External aid financed on the General Commission Budget managed by EuropeAid					
2000-2004					
M€	2000	2001	2002	2003	2004
Commitments	912	972	949	942	1.001
Payments	748	806	861	872	789
<u>(Bilateral and Multilateral ODA/OA)</u>					

The above-mentioned figures for the year 2004 show an increase in the annual appropriation granted to thematic budget lines under the European Community budget, reversing the counter trend evident in 2002 and 2003. This is accounted for by the specific increase in budgetary allocations granted to the budget lines of Human Rights and Democracy, Environment and Tropical Forests, Reproductive Health and the Fight Against Other Poverty-Related Diseases. Furthermore, two new thematic budget lines were brought under the management of EuropeAid in 2004. These include the budget line for Migration with a total allocation of €30 million and the pilot project to reduce nuclear, biological and chemical weapons and small arms with a total budget of €3 million.

The decrease in payment figures for 2004 is largely due to the devolution of responsibility for certain aspects of the management of projects financed under thematic budget lines from Commission Headquarters to Delegations, which took place during the year. This period of transition has resulted in delays in the completion of payment procedures for some contractual partners. Moreover, there was an important change in the rules relating to advance payments to contractors in 2004: instead of allowing payment of 80% of the total EC contribution, these are now limited to an amount equal to or less than 80% of the budget of the first year of the contract.

3.2. Human Rights

The European Initiative for Democracy and Human Rights (EIDHR) is complementary to the existing geographic instruments and is implemented through grants to civil society organisations and key international agencies such as the Office of the High Commissioner for Human Rights. In those cases where democracy and Human Rights are sensitive areas in the co-operation with partner governments, the programme constitutes an essential tool to support independent organisations with a capacity to promote EC objectives in this area.

Support under the EIDHR may take the form of:

- grants awarded without a call for proposals to strategic international organisations;
- grants to organisations awarded through global calls for proposals;
- micro-project grants specifically for organisations based in the country concerned.

Drawing upon the Communication of May 2001 on the European Union's role in promoting Human Rights and democratisation in third countries⁵², and in accordance with the EIDHR programming update for 2004, a total of €125 million was committed in 2004 under the EIDHR. Support was made available for actions covering the four main thematic priorities of the programme:

- support to strengthen democratisation, good governance, including conflict prevention, and the rule of law;
- activities in support of the abolition of the death penalty;
- support for the fight against torture and impunity and for international tribunals and criminal courts;
- activities combating racism, xenophobia and discrimination against minorities and indigenous peoples.
- More than 20 projects with international organisations were selected for a total amount of €22 million (excluding election observation missions). €10 million was used to cover the expenses of EU election observation missions.
- Eleven global calls for proposals, for a total of €75 million covering one or more of these areas, were prepared and launched in 2004 for final selection in 2005. Applicants are independent civil society organisations with headquarters either in the EU or in the partner countries.
- €17.5 million was committed for micro-projects.

⁵² COM(2001)252 final

Election Observation Missions (EUEOMs) deployed in 2004 have been one of the most direct and visible tools of the EU in supporting democracy building. In 2004, the Commission deployed 632 election observers to seven election observation and assistance missions.

- In Indonesia, 204 observers were deployed during three rounds of elections.
- In Sri Lanka, 67 observers were deployed under considerable time pressure in order to arrive in time for snap elections.
- In Malawi, 68 observers were deployed with considerable difficulty to this least developed country.
- In Mozambique, 90 observers were deployed.

For the presidential election in West Bank and Gaza, the EUEOM fielded 277 observers throughout the territories on election day, making this the largest international observer group present. The EUEOM included participants from the 25 Member States, Norway, Switzerland and Canada.

For the elections held in Afghanistan and for preparations for the elections to be held in Iraq, the classic ‘EOM’ model was adapted in order to cope with the difficult security conditions in those countries. In Afghanistan, a Democracy Election Support Mission (DESM) was deployed in the context of the presidential election held in October 2004. The mission consisted of nine election experts and 16 field experts seconded by the Member States. The mission produced an analysis of important aspects of the electoral process, made recommendations for the future conduct of elections and the democratisation process in Afghanistan, and monitored the media during the election campaign. Although this Democracy Election Support Mission was not an EUEOM, since observers could not be deployed across the country in a manner consistent with established standards for credible observation (and for which the EU has acquired a reputation as one of the leading exponents), the DESM was deployed sufficiently far in advance of election day to be able to cover the electoral campaign and monitor polling and electoral complaints in urban centres across the country. As a result, it was able to produce an authoritative evaluation of key aspects of the elections. The DESM also supported the work of the Afghan Independent Human Rights Commission and of domestic observer groups on electoral complaints, procedures and observation by independent national organisations.

Through the EIDHR, the European Commission has become one of the main contributors to the work of the Office of the High Commissioner for Human Rights. Projects selected in 2004 included support for the mechanisms in place to ensure compliance with international treaties in Latin America.

In the area of international justice, targeted initiatives to strengthen the functioning of the International Criminal Tribunals for Rwanda (ICTR) and for the former Yugoslavia (ICTY) and the International Criminal Court (ICC) were launched during 2004: support was also provided to the Protection of Witnesses and Victims programme of the Prosecutor’s Office of the ICTR. Particular attention was given to the establishment of ‘outreach’ programmes in the communities affected in Rwanda and the four Balkan countries, training journalists and teachers, and raising

awareness in the local populations of the activities of the ICTR and ICTY. Participants from developing countries in the Internship Programme for the International Criminal Court also benefited from EIDHR support.

The EIDHR continued to build on established partnerships with the Council of Europe, to target consolidation of the rule of law and democratisation activities in the Balkans, Central Asia, and the Russian Federation. In the light of the success of support provided to The Moscow School of Political Studies, a network of Schools of Political Studies has been established across seven countries of Eastern Europe, including Moldova. A new partnership with the OSCE Office for Democratic Institutions and Human Rights (ODIHR) was established in 2004 to strengthen the rule of law in Central Asian countries.

Concrete steps in putting Community policies on indigenous peoples' rights into practice were also taken under the EIDHR. A practical guide on mainstreaming indigenous peoples into development co-operation policy will ensure that analysis of their political, social, economic and cultural situation in partner countries is taken into account in the forthcoming Country Strategy Papers (CSP). A contract supporting a two-year project for the promotion and protection of the rights of indigenous peoples in Guatemala and Mexico was, for example, signed with the UN Office of the High Commissioner for Human Rights.

The Micro-projects facility continued to play an increasingly important role in the implementation of the EIDHR programme in 2004. These projects are small operations (€10.000-100.000), managed almost entirely by the Delegations, that allow for strategic and flexible initiatives adapted to the context of the country concerned. In 2004, 28 Delegations implemented this programme worldwide; more than double the number of Delegations in 2003.

A closer analysis of the methodological approach underlying EIDHR initiatives was launched during 2004 in order to enhance their effectiveness. A study was commissioned with the aim of identifying indicators that can be linked to the objectives of the EIDHR. Its conclusions will guide revision of project proposal requirements, in order to streamline reporting from partner organisations and give the Commission a clearer indication of the extent to which a project has contributed to the fulfilment of the programme objectives.

In order to discuss the further development of the methodology governing Election Observation Missions, the Commission organised a Conference on "Election Support: Achievements and Challenges" during the year. The conference was attended by over 180 eminent election specialists and produced a very important contribution to the debate on the further development of EOM methodology and the future challenges to it.

3.3 Natural resources

In line with the EC's Environmental Integration Strategy⁵³, the Commission took a number of initiatives in 2004 to enhance integration of environment concerns into

⁵³ SEC (2001)609 – "Integrating Environment into EC Economic and Development co-operation"

country policies and programmes. In the context of the ACP Mid-Term Review, an overall improvement was made in environmental mainstreaming: Country Environmental Profiles were required for all Country Support Strategies and have been finalised or are under preparation for over 50 countries: Strategic Environmental Assessments are also foreseen in an increasing number of national sectoral strategies where a multi-donor sectoral support is in place. Experience on these issues has also been shared with Member States and other major donors including through the two networks on environment and development: Poverty Environment Partnership and OECD/DAC/ENVIRONET.

As regards non-ACP countries, more precise guidance was given in 2004 on the need to consider the environment systematically, in the context of the next generation of Country Support Strategies, by carrying out environmental profiling on a country-by-country and regional basis as a part of the overall planning process. Inter-service quality support group programming guidelines on environment were also updated to provide useful tools for the 2007-2013 programme cycle.

In addition, the full-time services of an Environment Helpdesk have been available to all staff of RELEX Directorates-General since October 2004: the same team has also developed a training package that provides technical and methodological support to country desk officers, programming officers and project managers. This training will be extended to Delegations and key ministries of beneficiary countries during 2005.

– Multilateral Environmental Agreements (MEAs)

In the context of Multilateral Environmental Agreements – e.g. on climate change, biodiversity, desertification, chemicals – the EC made efforts to ensure coherence between environmental and development objectives. For example, the Commission proposed and the Council reviewed the Biodiversity Action Plan for economic and development co-operation.

On climate change, the Council adopted the Action Plan to accompany the EU Strategy on Climate Change in the Context of Development Cooperation. In addition to this, the adoption in October 2004 of the Directive to link the EU greenhouse gas emissions trading scheme with the Kyoto Protocol's flexible mechanisms provides an important incentive for companies in the EU to invest in Joint Implementation and Clean Development Mechanism projects, assisting the host countries in their sustainable development.

The EC continued to play an active role in shaping the future of the Desertification Convention, focusing on implementation, scientific and governance issues: the 29th Session of the ACP-EC Council of Ministers approved an ACP-EC Joint Document on Combating Drought and Desertification. This emphasises the need to steer the work of the Desertification Convention towards effective key-implementation issues: reform of national domestic policies and processes, sustainable agricultural development, mainstreaming, simplification of links and complementarities between projects targeting poverty eradication, food security, sound water management or prevention of land degradation.

In the context of biodiversity, the European Commission continued to play a major role in the negotiations under the Convention on Biological Diversity (CBD) and its

Cartagena Protocol on Biosafety (CPB). At the seventh Conference of the Parties to the CBD and the first Meeting of the Parties of the CPB, a number of decisions with a strong development component were adopted. These include:

- a Work Programme on Protected Areas (PA) which strengthens the concept of 'pro-poor conservation';
- a new Work Programme on Technology Transfer;
- the Addis Ababa Principles and Guidelines for the Sustainable Use of Biodiversity;
- an Action Plan for capacity building and creation of a roster of experts on biosafety to help developing countries implementing the Cartagena Protocol on Biosafety.

Moreover, in December 2004, the EC adopted a progressive position in the World Intellectual Property Organisation (WIPO) by supporting a requirement for patent applicants to disclose, under certain conditions, the origin/source of the genetic resources and traditional knowledge on which inventions are based. The EC is thus in a position to bridge the gap between the standpoints of developed and developing countries.

- Environment and tropical forests

The thematic programmes on environment and forests address issues that are at the core of sustainable development. Activities to promote the conservation and sustainable management of natural resources are crucial to millions of poor people who depend wholly or partly on them for a living.

In 2004 the EC approved 40 new projects worldwide, mainly identified through a call for proposals and representing a total amount of some €80 million (of which some € 61 million under the programme for Forests and some €19 million under the programme for Environment). Projects approved under the Environment programme focus on capacity building for implementation by developing countries of Multilateral Environmental Agreements (MEAs). Actions under the Forests programme build on a long-standing commitment to support local efforts aimed at developing participatory models of resources utilization, based on the recognition of the value of forests to society and on more equitable forest tenure arrangements. As part of the contribution provided under the forests programme a significant effort was made to support the development cooperation component of the EU Forest Law Enforcement Governance and Trade (FLEGT) Action Plan, with about €20 million allocated to projects combating illegal logging, carried out mostly by non governmental organisations.

The FLEGT initiative is based on the premise that consumers and producers of timber must act together to fight corruption, failings of governance and market incentives that encourage illegal logging. The FLEGT Action Plan proposes partnerships with wood-producing countries, combining support for improved governance with a timber import licensing scheme that ensures that only legal timber enters the European Union. Consultations on FLEGT partnership agreements have

been initiated in 2004 with key wood-producing countries such as Indonesia, Malaysia, Ghana, Congo and Gabon.

The FLEGT Action Plan envisages working closely with the private sector, which has a key role to play in the fight against illegal logging. In 2004 the Commission entered into an innovative public-private partnership, founded on the principles of corporate social responsibility, under which EU timber importers will receive support in their work with developing country suppliers to ensure that only legal timber is supplied to the EU market.

A mid-term evaluation of the Environment and Forest Regulations was concluded in November 2004. The results acknowledge the progress made since the last review (1998), mainly in terms of the quality of project proposals and their implementation, while at the same time calling for further improvements in areas such as monitoring and evaluation, the efficiency of call for proposals procedures, and synergies with projects financed under other instruments. The findings and recommendations of the mid-term evaluation are contributing to a 'lesson-learning' process that feeds into the review underway on the future of thematic programmes.

The Strategic Guidelines and Priorities for projects to be financed in 2005-06, adopted in September 2004, take account of the preliminary findings of the mid-term evaluation.

– Water and sanitation

There is a coherent approach at EU level on supporting partner countries in ensuring sustainable and equitable management of water resources and access to water and sanitation. The policy emphasises the need to integrate sustainable water management into national and regional development strategies and to support partner countries in developing sustainable solutions. The overarching policy framework is Integrated Water Resources Management (IWRM) at a basic level.

The EU Water Initiative (EUWI) was launched at the World Summit on Sustainable Development (WSSD) in 2002 with the aim of contributing to achievement of the Millennium Development Goals (MDGs) and the WSSD targets for drinking water and sanitation, within the context of an integrated approach to water resources management. The EUWI is a catalyst and foundation for future action to meet the water and sanitation MDGs. Regional and thematic groups have been established for Africa, the Eastern Europe, Caucasus and Central Asia Region and the Mediterranean, whilst another is under development for Latin America. Cross-cutting groups have been created to cover finance, research and monitoring.

The starting point of the EUWI has been acceptance of the fact that the water-related MDGs and WSSD targets cannot be achieved with conventional means and fragmented approaches. These require a greater and more open form of mobilisation of participants, both in European and in partner countries, ranging from governments, international financial institutions and other donors, to civil society organisations, water users and the water industry. The EUWI also places emphasis on a better use of existing resources, on the generation of scientific knowledge and its effective translation into innovation, and on the need to raise public awareness of water issues.

The key objectives of the Initiative are:

- to reinforce political commitment to action and raise the profile of water and sanitation issues in the context of poverty reduction efforts;
- to promote better water governance; this includes
 - encouraging the public and private sectors and local stakeholders to work together better;
 - strengthening institutional capacity at the regional, national and local levels;
- to improve co-ordination and co-operation in the sector; this includes a shift away from stand alone projects to sector wide approach and establishing multistakeholders processes to reinforce partnerships for action;
- to encourage regional and sub-regional co-operation on water management issues using the integrated water resources management approach on a basin scale;
- and to catalyse additional funding.

The €500 million ACP-EU Water Facility, established in 2004 and targeted at the Africa, Caribbean and Pacific (ACP) regions, is a response to the need to catalyse additional funding. The Facility contributes, at least partially, to the financing needed to boost the sustainable delivery of water and sanitation infrastructure and to improve water governance and IWRM practices in ACP countries. Priorities are derived from the EUWI and in particular from the African-EU Partnership, signed by the African Ministers Council on Water (AMCOW) and the EU. Funding from the Water Facility may also be used to support, but not compete with, existing initiatives from Member States, international organisations and the international financial institutions

Significant allocations have also been made by the Commission for water-related activities in the Eastern Europe, Caucasus and Central Asia region, where €35 million have been earmarked as part of the TACIS Regional Programme (2004-06) to support the objectives of the EU Water Facility.

3.4 Equality between men and women

Promoting gender equality is crucial for development. Gender discrimination is a violation of Human Rights and an obstacle to social and economic development. A disproportionate majority of the world's poor are women. In the fight against poverty, the link between gender and poverty makes the promotion of gender equality in development co-operation a precondition for success.

On 21 April 2004, the European Parliament and Council adopted a new regulation, *Promoting gender equality in development cooperation 2004-2006 (CE) n° 806/2004*. It aims at reinforcing the EC contribution to achieving the Millennium Development Goals in the area of gender equality by supporting initiatives of an innovative nature that link up with EC mainstream programmes. Gender equality is to be integrated in priority policy areas for development co-operation. Specific

measures in favour of women's empowerment, particularly in the economic and social domains, will receive support.

The regulation establishes clear links with the political goals of the Beijing Platform for Action⁵⁴ and also, for the first time, the MDGs which call for gender equality, empowerment of women and the need for worldwide action against obstacles to gender equality. The principle objectives of EC support for gender equality in development co-operation, as laid down in the Regulation, are:

- to promote gender mainstreaming in all areas of development co-operation, combined with specific measures in favour of women of all ages, with the goal of promoting gender equality as an important contribution to poverty reduction;
- to support endogenous public and private resources in developing countries that can take the responsibility and initiative for promoting gender equality.

Significant steps were taken in 2004 to implement the obligations under the Programme of Action for the mainstreaming of gender equality in Community Development Co-operation⁵⁵. A toolkit on how to mainstream gender equality in development co-operation programmes and projects was finalised in December 2004. On this methodological basis, specific training modules have been developed for staff working in Commission Headquarters or in Delegations.

At country level, the focus of the EC in 2004 has been on assessing the Mid-Term Reviews of the Country Strategy Papers (CSPs), with an aim to improving strategies from a gender equality standpoint and incrementing the use of sex-disaggregated data as a basis for country analyses, political, social and economic. A practical tool for mainstreaming gender equality in the CSPs has been developed for the relevant Commission services, who are also collaborating with Member States by pooling expertise and exchanging analytical tools and best practices.

Three projects were selected for financing in 2004 under the call for proposals focusing upon the reduction of gender inequalities in education and political decision-making. A project in Peru promotes political participation in the electoral processes, especially by women in rural and marginal-urban areas, and fosters women's empowerment. A second project in Turkey focuses on reducing gender disparity in education through functional and political literacy, parent training, collective action and advocacy. Finally a third project has been selected for financing in Malaysia, where the focus is on supporting women's NGOs to enhance their engagement in promoting gender equality, non-discrimination and democracy in the national agenda.

In 2004, EC initiatives focused on financing projects that enhance the access of women to paid employment in the non-agricultural sectors. This focus recognises the worldwide trend towards feminisation of the labour force in modern industrial economies. The aim of the intervention is to participate in country dialogues and in the development of national strategic plans that ensure that employment

⁵⁴ 1995 Fourth World Conference on Women, Beijing

⁵⁵ COM(2001)295 final

opportunities are made equally available to women and men – and rights equally applied.

The figures for 2004 show that projects/programmes amounting to more than €770 million had promotion of gender equality as a principal or significant objective. This exceeds by far the amount devoted specifically to this purpose, indicating that mainstreaming is working in practice.

3.5 Good Governance

Promoting good governance is a key priority in all EC development cooperation programmes. In October 2003, the European Commission issued a special communication on governance and development⁵⁶. On this basis, the Commission has contributed to policy discussions at international level on difficult partnerships, bad performers and fragile states. In line with other partners, the Commission focuses its support on “good performers” to increase aid effectiveness but also takes the policy line that populations in other vulnerable countries should not pay the price for bad leaders. Many of these countries are conflict-prone, or in post-conflict situations.

Particular attention is being paid to elaborating strategies for them that allow the EC and MS to remain engaged through a whole range of appropriate instruments, even when sanctions have been adopted and official co-operation suspended, as a means of preventing state failure. Difficult partnerships are primarily characterised by a lack of commitment to development objectives and good governance. Very often, problems in these situations have their roots in governance failures linked to poverty.

The mid term review process of Country Strategy Papers and National Indicative Programmes for ACP countries (MTR for ACP), which started in 2004, has been an opportunity for the Commission to start its reflections on methodologies for assessing institutional performance in partner countries. These assessments can provide a tool for further structured policy dialogue on governance between partners based on identification of the main institutional constraints at country level and analysis of the government policy response to them. This ongoing work will increasingly focus on encouraging assessments led by the partner country with the involvement of the relevant in-country stakeholders and development partners. It should lead to the establishment of governance indicators to measure institutional quality and effectiveness as well as country performance on a range of good governance practices (human rights, democratisation process, the rule of law, management of resources). Indicators should be adapted to the country context, relevant for the partner government agenda on institutional reform and useful for supporting and monitoring progress on reform, rather than simply setting up scoreboards.

During the MTR for ACP countries, an analysis was undertaken on the way in which governance or institutional performance was assessed in 27 countries⁵⁷, 10 of which

⁵⁶ COM(2003)615 final 20.10.2003

⁵⁷ Angola, Benin, Burkina Faso, Burundi, Cameroon, Chad, Comoros, Congo, DRC, Eritrea, Ethiopia, Guinea Bissau, Guyana, Madagascar, Malawi, Mali, Mozambique, Niger, Nigeria, Papua New Guinea, Rwanda, Senegal, Sierra Leone, Solomon Islands, Uganda, Zambia.

are in post-conflict situations). An institutional assessment was included in 16 out of 27 cases. These assessments cover, with different levels of detail, institutional performances of key institutions such as those that have a macro-economic mandate (Ministry of Finance, Supreme Audit Authority, Central Bank, Public Procurement Authority etc), a political mandate (Parliament, judiciary, security system etc.) or a service delivery mandate (Technical Ministries at different levels, local authorities etc.).

The efforts undertaken by national governments to tackle governance related problems were analysed in almost all the Mid Term Review reports, albeit in many different ways. The need for the Government to make further efforts to improve the situation regarding governance in general or regarding specific, priority areas related to governance was stated in four cases. In many more cases, efforts of the government were appreciated, although progress was often limited due to several structural, bureaucratic and financial reasons.

The main governance problems reported for ACP countries were corruption and lack of financial and qualified human resources within the institutions, leading to a limited governance capacity and slow progress in implementing institutional reform programmes. In several cases, positive developments in human rights issues were observed, especially when comparing post-conflict situations with periods of ongoing conflict. On a general note, positive tendencies in governance performance were acknowledged in six of the cases. Conversely, in eight cases a particularly low level of performance in governance or even a deteriorating tendency was observed. The EU support for governance programmes was altogether considered as –totally or partly efficient in 17 cases. In nine countries, programmes have not yet started or progressed sufficiently in order to evaluate their impact. Furthermore, in six cases it is reported that programmes failed or had only very limited impact due to problems of implementation such as bureaucratic obstacles.

Governance should remain an important area for EU support in ACP countries. The overall situation in this area is not satisfactory, despite some notable exceptions and some successful support programs. Further efforts will be made to ensure the systematic carrying out of performance assessments in all countries in order to facilitate policy dialogue on governance and the implementation of institutional reform programmes that contribute to poverty reduction and sustainable development.

In early 2004, a first version of the EC Handbook on Good Governance was sent to Delegations implementing development cooperation programmes. The draft handbook has been developed in consultation with EU Member States as well as with partners in civil society. It is currently being tested in the field with feedback from Delegations and implementing partners.

Note: Somalia is also included in this group. There is no formal cooperation with Somalia, but the EU continues its support to the population using a strategy in which “Governance, reconciliation and peace-building” is one of four “Clusters of Intervention”. The strategy was assessed using the MTR methodology

The Commission is also making a substantial contribution to the efforts of the OECD to develop common framework for indicators in the area of Governance among DAC members.

3.5. Migration and Asylum

– Migration

The European Council has consistently underlined the need for a comprehensive approach to migration focusing on political, Human Rights and development issues in third countries and regions. Emphasis is placed on the need for greater coherence between internal and external policies of the European Union in this field. The European Council of 4-5 November 2004 in Brussels launched a new multi-annual programme, the Hague Programme, which further emphasises and develops the account taken of migration and asylum issues in relations with third countries.

In 2004, significant progress was achieved in enhancing the contribution of EU migration and asylum policy to development policy. Regulation (EC) No. 491/2004 of the European Parliament and the Council, adopted on 10 March 2004, established a five-year instrument (2004-08) to provide specific and complementary financial and technical assistance to third countries in support of their efforts to ensure more effective management of all aspects of migration flows.

This instrument, named the AENEAS Programme, has an overall indicative budget of €250 million, including €120 million for the period 2004-06. It will provide support on a much broader scale than the previous budget line and will contribute to projects that help reduce poverty in developing countries, for example by facilitating the transfer of migrants' remittances or by contributing to their efforts to foster development in their home countries.

In addition, the EC is taking an active part in the global debate on linkages between migration and development, as proposed by the Council in Conclusions adopted in May 2003. It has contributed actively to the work of the Global Commission on International Migration (GCIM) set up by the UN Secretary General and is to publish its recommendations in 2005.

– Asylum

On 2 November 2004, the Council adopted a Resolution on persons in need of international protection that recognises the need to focus efforts in the region of origin. The Resolution asks the Commission to present an Action Plan for one or more pilot Regional Protection Programmes. Such programmes will help address the challenges faced by countries which are host to significant intra-regional refugee populations, notably Africa and Asia.

In the area of return policy, by the end of 2004 the Commission was finalising its first assessment of the lessons to be drawn from operation of the Afghanistan Return Plan. Such conclusions will be useful in helping shape a general EU policy for the return of migrants that maximises the positive economics and societal impact of returnees on their communities of origin.

3.6. Drugs

Afghanistan, the Andean region and Central Asia remain the main areas of focus for the European Community's international co-operation in the fight against drugs. Afghanistan and Central Asia are key areas on the heroin route, while all the cocaine produced worldwide is manufactured from coca leaves cultivated in the Andes.

The co-operation offered by the Commission is part of a broader package of efforts undertaken multilaterally and bilaterally: these include trade policy initiatives and political and technical dialogue on drug matters.

In the Andean region in 2004, the Commission launched a new alternative development project, this time in the Yungas region of Bolivia, second in importance to the Chapare for coca cultivation. A number of alternative projects in Bolivia, Peru and Colombia, as well as a regional project on precursors' control, continue to be implemented in the Andean region. A new phase of the PRAEDAC (Programa de Apoyo a la Estrategia de Desarrollo Alternativo en el Chapare) project for the alternative development of the Chapare in Bolivia and a third Peace Laboratory in Colombia are under study, and a regional programme to support the fight against synthetic drugs in the Andes is also being considered.

Efforts in Afghanistan have further supported the Country's National Drug Control Strategy, adopted in 2003. They emphasise rural reconstruction (including in poppy growing areas), with over €100 million committed in 2003-04, and now include a project to support alternative development in the provinces of Nangahar, Laghman and Kunar. Capacity building of the police has been supported via contributions to a UN Law and Order Trust Fund (budget €78 million in 2002-2004). Border controls on the frontier with Iran are being strengthened through a project implemented by the UNODC to prevent opium/heroin from entering the country. These two law enforcement-enhancing initiatives, both focused on interdiction, offer a needed complement to the EC's overall development-enhancing efforts.

In the case of Central Asia, the Commission continues to implement its border control programme, BOMCA, which includes significant features relating to the fight against drugs, and its Central Asia Drugs Programme (CADAP), as a means of preventing the trafficking and abuse along heroin's 'silk' and northern routes.

Other EC efforts are focused on the Caribbean, where the Commission is helping regional institutions plan and co-ordinate demand and supply-reduction efforts; the Caucasus and other parts of Eastern Europe through its South Caucasus Action Drug Programme (SCAD) and Belarus, Ukraine, Moldova Action Drug Programme (BUMAD); the Southern and Eastern Mediterranean via a regional project to train law enforcement officials, with drugs as one of the priority areas; other parts of Asia (including demand and harm-reduction projects in Myanmar and Pakistan, and a precursors' control project for the SAARC region (South Asian Association for Regional Co-operation); and the Southern Africa Development Community (SADC), whose secretariat is being supported in its efforts against drugs.

Some innovative cross-regional initiatives involving the sharing of best practices in demand and harm-reduction among NGOs of Asia, the Caribbean and Latin America are entering their final phase of implementation.

3.7. Children

The approach to children's rights policy and funding in the context of the European Initiative for Democracy and Human Rights (EIDHR) has been guided by the decision – set out in the Commission Communication on Human Rights of May 2001⁵⁸ – to mainstream the issue through the Human Rights priorities supported by the EIDHR. Project proposals demonstrating that they have taken account of the issue are regarded favourably during the selection process. Efforts to reinforce mainstreaming in EU policy have included the launch, in cooperation with the UNICEF, of a children's rights training programme for EU officials and the establishment, in September 2004, of a new inter-institutional group bringing together officials from the Commission, Council Secretariat and European Parliament to provide a forum for exchanges of views and expertise. Moreover, the new Group of Commissioners on Fundamental Rights, Anti-Discrimination and Equal Opportunities is actively considering the development of a strategy for a coherent EU policy on the protection of the rights of the child. Initial steps will include the preparation of an inventory detailing the extensive activities already undertaken by many Commission Directorates-General in this field.

The education component of the EC's development policy continued in 2004 in line with the March 2002 Communication on "*Education and training in the context of the fight against poverty in developing countries*"⁵⁹. This strategy reflects the September 2000 United Nations' Millennium Development Goals in the field of education: these aim to give all boys and girls a full primary education by 2015 and to eliminate gender disparity in primary and secondary education preferably by 2005, and for all levels of education by 2015 at the latest. The education MDGs are part of the drive to achieve 'Education for All', a wider agenda set by the international community in Dakar in April 2000.

Helping the Ministry of Education and Training in Vietnam keep track of education service delivery to 15 million school children by 650 000 teachers

Vietnam is implementing a radical decentralisation process, including in the education sector. An EC co-operation project (EC grant of €7.6 million) has continued to provide technical and financial support to the Ministry of Education and Training during 2004 in order to develop and roll out a nationwide computerised Education Management and Information System (EMIS).

The system will provide the Ministry at all levels - national, province and district - with a continuous overview of education service delivery to nearly 15 million 6-14 year old children involving 660 000 teachers.

By the end of 2004, the EMIS had been rolled out in all 64 provinces of Vietnam to be fully operational from the 2005-06 school year onwards, not only as a statistical information system but also as a sector-wide planning, budgeting and service monitoring/assessment tool. In the meantime, EMIS is already helping develop the education-sector components of the next five-year plan and the medium-term expenditure framework, as well as monitoring implementation of the 'Education for All' (EFA) Programme.

⁵⁸ COM(2001)252

⁵⁹ COM(2002) 116 final

One of the priorities provided for in EIDHR programming for 2005-06 will be children and armed conflict, notably through the implementation of the Optional Protocol to the Convention on the Rights of the Child concerning the involvement of children in armed conflict. The EU has continued to pursue the implementation of the EU Guidelines on Children and Armed Conflict which were adopted by the Council in December 2003. Important developments include the introduction of reporting by EU Heads of Mission in countries where parties to armed conflict have been censured by the Security Council for their recruitment and use of children. The reports emphasise the need to have a clear picture not only of recruitment of child soldiers but also attacks against schools and hospitals, blockage of humanitarian access, sexual and gender-based violence against children, and abduction. Reporting and analysis have been accompanied by recommendations for action, such as enhanced funding of relevant programmes and approaching governments of third countries. EU Special Representatives, including in the Great Lakes region, have been instructed to address the issue when executing their mandates.

The EU also financed an international campaign against sexual exploitation of children in tourism sponsored by the World Tourism Organisation in co-operation with ECPAT (End Child Prostitution Pornography and Trafficking), the IFJ (International Federation of Journalists) and Terres des Hommes. Activities located in the EU, Africa, Central and Eastern Europe, Latin America, South-East Asia and South/Eastern Europe included the dissemination and implementation of guidelines for focal points at national tourism administrations and local destinations.

3.8. Partnership with NGOs and non-state actors

3.8.1. Civil society in partner countries

In 2004, the Commission continued implementing the policy guidelines based on the Communication on the participation of Non-State Actors (NSAs) in development policy⁶⁰. The main objective is to facilitate and promote the dialogue between state and non-state actors in partner countries, strengthening the capacity of civil society to make an effective contribution to the development process, and creating conditions for greater equity, the inclusion of the poor in the economic, environmental and social benefits of equitable growth, and the consolidation of democracy. Partner country governments showed increased awareness of the need to involve their civil societies in the preparation of development and co-operation strategies: very often NSA capacity building is part of these countries' development strategies, and funds are already being committed to this purpose, especially in ACP countries.

The Mid-Term Reviews (MTRs) of Country Strategy Papers (CSPs) and National Indicative Programmes (NIPs) under the 9th EDF were launched in 2004 for a total of 58 ACP countries. Some preliminary conclusions can already be drawn regarding civil society involvement in the process, funding for NSA capacity building set aside in the NIPs, and general trends in NSA participation in the development process at country level.

⁶⁰ COM (2002) 598 final of 07.11.2002

With regard to participation of NSAs in the MTR process, the overall conclusion is that, while improvements have been made, there is room for further progress. Good practices are emerging and participatory approaches are progressively characterising the everyday working methods of the Commission, in particular the Delegations. Moreover, partner country governments appear to be increasingly aware of the need to involve civil society in co-operation strategies. However, a number of problems already identified at the CSP stage have reappeared in the context of the MTRs and must be addressed if participation of civil society is to be effectively ensured. These include, in particular, recurring problems of weak NSA capacities and organisation, lack of human resources and time, as well as understaffing in the Commission Delegations.

NSAs were associated in many ways with the MTR process: an initiative was taken to consult them in the majority of cases (38 countries). In 20 countries NSAs were not involved in the process, mainly due to a weak and ineffective civil society, general lack of human resources, inadequate capacities in the Delegation and lack of interest on the part of the government. However, in the majority of these cases, information sessions and discussions aimed at strengthening the promotion of participatory approaches are planned.

There is a need to reinforce NSA capacities to engage in the development process. The financial resources reserved for NSA capacity building in the NIPs are applied in different ways. In many cases, an amount is reserved for improving the internal structures of civil society organisations, facilitating NSA networking or consolidating their analytical and dialogue capacities. In other cases, for example in the Pacific region, a percentage of the focal sector allocation is implemented exclusively by NSAs in order to enhance their capacity to deliver. These two approaches to capacity building are complementary. Both the ‘capacity to engage in dialogue’ and the ‘capacity to deliver’ are important as aspects of the NSA contribution to poverty reduction and development policy.

In the context of the negotiations on revisions to the Cotonou Agreement, it has been agreed to insert provisions to facilitate NSA access to NIP resources, under a strategy approved by the Commission and the ACP states concerned. Non-State Actors will be able to benefit directly from financing via grant contracts drawn up between the Commission and the body in question, provided the type of NSA and the types of activity to be supported are identified in the Country Strategy Paper.

The EU still maintains its support for civil society in situations where co-operation was suspended by mobilising the funds of the National Indicative Programme. Thus €8 million were devoted to the Zimbabwe Developing Communities Programme (ZDCP) following a Commission decision in 2004.

Decentralised co-operation can be used as a tool for non state actors in so-called “difficult partnership” developing countries. Difficult partnerships are defined as instances where, for one of the following reasons, the usual co-operation instruments cannot be fully used to support initiatives by these decentralised cooperation actors: (1) countries where co-operation has been suspended; (2) countries where the authorities are not committed to objectives of poverty reduction and to other basic principles of development policy, including good governance and the participation of

civil society and decentralised authorities; and (3) countries where the dialogue on participatory approaches to development is very limited.

3.8.2 *Co-financing with European NGOs*

Within the EU, the regular dialogues between the EC and European Non-State Actor networks have continued, both on general issues and sectoral ones such as trade, social issues, co-financing with NGOs, decentralised co-operation, democracy and Human Rights, humanitarian aid, conflict prevention, food security, LRRD. In 2004, European NSAs received financial support both to implement their own initiatives and to act as ‘implementing partners’ within the framework of thematic and geographical priorities defined in EC co-operation programmes. Finally, a specific priority was given in 2004 to awareness raising in the ten new EU Member States.

Guidelines on principles and good practices for the participation of NSAs in dialogues and consultations on development, discussed with the Member States of the EU and with civil society in 2003, were published in 2004⁶¹.

In 2004, the Commission financially supported initiatives undertaken by European development NGOs in areas where the beneficiary populations are the poorest, the most vulnerable and the most marginalised. This area of activity is significant in size (budget €200 million) and in geographical scope (206 new projects in over 100 developing countries in 2004), and is viewed by other stakeholders like the European Parliament, the Member States and the international donor community as a fundamental component of the soft-power projection of the European Union.

Discussions on different issues concerning this budget line have been ongoing since 2003, when the Palermo Process was launched as a structured dialogue to resolve issues of management and impact, with the involvement of all stakeholders: the EC, Member States, European NGOs and the European Parliament. The EC actively participated in a follow-up seminar on impact assessment at the invitation of the French government in December 2004, and is involved in another one on awareness raising on development to be held at the invitation of the Belgian Government in May 2005.

4. FEATURE ARTICLES

4.1. Budgetary support

The new EC approach to budget support consists of the following major elements, most of which are in some degree innovative when compared with the structural adjustment programmes of the 1990s:

- budget support programmes are pluriannual (three years as a rule);
- budget support is in principle – because of the free convertibility of currencies – provided in direct form⁶²;

⁶¹ Texts ES, EN, FR and PT available : http://europa.eu.int/comm/development/body/theme/ngo/ngo_useful-docs_en.htm

- untargeted budget support is the rule, though a few exceptional targeted budget support operations⁶³ have been continued for country-specific reasons;
- where possible, budget support is provided for the implementation of a Poverty Reduction Strategy (PRS)⁶⁴;
- budget support is provided as general or sectoral support, the difference being that, for sectoral budget support, both the dialogue and the indicators focus on the sector in question;
- the EC's budget support programmes consist of fixed and variable tranche disbursements within the framework of the country's PRS. The fixed tranche components account for basic resources in terms of macroeconomic support and are disbursed in 'all or nothing' form depending on the fulfilment of relevant conditions⁶⁵. The variable tranche components account for additional resources that are released in a graduated form (partial funding rather than 'all or nothing') depending on the achievement of targets for results indicators as agreed with the relevant government;
- accompanying technical assistance is usually provided, especially to help with improvements in Public Finance Management (PFM), and often for help with poverty monitoring as well;
- performance is measured annually, if possible by making use of the Annual PRS Review which should be prepared by the government concerned, primarily for its domestic stakeholders (parliament and the population at large) and secondarily for donors;
- the concomitant improvement of the quality of PFM is an explicit goal of the budget support approach, a condition for the realisation of its full potential, and a prerequisite for eligibility;
- in view of the agenda of harmonisation and alignment, donor co-ordination has become a prime aspect of budget support, with increasing numbers of programmes engaged in joint budget support arrangements.

The rationale for the Commission's approach is based on expectations of its developmental value. These expectations may be divided into two categories: those for the gains from budget support as a whole (shared by most budget support donors and all regions), and those for the gains from the results-based variable tranche approach.

⁶² Meaning that the equivalent in local currency of the EC transfers in euros are directly credited by the country's Central Bank to the government's single Treasury account for budget implementation

⁶³ Joint management of counterpart funds by the Government and the Commission, using a separate double-signature account.

⁶⁴ Although the Commission is also increasingly promoting sector budget support as a good alternative for the traditional project approach applied within specific sectors. Sector budget support remains outside the scope of this article except where noted.

⁶⁵ General and specific conditions included in Financing Agreements for EC budget support programmes are usually related to the eligibility criteria for direct budget support, e.g. as mentioned in the Articles 67(4) and 61(2) of the Cotonou Agreement.

- EC Expectations for Budget Support as an Instrument

For budget support as a whole, the expectations might be summarised as:

- Supporting macroeconomic stability and growth, and providing additional resources for public expenditure of benefit to poor people.

Providing additional grant funding helps to sustain the country's foreign exchange reserves and allows it to spend more on key areas of the budget without increasing borrowing. In the context of a sound overall macro-economic policy, it helps to ensure stability of key indicators such as inflation, interest rates, and exchange rates.

- Bringing donor resources within national planning and accounting systems.

The essence of budget support is that donor funds are provided through the national budget. They are treated in the same way as other funds. They are planned, spent, accounted for, and reported on like other (national taxpayers') funds.

- Enhancing coherence.

Providing funds through the national budget should mean that Ministries of Finance and line ministries have a complete picture – there are no 'off-budget' donor activities about which sector planners know little or nothing. They know what investments are being made, so they can predict recurrent costs for the future. They can allocate resources between sectors to meet national priorities, and determine the balance between investment and recurrent costs.

- Giving greater scope for local Parliamentary scrutiny.
- Putting funds through the budget should mean that national Parliaments can scrutinise the true allocation of resources, including donor funds, and hold Governments to account for the way they are used.
- Giving a stake in improving transparency and efficiency of public financial management – for the whole budget.

If donors fund the budget, they have a legitimate interest in the quality of Public Finance Management. This encourages improvements that affect the whole budget, including the use of domestic resources. Previously, donors tended to look only at the (usually relatively small) part that is donor-funded: with budget support they have the legitimacy to take an interest in the whole picture and help improve the way all public money is spent.

Public Finance Management (PFM) assessment

Donors have typically used a variety of different diagnostic tools to assess the strength of PFM systems in partner countries. It is important to streamline donor diagnostic work, and improve the focus of donor PFM capacity-building support, by encouraging a common approach around a core set of PFM issues and by eradicating duplication of analysis.

The Public Expenditure and Financial Accountability (PEFA) programme is developing a common performance measurement and reporting framework centred upon a PFM Performance Report. This is an integrated assessment based on a standard set of high-level

PFM indicators. The framework aims to offer a single credible monitoring tool to help donor assessment of PFM system performance and the impact of reforms. It will also provide partner countries with objective feedback on donors' views on PFM weaknesses and required reforms.

- Reduce transaction costs, including by working jointly with other donors.

Here there are two issues. The first is that budget support, by replacing the range of donor planning, project management, accounting and reporting procedures with a single national system, in itself reduces transaction costs considerably. Preventing the damage to national capacity caused by these specific donor-imposed procedures – and by donors sucking skilled staff out of national systems into donor project management units – can be a major development gain.

The second is that, by managing budget support jointly, these savings should be markedly increased further. By ensuring that budget support donors conduct their dialogue with government collectively⁶⁶, the amount of senior official and ministerial time taken is substantially reduced compared with the previous habit of conducting such exchanges successively. Since capacity is so limited in poor countries, this is potentially another important gain.

Within the MEDA region, budget support is inspired by similar ideas. Motivated by the objective of creating an area of shared prosperity, the MEDA programme uses budget support in partner countries to improve macroeconomic stability and growth, ensure an increase in revenue per capita, increase integration into the world economy, and increase the extent to which social needs are met - reducing the number of people in poverty, increasing access to social services, and improving governance and transparency in public management. In recent years the use of sector budget support has been expanded, notably in the social sectors, thereby encouraging focus on issues of public sector management.

- Mechanism and Rationale of Results-Based Variable Tranche Approach

The EC provides budget support directly to the central treasury account. It is usually in the form either of annual fixed tranches, released in 'all or nothing' form provided that certain general conditions are met (usually that the country remains eligible, defined by continued macroeconomic stability and improvements in Public Finance Management, and that a suitable strategic framework is in place), or of variable tranches linked to progress in meeting agreed targets for identified results.

⁶⁶

In a growing number of countries donors providing budget support conduct their dialogue with Government in a single joint process rather than each donor taking the time of Ministers and senior officials with their own mission to go over the same ground.

The amount disbursed from variable tranches is based on indicators of PFM and of results in the reduction of dimensions of poverty directly, a goal specifically linked to service delivery⁶⁷.

⁶⁷ The distinction between indicators seen as reflecting service delivery or aspects of poverty makes little difference in practice, though some may remain debateable (e.g. child nutrition, which is a MDG indicator but not directly the outcome of public service delivery; or health service utilisation, which is an important indicator of public service delivery but not directly a dimension of poverty).

What does “results” mean?

Indicators used in variable tranches are usually at the level of effectiveness, coverage or uptake of public service delivery related directly to poverty reduction. A typical example would be primary school enrolment. This is classified as “outcome” in the Commission’s “Input-Output-Outcome-Impact” typology, while the amount spent on primary education would be classified as “input”, the number of primary teachers trained would be “output”, and literacy rates would be “impact”.

Indicators are selected for their relevance to measuring progress towards poverty reduction, and hence are mostly chosen from, or close to, indicators used for the Millennium Development Goals. Some, however, deal directly with the coverage of key public services, such as primary level healthcare, which are not among the globally agreed definitions of dimensions of poverty, but are accepted as strong proxies for its health aspects.

The maximum value of a variable tranche is defined in advance. In ACP countries it forms on average 35% of the total value of the programme. Once indicators are chosen, targets are agreed for each year. Ideally these are drawn from the Poverty Reduction Strategy Paper (PRSP) or other national – usually sectoral – strategy.

Once the data are available, actual outcomes can be compared with targets and baseline values. Outcomes are scored 1 when the target is met; 0.5 when there is substantial progress from the baseline but the target is not achieved; and 0 when there is no significant progress or actual regression. The weighted total score (which will be between 0 and 1) determines the share of the tranche disbursed. In ACP countries 71% is disbursed on average, with a noticeable homogeneity among countries around that figure.

- Expectations for the Results-Based Variable Tranche Approach:
 - To encourage a focus on results.

Traditional policy conditionality failed to look at what was actually happening in the lives of poor people. The Commission’s approach seeks to shift the focus of donor effort away from actions which donors wish to see taken to the results of government actions on the ground in terms of reducing poverty. Linking funding explicitly to results actually delivered provides an incentive for all stakeholders to take results seriously and to give priority to reducing poverty.

The essence of the results-based approach is not that EC funding be exactly calibrated to the real achievements of a country in improving social sector outcomes. The linkage of funding to outcomes is a means, not an end. It aims to encourage evidence-based policy-making and ensure that resources make the maximum possible impact on poverty.

Using indicators of results – vaccination coverage, primary enrolment, etc. – instead of policy conditions protects governments’ ‘ownership’ of the policy process. Instead of donors telling governments what they must do, using outcome indicators allows the Commission to agree with governments on what results are expected, and leaves the latter the political space to decide how to reach them.

In addition to the research-based consensus on the importance of ‘ownership’, this also draws on two further insights. The first is that a modicum of humility is in order

in view of the varied track record of donor policy prescriptions in the past. Indeed, donor advice on matters like user fees has sometimes been sadly wrong. Countries' situations and capacities are widely variable, and donors may not have as deep an understanding of the feasibility and acceptability of policies as would be desirable.

The second is that, when stated intentions may not reflect true national priorities (as revealed, for example, when a law is passed but not applied), and levels of policy effort are not directly observable, results-based conditionality provides the most appropriate set of incentives for governments to achieve the stated goals of poverty reduction.

The fact that resources are provided as budget support also means that policy dialogue, now free from the taint of compulsion, can legitimately address the whole picture. It is not restricted to the policy issues that relate to a specific project.

- To streamline conditionality.

In addition to variable tranches, the Commission also usually provides annual fixed tranches. These are subject to general conditions, and specific tranches may also be subject to specific conditions. The Commission aims to reduce the number of conditions so that they focus on a few key issues, usually those essential for determining the eligibility of a country for budget support.

- To allow graduated response to partial performance.

Traditional conditionality has been 'all or nothing': either conditions are met, and the funds are released in full, or they are not, and nothing is provided. This creates volatility which is very damaging to the quality of public expenditure. In practice, few countries fully meet the letter and the spirit of all conditions on time; hence waivers or less formal relaxations of the interpretation of conditionalities have become common. This has reduced the credibility of conditionality, but has not sufficed to avoid the volatility created by 'on-off' support.

In contrast, the variable tranche approach responds to partial performance with partial disbursement. The amount provided reflects the extent to which targets are met. This steers a middle course between the loss of credibility arising from waivers (suggesting that donors do not really mean their rhetoric about the issues for which waivers are granted) and the drastic fiscal impact of sudden suspension of support. No waivers have been granted for variable tranche indicators in Poverty Reduction Budget Support (PRBS) operations in ACP countries as a result of failure to meet targets⁶⁸.

- To promote domestic accountability.

Bringing donor funds under government control also makes it possible to see the big picture – the totality of what is achieved. Since the approach uses results indicators, this helps to focus attention on what is actually delivered, not just on where money is

⁶⁸ Though seven indicators were dropped from calculations because of design flaws that made them impossible to measure or otherwise inappropriate.

spent. Domestically, this makes it possible for citizens, through parliament, to hold a government accountable for the results of its choices in policies and use of resources.

Taken together with the increased scope for parliamentary scrutiny intrinsic to budget support, this should help to improve governance and promote accountability for results. It will however only be fully effective if governments are ready to allow greater public scrutiny of their relations with the Commission.

Budget support is not a panacea. Firstly, because it may not be appropriate as a method of aid delivery in all circumstances and for all countries. Only countries that meet the eligibility criteria can benefit from it. Secondly, because of its conditionality, budget support sometimes tends to increase volatility in aid delivery.

Budget support is an instrument which in many cases can be complementary to the traditional project approach. Capacity building, for example, is unlikely to be suited to budget support (though there are strong arguments for joint processes of capacity building, including joint financing mechanisms, to reduce transaction costs and maximise coherence) because the weaknesses in existing capacity make it unlikely that such support can be deployed effectively.

Together these should contribute to some transaction cost savings, especially compared with a corresponding volume of project aid.

Budget support provides the flexibility and ease of use, help for transaction cost savings, coherence of planning and accounting, incentives for greater domestic accountability and more effective use of public funds for poverty reduction that are key desiderata of aid modalities. However, at least in the ways it has been provided up to now, it has been relatively volatile and remains unpredictable due to the conditionality which is an intrinsic element of eligibility for aid in this form.

At least for high-performing countries, therefore, support for the MDGs requires the development of new and innovative modalities which retain the benefits of budget support but avoid these problems of volatility and unpredictability. The European Commission is working on ideas for such a new instrument.

Despite these caveats, it remains reasonable to conclude that budget support should be the preferred modality for the bulk of financial resource transfer to those developing countries which meet the relevant conditions.

4.2. Human security

4.2.1 The importance for development policy of a human security approach

Security as a concept has acquired a broader and deeper meaning in the last decades. In international politics, security was often seen as relevant mainly at the level of the state. It referred to a situation in which the state was able to defend its integrity (territory, government institutions and population) or was not exposed to military threats. The traditional focus on territorial integrity and military security was later extended to include 'new' sources of threats to which the state could be exposed, such as economic and environmental threats including trans-border pollution and global warming.

‘Human security’, on the other hand, is a relatively new concept that puts people at the centre of security considerations. While the consequences of armed conflict are certainly felt at the individual level, a focus on human security also includes other threats to individual wellbeing, such as environmental threats or threats to health. Placing people at the centre of the security debate means rethinking priorities between various aspects of security. It also brings a new perspective to the relationship between the state and the individual and to the mutual links between individual security and the security of the state.

Bringing human security into the analysis is an added value for development co-operation. It promotes a people-centred approach to development policy and implementation. It also encourages a comprehensive understanding of ‘ownership’ as a concept that goes beyond governments to include civil society, the private sector and local communities as key partners in developing and implementing strategies for poverty reduction.

Traditionally, the security discussion – at any level – has been focused on protecting or defending what you have, e.g. property, land, independence or rights. In many developing countries, the focus is different. Here, the human security perspective emphasises security more as a matter of achieving or meeting basic needs, e.g. access to water, food and shelter, health and education, Human Rights or the ability to plan for the future. Again, the human security perspective is crucial for our reflection and for the implementation of development co-operation. It puts people’s needs at the core of the analysis while emphasising access issues and rights as key components in any response to addressing these needs, many of which are reflected in the Millennium Development Goals (MDGs).

There is therefore a very close interlinking between the emphasis EC development policy puts on attaining MDGs, as accounted for in Chapter 1 of the present report, and the human security approach. Among other initiatives, EC interventions in fields such as food security (see 1.4.5) and universal access to healthcare (see 1.4.3.1) and education (see 1.4.3.2) are clearly key contributors to the overall policy agenda to promote global human security worldwide. It also permeates other actions described in various sections of this report on access to water, energy and transport.

More specifically, human security has mainly been analysed at individual and community level and is often seen as a ‘soft security’ issue. However, bringing human security into the picture is also relevant for an analysis at state level. At this level, using people’s security as a point of reference means emphasising good governance, Human Rights, sustainable development, social equity and poverty reduction at the centre, rather than focusing on the power, the territorial integrity or the military security of the state. Here too, the human security perspective is crucial since it helps us to highlight a number of issues which are now seen as integral objectives of EC development policy, including poverty reduction, sustainable development and good governance.

4.2.2 *An example of application: human security in the health sector*

Using the concept of human security allows us to strengthen our analysis and shape an EC response in different sectors and on specific issues of EC development policy. Health is one example where human security must be part of the analysis. As pointed

out in the final report from the Commission on Human Security (2003), “health security is at the vital core of human security – and illness, disability and avoidable death are ‘critical pervasive threats’ to human security.”

Within this field, communicable diseases provide a striking example of the threats posed to human security and to development and poverty reduction in general. HIV/AIDS, malaria and tuberculosis (TB) have a devastating impact on human security at both the individual level – for the people directly infected and affected – and at the level of communities and societies. The impact at the individual level is obvious and well-known. They include the direct health impact, the consequences this eventually has on the ability to work and in terms of dependence and the need for care. There is also an economic side, due partly to the loss of income and partly to the need to pay for medical fees and drugs. Beyond those direct effects, high rates of prevalence of these diseases have a much broader negative impact : they greatly reduce incentives for economic actors to think long-term, affect investment behaviour and trustworthiness of transactions, and more generally undermine the level of social confidence which is a key factor to support active poverty reduction strategies. This brings people further down a spiral of poverty.

The stigma and discrimination often associated with HIV/AIDS and TB, and with behaviour or practices associated with the spread of HIV/AIDS – including injecting drugs, commercial sex work, prisoners, and men having sex with men – mean that, in many cases, the fundamental rights of individuals and groups of people are not respected. In many countries it is also clear that the rights of women and children, in particular those of orphans and vulnerable children, are less likely to be respected when it comes to providing access to information, education, prevention, treatment and care services. Again, this has an impact beyond the individuals concerned. Lack of respect for Human Rights leading to *de facto* discrimination as well as stigma undermines the capacity of national strategies to reach those who are most in need of them. Failure to include, listen to and involve people directly affected by the diseases when policies and measures are designed and implemented not only perpetuates inequity and poverty but is also an almost fool-proof recipe for policy failure.

The EC response to these diseases must help to address both the immediate suffering at the individual level and the impact of the diseases at state level. This was clearly recognised in the EC Policy Framework for confronting HIV/AIDS, malaria and TB through external action, which was adopted by the Commission in 2004.⁶⁹ The policy framework widened the rationale for EC external action to confront the three diseases. The background analysis and the rationale for action now go beyond poverty reduction to include human security and Human Rights.

These issues must be pursued through an active policy dialogue with countries to promote social security, non-discrimination and the rights of children and women, including sexual and reproductive health and rights through the provision of education, health and other services. The EC will also analyse the impact of the three diseases on human security, e.g. in terms of access to basic services and stability at state level, including the impact of these diseases on governance and institutional performance to prepare a response strategy to support the countries affected.

⁶⁹ COM(2004) 726

4.2.3. *Addressing security threats against humans : conflict prevention, crisis management and post-conflict interventions*

Human security as a condition for development is at the heart of Community intervention in such fields as conflict prevention, crisis management, mine action, and small arms and light weapons.

– Conflict prevention

The UN Millennium Declaration rightly emphasises the critical role of peace, security, and disarmament as fundamental for human well being and eradicating poverty in all its forms (UN 2000). Many of the poorest people in the world live in fragile states where ethnic or geopolitical tensions and vulnerability to conflict or frequent natural disasters undermine efforts to achieve the MDGs.

Cognizant of this reality, the EC has continued to deploy efforts to work more efficiently on the prevention of violent conflict. Activities relating to the main strands of work in this area in 2004 included:

- managing the likely implications of enlargement on Community development policies and programmes (e.g. decision-making processes, definition of priorities, channels of implementation and financial issues);
- ‘mainstreaming’ conflict prevention. The Mid-Term Review process of ACP countries resulted in a stronger focus on issues like good governance and security sector reform for a number of countries. Additionally, programming work to support the activities of three African regional organisations (ECOWAS - Economic Community of West African States -, IGAD - Intergovernmental Authority on Development - and ECCAS - East European countries, Caucasus and Central Asia - was initiated in 2004 and is now well advanced;
- improving early warning and rapid reaction. Country Conflict Assessments were carried out for more than 120 countries and the EU watch-list, consisting of countries at risk of increased tension, was reviewed twice by Member States, with significant input from the Commission. On the basis of this exercise, preventive strategies, in co-operation with the Council, were prepared for Nigeria, Guinea, Sri Lanka and Indonesia;
- promoting international co-operation with all EU partners. Efforts were intensified to increase the exchange of information at working level, particularly with the UN, on specific countries and regions. Two desk-to-desk dialogues with the UN Secretariat have been conducted, covering in particular further cooperation in West Africa, the Andean Community, Georgia and Tajikistan, and a joint EU-UN mission to evaluate the capacities of ECOWAS in the area of peace and security was undertaken.

Discussions on state failure have taken place with the Council in the context of the implementation of the European Security Strategy. The Commission also contributed to the review of the Common Position on Conflict Prevention in Africa.

Finally, in December 2004 the call for proposals for the creation of a Conflict Prevention Network was launched, with a maximum EC contribution of €1.125 million. Composition of the network will be finalised in 2005: it will bring together expertise from the academic world, civil society and NGOs, who will conduct and present relevant research into the issues involved. These activities should contribute positively to policy formulation for both the NGOs and EU institutions.

– Crisis management

On the basis of experience with programming and mainstreaming crisis response in Community assistance programmes, and with a view to their rationalisation, the Commission adopted, on 29 September 2004, a proposal for a Stability Instrument⁷⁰ (COM 2004/630), to be effective as of 2007 (Financial Perspectives 2007-13).

With the development of a common foreign and security policy (CFSP) and a new European security and defence policy (ESDP), the EU is seeking to expand its capacity to take on crisis management tasks. The Civilian Headline Goal 2008, adopted in December 2004 by the European Council, reflects the EU's ambition to develop its capability in the field of civilian ESDP. A coherent EU response to crises is a key element of the document. In 2004, with the active participation of Commission and Member States experts, civilian ESDP missions were launched in Georgia (rule of law) and prepared for the DR Congo (police) and Iraq (rule of law).

Since 2002 – in the context of a training programme for civilian aspects of crisis management funded under the EIDHR – training is being provided for experts who can be deployed for civilian crisis management missions led by the EU or by other organisations such as the UN or the OSCE. The fourth phase of the programme, in the context of the EU Group on Training is co-ordinated by the Folke Bernadotte Academy of Sweden.

Special emphasis has been put on pan-African level co-operation: this has been strengthened and broadened between the EU and the Africa Union (AU). Two Ministerial Troika meetings took place on the political side, the first in Dublin on 17-18 February and the second one in Addis Ababa on 4 December. On the operational side, the main event in EU-AU co-operation was the approval at the end of March of the €250 million Africa Peace Facility. This programme constitutes the financial backbone for the AU and the sub-regional organisations involved in managing conflict in Africa. Four operations, representing 40% of total funds, have already been funded: Sudan (AMIS I, €12 million, and AMIS II, €80 million), Central African Republic (FOMUC, €3.4 million), and capacity building for the AU Commission (€6.6 million). It is expected that AU-EU co-operation will be broadened in future to cover other sectors in addition to peace and security.

– Linking Relief, Rehabilitation and Development (LRRD), and Mine Action

The links between humanitarian aid and development co-operation as a whole, essential for the efficient implementation of aid, determine the capacity of the EU to adapt the instruments of development co-operation to the needs of countries

⁷⁰ COM(2004) 630

confronted by conflict or natural catastrophes. In this regard, coherence and co-ordination are fundamental preconditions for the effective transition from the final phase of activities undertaken by the Office of Humanitarian Aid (ECHO) to the implementation of development programmes in the longer term.

In 2004 an Interservice Working Group composed of representatives from DG External Relations, DG Development, EuropeAid and ECHO completed the first phase of its work by identifying difficulties encountered in the realisation of this objective and ways of surmounting them. These included practical steps to ensure a smooth transition between emergency aid and long-term development programmes in eight countries – Afghanistan, Angola, Burundi, Cambodia, Ethiopia, Sierra Leone, Sudan and Tajikistan – and in two regions: West Africa and Central America. A Mid-Term Review of this plan was initiated at the end of 2004. It would be premature to draw global conclusions before the completion of this review, although many of the recommendations have already been implemented for the geographical zones in question.

EC mine action is a response to humanitarian, development and political concerns, in line with the objectives set out in the Mine Ban Treaty (Ottawa Convention), signed in 1997 and already ratified by 144 states. In addition to eliminating the potential hazards, mine action helps to stabilise post-conflict regions, recreating an environment in which people can live, work and move safely and in which economic and social development is free from the constraints imposed by the hidden threat of mines and unexploded ordnance.

The multi-annual strategy for the years 2002-04 identified the need for intervention from the EU in this area by defining two main priorities: landmine clearance in order to reduce the magnitude of the threat to the populations of mine-affected countries, as well as capacity building in these countries to enable them to manage the landmine problem effectively.

EC-funded mine action projects are often therefore part of integrated programmes which include efforts to remove the threat of landmines through clearance, area reduction and stockpile destruction, as well as assistance in reinforcing local capacity and de-mining efficiency: technical assistance, impact surveys, and the testing and evaluation of de-mining equipment.

In 2004, the European Commission supported a number of projects, including the Mine Action Capacity Building Programme in Eritrea (budget €1 million) which aims to build national capacity and increase efficiency in de-mining and mine victim assistance. A project in Angola (budget €1.5 million) will develop the technical, managerial and administrative capacities of Angolan national authorities to undertake a stockpile destruction operation which will eliminate all stockpiled anti-personnel landmines by January 2007. In Tajikistan the EC has supported an integrated mine action programme (budget €0.7 million) which combines mine action surveys, fencing and mine clearance as well as national capacity building.

A call for tenders was prepared in Ukraine for the destruction of the six million PFM⁷¹ landmines stockpiled in the country – a technical challenge given the specific nature of this type of mine. This project has significant added value and is a concrete guarantee of the EC's intention to support Ukraine in fulfilling the obligations undertaken by the Ukrainian government through the recent ratification of the Mine Ban Treaty.

Beside the thematic programme, the EC also supports mine action-related projects through EC programmes with specific regions or countries for a total of €45 million per year. The thematic programme, Community Participation to Actions relating to Antipersonnel Mines, covers one-third of the total EC contribution to mine action, i.e. approximately €15 million yearly. This programme is the policy instrument through which the overall EC Mine Action Strategy is elaborated and co-ordinated.

At the end of 2004 the European Commission adopted a new strategy to eliminate anti-personnel landmines worldwide, supported by a budget of €140 million. The adoption of this strategy coincided with the First Review Conference of the Mine Ban Treaty in Nairobi (29 November-3 December) and is a clear response to the Nairobi Action Plan call to assess the remaining challenges posed by landmines. In line with the letter and spirit of the work of the Nairobi Summit, the strategic objective for EC mine action in 2005-2007 is “to drastically reduce the lingering threat and impact of landmines in the context of increased local security and regional confidence”.

The ‘road map’ established to steer EC mine action towards this goal operates on the basis of three thematic objectives: to reduce the anti-personnel landmine threat; to alleviate mine victim suffering and aid socio-economic reintegration; and to enhance the local and regional impacts of effective mine action capacity.

The strategy will govern the programming of EC funds on landmine action over the period 2005-07. It represents the European Community's pledge to devote itself to furthering and strengthening international assistance in mine action by stimulating the implementation of the Mine Ban Treaty through increased conditionality of assistance, by reducing the threat posed by landmines both on the ground and in stockpiles through massive mine risk education, marking, fencing and clearance, and by assisting the local populations affected and their landmine victims socially, economically and medically. This will be a significant step towards attaining the Zero Victim Target which underpins the Commission's strategy.

– Small Arms and Light Weapons

The European Programme for Conflict Prevention acknowledges that working towards removing small arms as a source of destabilisation and conflict will be a great contribution to preventing future violence. The EU does this through a co-operative process of financial and technical assistance programmes designed to eliminate arms and enforce arms control.

⁷¹ Technical denomination for former Soviet Union-made particular landmines containing a liquid explosive filling.

Through the Joint Action on Small Arms and Light Weapons (SALW), the EU provides financial and technical assistance to those countries, groups of countries, international organisations and NGOs that request support. Programme activities include weapons collection, security sector reform, demobilisation and reintegration work, as well as victim assistance. Since 1999, through the Joint Action, the Council has adopted 14 projects, including work in Eastern Europe, Latin America, Asia and Africa. The possibility of supporting work in this field in Africa is included in the Cotonou Agreement.

Under the European Development Fund (EDF), the Commission finances a number of initiatives for the demobilisation and reintegration of former soldiers into society, and for the collection and destruction of weapons. In many cases these activities are implemented through specific Demobilisation, Disarmament and Reintegration (DDR) programmes. However, in other cases the reintegration of ex-combatants has been ‘mainstreamed’ within wider development/rehabilitation programmes in post-conflict areas. These programmes are designed to improve the general economic and social structures of areas affected by conflict, and to assist the reintegration of ex-combatants and their families into civilian life.

In addition, the European Commission is implementing two pilot projects on SALW (total budget: €3 million). The first one provides an effective across-the-board approach to match the diverse features of the problems linked to SALW. The vision underlying this action is a strategic approach firmly anchored in the humanitarian and security potential of SALW in areas of conflict and designed to synergise individual projects which are not integrated into a broader approach or programme. The second pilot project will address capacity building for the control of trafficking of SALW in South-East Europe.

Those especially at risk in conflict and emergency situations are refugees, children and – in situations where rape is used as a weapon and transactional sex is common – women. Greater attention must be paid to human security issues, gender equality, the rights of the child and the Cairo Agenda in order to prevent forced sex, violence against women, child trafficking and the spread of HIV/AIDS in such situations.

5. EC AID MANAGEMENT: THE EFFICIENCY AND EFFECTIVENESS OF EC CO-OPERATION

5.1. Enlargement and special Task Force on Capacity Building

In the case of the new Member States (NMS), EC co-operation consisted of assisting them in adjusting their institutions to enable them to accomplish their new obligations on development. This assistance included fact-finding missions by senior EC staff to the capitals of the new Member States to make a first assessment of the needs. This was done through meetings with the relevant government counterparts, academia, the private sector, the NGOs and the media. These missions were followed by detailed studies on needs assessment.

The studies provided recommendations tailored for each new Member State. To cover the needs, one of the measures undertaken by the Commission was to open access to EC Training Courses on Development, usually reserved for EC staff, to

officials from the governments of the new Member States. Development was not among the main priorities of the new Member States during the pre-accession period, therefore the Commission initiated support to the new Member States in a more structured manner at a late stage. For this reason, the results of this initiative only began to materialise during 2004 and will be reinforced in subsequent years by a series of co-ordination activities organised by the Commission, as explained below.

The European Commission has made a huge effort to support the new members of the EU, particularly during the year of their accession. Although most of them are in the process of revising their approaches in the development area, there are some general divergences in the geographical focus of their programmes and the type of assistance they are providing. However, irrespective of the situation in individual states, they will all need to become effective participants in EU development policy.

Public awareness, capacity building and policy formulation are the three action areas selected by the Commission and the new Member States in support of the development aspects of enlargement. Public awareness is a major issue for the new Member States, as well as candidate countries, and a political priority for the Commission.

Considering the initial lack of support to the new Member States, it was agreed that the following activities and outputs should be structured as part of a mid-term operational plan to support them until 2006. The objectives described below aim, from an early stage, to strengthen co-ordination of policies and strategies of the ten new countries in the area of development.

The proposed plan was drawn up by a task force set up by the EU Directorates-General to clarify the needs of the new Member States and to ensure a co-ordinated response. The operational plan covers the period to end-2006 and also includes the activities of other donors outside the EU. Development issues, in the context of enlargement, have thus remained one of the priorities for the Commission.

The work programme launched in 2003 and implemented in 2004 with new Member States focused on three aspects:

- the likely implications of enlargement on Community development policies and programmes (e.g. decision-making processes, definition of priorities, channels of implementation and financial issues);
- possible ways to help the new Member States to be prepared for taking on the Community's development policy and their role as emerging donors (re-emerging in some cases);
- implications for the Community's development partners. With the accession of the 10 new Member States, the non-governmental organisations of these countries are expected gradually to develop their capacity and engagement in the global development process.

Several studies and fact-finding exercises, as well as a first set of capacity-building and awareness-raising activities, were launched in 2003 to help define and inform

future activities in this area, including a 'road map'. This work has continued and expanded in 2004-05.

The main assessment focusing on the impact of enlargement aimed to clarify, introduce and monitor the "development *acquis*". This included examining the institutional framework, resources and financial commitments, as well as the preparation of the new Member States in terms of capacity building and active participation in the implementation of common and co-ordinated actions by the EC and Member States.

Policy dialogue with the acceding/new Member States in the area of development was strengthened. Senior-level representatives of the future Member States met with their EC counterparts in informal meetings regularly organised in Brussels. Ministers in charge of development participated, before the date of accession, in the informal ministerial meetings under the Irish and Dutch Presidencies. On their side, the Commissioner in charge of Development and the Director-General of DG Development visited several capitals.

Progress has been achieved since the Directors-General in charge of development agreed, at their meeting on 20 May 2003, to set up an informal working group, co-ordinated by the Commission, to facilitate support to acceding countries in the area of development. The main objective of the Special Task Force has been to facilitate and co-ordinate activities, avoid overlapping and waste of resources, and build a sustainable network of support to encourage effective development activities by the new Member States. This involves exchanging information and good practices between all Member States.

Three meetings of the Task Force were held during 2004 and a comprehensive logical framework was subsequently drawn up on the basis of the original Mid-Term Operational Plan. The proposed plan covers the period to 2006 and attempts to take into account the different institutional capacities and policy frameworks of the internal development processes of the new Member States.

An operational plan resulting from this process was then drafted by Commission services in line with the needs expressed by the new Member States and compiled in a working paper "*Priorities on capacity building for the NMS*". The plan embraces all ongoing and future supporting programmes and projects known to the Commission up to 2006, including activities by other donors from outside the EU.

The need to extend and enhance the co-ordination of activities between the Commission and all Member States beyond May 2004, aiming at capacity building and public awareness, has been acknowledged. The members of the Task Force agreed in October 2004 to continue these supporting activities.

As regards the activities contained in the logical framework, an action plan on capacity building was drawn up reflecting the needs reported by the respective ministries of the new Member States.

The training facilities available to NMS staff have continued during 2004. A first seminar on Trade and Development was organized by the Commission in Brussels

on 9 February and another seminar on EU aid delivery was held in Brussels on 6-7 May. A total of 60 officials attended those two training courses.

Officials from the new Member States and Romania have attended or will be participating in specialised training courses organised by EuropeAid, which have generally been very well received.

EuropeAid co-finances the liaison committee of the European development NGOs and they, in turn, have implemented the TRIALOG initiative which is also co-financed by EuropeAid. The aim is to organise national platforms in the candidate countries and the new Member States and improve the capacity-building endeavours of local NGOs. This initiative has continued through 2004.

Taking into account the feedback from some of the new EU members, the Directorate General for Development launched a new series of information events focused mainly on the knowledge gaps reported by the new Member States: these were directed at a well targeted audience of officials and NGOs involved in development activities.

The most relevant outcome focuses on the need to support the candidate countries at an earlier stage. It is crucial that the Commission ensure that administrative capacity on development issues is included in the pre-accession facilities available to the candidate and accession countries.

New Member States should be encouraged to make a firm undertaking on future aid budgets, even if they feature only moderate annual increases initially. As indicated in the Communication on the EU follow-up to the Barcelona Commitments, the NMS are committed to a gradual increase in their Overseas Development Aid/Gross National Income (ODA/GNI) ratios. All acceding countries have started to make the transition to becoming effective donors and to shoulder the part of the *acquis communautaire* relating to development policy, including the Barcelona Commitments. For the first time, the contribution by the NMS to the fulfilment of the Barcelona Commitments is also covered in the monitoring exercise.

The Commission expects that the new Member States will go from an average of 0.04% ODA/GNI (official development assistance as a percentage of national income) to 0.09% by 2006. In defining a new overall target for EU development aid on the 2010 horizon, the European Commission is proposing 0.17% in 2010, rising to 0.33% by 2015, as the specific target for the new Member States.

5.2. Reform of external assistance management⁷²

The reforms launched since 2000 focused on a quicker and more efficient implementation of programmes, on improving impact and visibility, and on ensuring proper and efficient management procedures. Whilst features of the reform process from previous years, such as devolution, continued to be implemented in 2004, new initiatives were also taken. These reforms have produced significant results. 2004

⁷² In line with a request of the Council, the Commission will present a separate qualitative assessment of EC assistance that considers how best to refine, consolidate and further improve the innovations and positive changes in the follow-up to the reform process initiated in the year 2000

shows a substantial financial improvement compared with previous years. Commitments reached €6,915 million and payments rose to €6,146 million from €5,694 million. Commitments in 2003, at €7,646 million, were higher but this was due to ratification of the Cotonou Agreement which resulted in substantial commitments that year. By comparison, 2002 commitments stood at €5,949 million.

The devolution process, whereby Commission Delegations are made responsible for the implementation of assistance, has now been virtually completed with Delegations in the ACP countries coming on line last of all. By the end of 2004, 75 out of 80 Delegations had assumed their new responsibilities, and the remaining five Delegations should be operational in 2005. In terms of aid volume, 81% of the budget and 79% of the EDF are now managed by Delegations. The devolution of horizontal budget lines such as food security, Human Rights, micro-projects and other thematic issues is also near completion.

Two major reviews were carried out in 2004 by the European Court of Auditors (ECA) and the OECD Development Assistance Committee (DAC). They show a positive appreciation of the new ways of working. Although the ECA's final conclusions and recommendations will only be published early 2005, they show devolution to be on the right path to achieving the intended results. The ECA also concluded that EuropeAid headquarters needs to adjust to its new role. The OECD/DAC had peer-reviewed EU assistance practice in 1998 and 2002: it concluded in 2004 that a great deal of practical action had been taken since 2002 and that impressive and positive results had been achieved in areas such as rationalisation of procedures, speed of implementation and disbursements.

EuropeAid, which in 2004 started preparing for reorganisation, also made EC assistance more visible to the general public. An EU-wide campaign with the slogan "*EuropeAid: partnerships improving lives worldwide*" was launched and a brochure on the results of the reforms published.

5.3. RAL (*reste à liquider*)

An important aim of the reform process started in 2000 was to speed up implementation and reduce the amount of outstanding commitments still to be disbursed. The strategy pursued on RAL since 2000, in addition to other criteria and activities, concentrated on the reduction of 'potentially abnormal RAL' (liquidation of old and dormant commitments). The focus on these commitments made it possible to keep 'old RAL' under control, despite the growth of budget commitments in the years 1995-1998. There was a significant decrease in the level of dormant commitments: the volume of 'dormant not old RAL' fell from €1,314 million end-1999 to €483 million end-2004. This strategy also contributed to an overall improvement of performance in payment and closure operations, bringing the global volume of RAL under control.

In 2004 a new strategy was introduced aimed at further reducing RAL. It builds on the concrete and positive results already achieved and is based on a global approach to the surveillance of open budget commitments (*i.e.* 'global RAL') with a view to enhancing and maintaining EuropeAid's performance in this area at the level of the other donors. Basically this new strategy departs from assessing current global RAL levels to determining what the desired rate of RAL evolution should be: it adds a

focus on monitoring contract levels, with a view to taking action early in the process if required.

5.4. Quality improvement and developments in aid delivery modalities

Programming and Mid-Term Reviews (MTRs)

An essential part of the reform process was to improve the programming framework and develop a coherent approach across all regions, building on the Country Strategy Papers. To maintain this coherence and ensure consistent standards, the Commission made sure that the basic principles set by the Council of Ministers were applied across all regions and screened all documents resulting from the review for quality. Of necessity this review process, which took place during 2004 for most EC partner countries, differed in some aspects from region to region, since it was undertaken in accordance with the relevant Regulation.

The findings indicate that only a very few Mid-Term Reviews have shown the need for (and resulted in) a change in strategy and/or focal sectors for EC co-operation. However all MTRs provided a valuable opportunity to update programming documents and sharpen analysis of focal sectors and macroeconomic support, including integration of cross-cutting issues (in particular gender and environmental policy). This improved the coherence between the analysis, on the one hand, and the proposed EC response strategy, on the other hand.

The other challenges most frequently noted in the MTR process are:

- the need to strengthen performance assessment: although indicator frameworks appear to have improved as a result of the review, this is still a problem;
- the need to explain more clearly how review documents are linked to the initial Country Strategy Papers (CSPs) and National Indicative Programmes (NIPs); and
- the need to achieve complementarity with other donors.

In accordance with the Conclusions of the General Affairs and External Relations Council in its Orientation Debate of 23 November 2004⁷³, the Commission will present a separate report on the conclusions to be drawn on the effectiveness of EC aid, based on the outcome of the Mid-Term Reviews from all regions. It will also reassess the MTR process itself in order to draw conclusions for future performance-based reviews of Country Strategy Papers and their harmonisation across different regions.

Quality control of individual operations

Further support in the area of quality comes from the internal quality control process operated by the EuropeAid Co-operation Office (Office Quality Support Group – oQSG): this monitors operations in their preparatory stages in order to ensure high

⁷³ Orientation Debate on the Effectiveness of EU External Action – Conclusions of the Council and of the Representatives of the Governments of Member States meeting within Council, DOC 15142/04 DEVGEN 234 RELEX 572 of 23 November 2004, point 14

quality levels. In the process of broadening its activities, the oQSG conducted an internal survey that essentially confirmed a gradual improvement in the design of operations: however, it also made clear that some persistent methodological deficiencies still needed attention. One of these related to difficulties in extracting common sets of data for evaluation, due to differences in the implementation of quality support.

A comparison of the available data for 2003 and 2004 indicated that the existing oQSG structure and process had reached their limits and needed to be enhanced. Although the total number of operations assessed in their preparatory stages increased slightly between 2003 and 2004, this still represented only one-third of all operations. It was therefore decided to create an independent secretariat for the oQSG – a small team that, from 2005, will co-ordinate all oQSG activities, streamlining the methodology and gradually implementing a more comprehensive quality improvement system.

The year 2004 also saw other improvements: the Quality Frame, developed in the Project Cycle Management (PCM) guidelines (see below), became the basis of a practical quality assessment toolkit, thereby harmonising and streamlining the quality assurance process, as well as clarifying its basic concepts.

Aid delivery modalities

The Joint Declaration of the Council and the Commission on the EC's development policy, 10 November 2000, called for "...increased recourse to sector support and direct budgetary aid where the conditions so allow..." with the additional comment that this approach is "...likely to help lead to more efficient management and more efficient allocation of resources". To give effect to these objectives, considerable efforts have been devoted to improving quality in the area of 'aid delivery methods' by providing guidance, training and support to all those involved in preparing projects and providing assistance on sector programmes and budgetary support. Aid delivery methods cover various ways of channelling aid to beneficiaries:

- through a project, where attention is focused on the internal coherence and quality of the project itself, with some attention paid to the national or sectoral policy environment: projects are implemented using the EC's procurement and grant award procedures and success is judged by the performance of the project;
- through support to a sector programme, which may be financed either by using the EC's procurement and grant award procedures, by the use of pooled funding with beneficiary governments and other donors, or by the use of sector budget support where funds are transferred to the national treasury of the beneficiary countries: success is judged by the overall performance of the sector;
- through support to a national policy and strategy (such as a Poverty Reduction Strategy) which is financed through general budget support, with funds transferred to the national treasury of the beneficiary country: success is judged by the overall performance of the national policy and strategy.

Previous years have seen methodological guides on budget support (March 2002), on results-based variable tranches in budget support to ACP countries (July 2003), and on support to sector programmes (February 2003)⁷⁴. These documents have been key landmarks in enhancing understanding, and streamlining and harmonising these various approaches to aid delivery.

The year was marked by the publication in March 2004 of the revised guidelines on Project Cycle Management (PCM)⁷⁵, updated to take account of recent experience with EC development policy, as well as the ongoing debates on the international scene concerning aid effectiveness and harmonisation. A key feature of the new approach is the 'Quality Frame', a tool for assessing project quality based on three key attributes – relevance, feasibility and effectiveness – supported by a series of detailed criteria and standards. The Quality Frame can be used by all stakeholders in the design of projects/programmes and the monitoring of quality throughout implementation. In addition the new PCM guidelines place the project approach within the context of various other approaches to delivering aid, including the sector approach and the use of budget support, and highlight the importance of conducting an appropriate institutional and organisational capacity assessment during project identification and formulation.

During 2004, further debate and discussion took place on the "Guidelines on EC support to sector programmes" which were presented to Member States and at various international forums. These guidelines have helped inspire debate and discussion with the OECD-DAC, where they have been used as the basis for further work on preparing a 'good practice' paper on sector programmes.

In the meantime EC support to sector approaches and to sector programmes continued to grow. An internal tracking survey in 2004 showed that support to sector programmes has reached significant levels and is rapidly increasing in terms of number of operations and volume of financing: approximately 35 Sector Policy Support Programmes (SPSPs) are being implemented and an even higher number is in the pipeline for an estimated total of €3.8 billion. The new generations of SPSPs under preparation concern the ACP countries, Asia, Latin America and the Mediterranean region and go beyond the traditional sectors of health and education. At the same time sector budget support is gradually becoming the preferred financing mode, notably for Asia, Latin America and the Mediterranean region where the EC is a prominent advocate of the new approach.

The Guide to the Programming and Implementation of Budget Support for Third Countries (March 2002) continues to be the basis for orienting budget support operations. The relevant feature article (section 4.1.) explores the background and rationale for this aid method and sets out the Commission's experience with it.

An extensive training programme has been put in place to ensure dissemination of the information available. This programme, which was launched in 2003, has seen approximately 1 600 staff from partner governments and the EC trained in Project

⁷⁴ http://europa.eu.int/comm/europeaid/qsm/documents/spsp_guidelines_en.pdf

⁷⁵ http://europa.eu.int/comm/europeaid/qsm/documents/pcm_manual_2004_en.pdf

Cycle Management, and approximately 1 700 on sector programmes and budget support.

5.5. Coherence

The European Union development and external assistance policy is in itself multi-faceted since it combines a political approach with the social, environmental and economic dimensions. Internal consistency is therefore essential, in order to make the most of each of the instruments available to the EU whilst ensuring they are used in a co-ordinated way. To that end, the political objectives defined by the Union and supported by strategic analyses are overarching: they show the way and provide a direction around which various goals – including good governance, conflict prevention, and improvement of socio-economic living conditions – are articulated.

The coherence between EU development and external assistance policy and other relevant EU-led policies also has to be enhanced. Practical arrangements have been made within the Commission over the past couple of years to improve coherence.

An Interservice Quality Support Group (IQSG) has been established to improve the programming process. Headed by the Directorate-General for Development, it brings together the Directorates-General of the External Relations family and fosters coherence between assistance programmes, the EC's development policy and the development strategies of the beneficiaries. It provides a channel for programme support to help developing countries take advantage of, or cope better with, new trade regulations or measures, whether they are foreseen at EU level or at multilateral level.

Another arrangement is the system of Inter-Service Consultations (ISCs). This system, which is applied across all Commission services, facilitates reactions, comments and suggestions for changes on all important Commission initiatives. This system gives the Directorate-General for External Relations, EuropeAid and the Directorate-General for Development an opportunity to review initiatives of other Directorates-General before they are finalised: this applies for example to the numerous submissions by the Directorate-General for Trade (especially under the Doha Development Agenda), but also concerns initiatives from the Taxation and Customs Union, Health and Consumer Protection, Internal Market and Enterprise Directorates-General and others. Specific suggestions and amendments clarify the overall effects on developing countries, counteract any possible negative effects and encourage beneficial ones.

A third initiative to improve coherence was launched in 2002 in the form of impact assessments on all important new policy proposals of the Commission, including those impacting on developing countries. In the case of new trade agreements with third countries, Sustainability Impact Assessments (SIA) are made. These cover the three dimensions of sustainable development – economic, social and environmental – and involve a systematic consultation process with relevant stakeholders. For each SIA, an Interservice Steering Group is established which includes representatives of the Trade and Development Directorates-General. During 2004, SIAs were made in preparation for negotiations under the Doha Development Agenda and for the Economic Partnership Agreements with the ACP countries.

Another initiative has been the establishment, at the beginning of 2004, of a Helpdesk for developing countries. The Helpdesk is an online resource⁷⁶ provided by the Commission to facilitate access by developing countries to the EU market. It contains information such as import tariffs, procedures, rules of origin and import statistics. Further information will be added progressively.

Some support projects owe their origins to concerns about coherence. One example is the intra-ACP Programme "Strengthening Fishery Products Health Conditions in ACP/OCT Countries" (€45 million). It aims at improving the access of ACP/OCT fishery products to the world market, by strengthening national health control capacities and improving production conditions in beneficiary countries so that they meet health standards for export. The implementation of this programme started in 2004.

The EC has also demonstrated its commitment to reducing any potential detrimental impact of its policies on developing countries. In 2004, the EU continued the process of reforming its Common Agricultural Policy (CAP) in order, as far as developing countries are concerned, to further improve market opportunities for these countries. It has to be reminded that the EU is the most open market to agricultural products from developing countries which is proven by the fact that EU imports of agricultural products mainly from developing countries exceed both the value and the volume of total exports from these countries to the USA, Canada, Australia and Japan taken all together. After the reform adopted in June 2003, which shifted a large part of support from products to producer income, additional sectoral reforms continued the process in 2004 (cotton, tobacco, olive oil, hops) and are expected in 2005 and 2006 (sugar, wine).

The reform of the Common Market Organization for cotton is of particular importance to developing countries and the Union has undertaken to monitor its impact on production and trade. In addition, the EU has engaged in active support to the African cotton sector, through the EU-Africa cotton partnership (see section 1.4.4.3).

In 2004, the Commission presented a proposal for the reform of the Common Market Organization for sugar. Under this proposal, EU support to sugar production is brought closer in line with the reformed CAP approach with consequent improvement of market opportunities for developing countries. However, the Commission has undertaken to continue helping those ACP countries exporting sugar to the EU under the Sugar Protocol (Cotonou Agreement) at least during the transition period to the new regime in order to cushion impact linked to these changes.

In the field of food safety, several programmes are being implemented to help the public authorities and the private sector in export-oriented developing countries address the difficulties caused by more stringent EU regulations. In addition the new €50 million instrument for trade capacity building (Trade. Com), which became operational in 2004, includes a component to assist ACP partners in complying with food safety requirements for export into the EU.

⁷⁶ <http://export-help.cec.eu.int>

5.6. Complementarity

The EC development policy statement of 2000 was one of the first significant attempts to develop operational complementarity between donors.

Complementarity begins with co-ordination but goes further: it implies that donors focus on areas where they can add most value, given what others are doing. Sharing information about sector priorities and initiatives in a partner country is the first step to achieving complementarity. Good practices and cases of complementarity are being developed on an *ad hoc* basis in the field but to date they remain limited. They lack the systematic approach that will create the qualitative jump essential to responding effectively to the Millennium Development Goals.

The EU Donor Atlas⁷⁷ established in May 2004 has proven to be a useful support tool for discussions on complementarity. It was a first step and needs to be further improved and fine-tuned in order to capture the detailed in-country reality. Together with other instruments, the Donor Atlas will continue to serve as a reference document for further discussion on complementarity.

EU Donor Atlas

The increased need to enhance the effectiveness of aid and reduce transaction costs requires a qualitative jump in terms of operational complementarity. The EU Donor Atlas presents updated information on each EU donor's strategic framework and activities. It shows current trends and directions of development and takes stock of related activities over the last decades. It highlights areas and scope for further improvements. It is a valuable tool for further discussion on operational complementarity.

The Member States agreed at the Council of November 2004 to establish complementarity as an operational objective, by starting concrete discussions on division of labour at country level (within the context of the new Country Strategy Papers) and by opening a debate at cross-country level on the basis of the Donor Atlas.

5.7. Co-ordination and harmonisation

5.7.1. *Harmonisation of donor practices*

The Commission has been working on harmonisation of donor practices since the Rome Declaration of February 2002. This work is carried out within the Working Party on Aid Effectiveness and Donor Practices of OECD/DAC and resulted, in 2004, in a report prepared by the Council of Ministers' Ad Hoc Working Party on Harmonisation. This report, which contains a set of practical recommendations, was approved by the GAERC on 23 November 2004 and will be discussed at the OECD Forum to take place in March 2005 in Paris.

In Marrakech, in February 2004, the heads of the multilateral development banks and the DAC Chair affirmed their commitment to fostering a global partnership by aligning co-operation programmes with the desired development results and

⁷⁷ http://europa.eu.int/comm/development/body/tmp_docs/Donor_Atlas.pdf#zoom=100

strengthening individual countries' monitoring and evaluation systems to track progress and assess outcomes.

There are now over 60 partner countries and 40 bilateral and multilateral agencies engaged in harmonisation and alignment activities. In these countries, donors are beginning to use simplified procedures and practices, joint analytical work, enhanced focus on delivery of development results, delegated co-operation, common procurement and financial management procedures, common arrangements for sector-wide approaches and budgetary support for their country operations.

43 countries had prepared poverty reduction strategies, and a large number of other low- and middle-income countries had nationally owned development strategies. Information from the 14-country survey and other sources suggests that there is a promising trend toward increased alignment with the country priorities articulated in these strategies, including a small but growing list of joint strategy exercises by donors based on agreed country priorities. The data further suggest that a growing number of donors are using budget support to fund country priorities at the national and sectoral levels.

There has been a surge in interest in sector-wide approaches (Swaps) among borrowers from multilateral institutions, as a means of aligning with sectoral priorities, and a growing number of Swaps projects are using countries' existing frameworks for channelling and accounting for funds. Further issues to be clarified are the special needs of fragile states, cases of global programmes/partnerships, common indicators and milestones, policy and investment priorities, a country's budget and spending decisions and timetables, and donor preferences for project funding.

Additional technical work has been done since the Marrakech meeting to develop criteria for assessing and strengthening "country systems", and to harmonise donor requirements around them. In several country programmes, these criteria are guiding efforts among groups of donors to simplify and harmonise fiduciary, monitoring, and reporting arrangements. Further impetus to this work came in 2004 when a group of donors began to explore more methodically the scope for using such systems that meet accepted standards for the operations they fund.

"Country systems" consist of a range of frameworks and arrangements that together form the basic fiduciary standards of any modern government – its core soft infrastructure. Country systems usually include the following:

- National budget processes and planning cycles; medium-term expenditure frameworks and related management and monitoring systems.
- Accounting, financial reporting, and auditing arrangements.
- Public procurement rules.
- Project and programme monitoring and evaluation systems.
- Environment and social impact assessments.

The success of harmonisation depends on policy alignments that are facilitated by the presence of donor representatives in the beneficiary countries, provided these representatives have the power to establish policies. Thus, devolution from Headquarters to Delegations of the Commission's responsibility for delivering aid has supported the harmonisation process.

Two additional areas need attention: the special needs of fragile states, where harmonisation and alignment are proving to be even more critical than in other contexts; and cases of global programmes/partnerships and related initiatives where the benefits cut across more than one region of the world.

The picture that is emerging of progress in implementing the commitments made in Rome and Marrakech shows that, while the scope of activities undertaken and their geographical coverage is impressive, good practice has not yet become general. When measured against the commitment to make significant changes to the ways donors manage and deliver aid in partner countries, the progress made so far lacks momentum in applying good practice deeply and systematically. There is still need for a considerable effort by donors – bilateral and multilateral, working with country partners – to scale up aid effectiveness collectively. This effort must continue because experience so far indicates that:

- achieving harmonisation, alignment and managing for results requires intensive work by participants – from donor communities and partner countries – that is typically costly and unfunded in the short run, with potential benefits and rewards only in the medium to long term;
- very few institutions have effective mechanisms (including training programmes), resources, and incentives in place to support and encourage staff in pursuing such activities;
- many aid agencies still have arrangements that discourage, often unintentionally, the approaches and behaviours necessary for implementing the agenda, including codified requirements that have not been updated to provide the needed operational flexibility and delegated authority, especially to field-based staff, to deliver services in a more harmonised and aligned manner;
- generally there are still no consequences in the short run – for individual aid agencies or individuals – for not initiating and sustaining meaningful action. These factors might help to explain why in the 14 country survey, only 8% of donor missions in 2003 were conducted jointly and only 35% said that donors were streamlining conditionality.

There is also evidence that more intensive use of arrangements such as delegated co-operation would help streamline and harmonise donor involvement in direct provision of assistance.

5.7.2. *Specific relations with international organisations and other donors*

- The Member States

Co-ordination between the Member States and the Commission is a core element of the reform. Chapter 2 of this Annual Report describes the measures taken in each of the regions in this area. In general terms, EC co-operation with Member States in 2004 was excellent in terms of policy and institutional matters but limited as regards implementation.

In 2004 the EC continued to obtain, as required by the various regulations, the opinion of the Member States on all detailed projects and programmes. This obligation involves a significant workload for both the Member States and the Commission and slows down the decision-making process. As in previous years, Member States approved all programmes without objection, and it is legitimate to wonder whether these consultations are necessary.

– The World Bank

In 2004 the value of EC payments (bilateral and multilateral) made to the World Bank reached €511 million, compared to €113 million in 2002. These figures become respectively €645 million and €340 million if the EC contribution to cancelling the debt of the Heavily Indebted Poor Countries is added. The significant increase in EC co-operation with the World Bank was possible thanks to the Framework Agreement, signed in 2001 and revised in 2003, which aims at simplifying the administrative aspects by providing a clear legal framework.

New grants awarded in 2004 to the World Bank total €343.8 million. Of this amount sixty-one per cent was for post-conflict reconstruction: in Afghanistan €45.0 million, in Iraq €80.0 million and in the West Bank Gaza Strip €87.8 million. Twenty-five per cent was for global health (Trust Fund Fight against AIDS, Tuberculosis and Malaria €85.0 million), seven per cent for global agriculture (agricultural research through CGIAR centres €22.5 million). The remaining seven per cent was for specific small-sized projects such as Coastal Management in Crimea, the Establishment of a Cadastre System in Croatia, and Agricultural Rehabilitation in Timor Leste.

During 2004 the Commission and the World Bank continued to improve on the procedural framework and signed together with the EIB a memorandum of understanding on cooperation in the Middle East/North African region.

– The United Nations

In 2004 the value of grants awarded by EuropeAid to organisations of the UN family was €864.3 million, half of which was granted to UNDP for different initiatives of which the most important was monitoring elections in Indonesia, Afghanistan, Congo Democratic Republic, Central Africa Republic, Niger, Malawi, Liberia and Ghana, and also for post-conflict reconstruction in Afghanistan (€19.5 million) and Iraq (€81 million). The remaining amount of €432 million was distributed between a number of UN agencies: the World Food Programme received €111.5 million, the World Health Organisation €97.1 million, UNWRA (Palestine refugees) €67.6 million and the FAO €47.6 million.

In four years EuropeAid contributions to the UN have almost quadrupled. This has happened as a response to a Council request that was formalised in Communication COM (2001) 231 *“Building an effective partnership with the United Nations in the*

fields of Development and Humanitarian Affairs". This significant increase was made possible thanks to the Framework Agreement signed in 2003 to facilitate administrative aspects by setting out the contractual framework for collaboration.

The excellent co-operation achieved with the UN in the last couple of years resulted in the signature in 2004 of four memoranda for strategic partnership, namely with the United Nations Development Programme (UNDP), the World Health Organization (WHO), the International Labour Organization (ILO) and the Food and Agriculture Organization (FAO).

In particular in the area of social development, the Commission signed a Strategic Partnership with the ILO in July 2004 that identified five focus areas for future co-operation: (i) Promotion of Core Labour Standards (CLS) with a special focus on child labour and education; (ii) Corporate Social Responsibility (CSR) and Core Labour Standards; (iii) Social Dialogue; (iv) Employment Strategy and Poverty Reduction, and (v) Migration and Development.

The Commission has proposed a series of initiatives to encourage an educational response to the issue of child labour. The proposal is to activate an action programme through the ILO's International Programme on the Elimination of Child Labour (IPEC) comprising specific instruments, an accumulated knowledge, a pooling of expertise, a strong field presence, and unique and relevant social networks.

– The European Investment Bank (EIB)

Inter-institutional co-ordination and synergies between the Commission and the European Investment Bank (EIB) have improved over recent years. Cooperation is progressing in the Mediterranean and ACP regions, where the Commission and the EIB work closely together to promote private-sector development.

In the Mediterranean region, the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) produces significant results.

In the ACP region, the disbursement rate of the ACP Investment Facility (€2.4 billion) is slower than envisaged and it is probable that about one-third of the Facility will have to be redirected to other programmes.

There is room for enlarging co-operation within the framework of the new European Neighbourhood Policy towards Eastern Europe, and under the EIB Mandates for Asia and Latin America.

One of the elements of the co-operation between the EC and the EIB is a financial facility to cover risks from EIB loans to third party countries. The Bank's lending operations outside the EU have traditionally focused on infrastructural developments (including civil and social infrastructures, water, telecommunications and energy), but recently the EIB decided to broaden the scope of its operations, releasing loans for private-sector development, environmental protection, health and education.

Over the last few years the Bank has adopted a more policy-driven approach, moving away from traditional project financing toward a greater involvement in the area of development. Expanding lending operations outside the coverage of the Community

budgetary guarantee would mean that the Bank will assume financial and political risks in full.

A Joint Working Party was created in 2003 between the Commission and the EIB to formulate recommendations on how to improve relations and co-ordination between the two institutions, including at field and operational level. The recommendations of a joint report, adopted in February 2004, are now being implemented.

– The European Bank for Reconstruction and Development (EBRD)

EC-EBRD cooperation is extensive in all EBRD countries of operations, including in the regions covered by the present report (notably, Western Balkans, Russia, Ukraine, the Caucasus and Central Asia). During 2004 coordination of EC-EBRD financial cooperation took place in regular Working Groups and two high-level meetings with DG RELEX and EuropeAid (involving Commission Directors Generals and Senior EBRD officials), in particular on important technical assistance and grant co-financing initiatives.

During 2004 the EC has been a major supporter of EBRD operations in Russia and other NIS. The 2004 TACIS cooperation programme included support for banking reform and municipal infrastructure in Russia, a SME financing facility in Ukraine, and support to transport and energy in the NIS region under the framework of TRACECA and INOGATE. Support was also provided to the Bank's TAM (Turn Around Management) programme, which funds advisers from an international database of senior business people to restructure medium sized firms in less developed regions and and BAS (Business Advisory Services) programme, which funds local consultants to advise SMEs. In the Western Balkans, a lending facility targeting SME/MSEs (with the European Agency for Reconstruction) was established and support to TAM projects continued. The total amount committed in 2004 by the EC to technical cooperation with the EBRD reached 32.6 M€ including contributions from PHARE (14 M€), CARDS (6.1 M€) and TACIS (12.5 M€).⁷⁸

After protracted negotiations the EBRD accepted the use of the standard contribution agreement for operations where the Commission is the only donor. Multi-donor operations were also discussed without yet reaching an agreement.

An agreement on the application of the financial checks clause was signed with the Council of Europe on 13 August 2004.

5.7.3 *Simplification of EC Procedures*

EuropeAid continued its efforts at simplifying and rationalising procedures throughout 2004. Concrete results were obtained during the year in a number of areas, but considerable effort was also invested in preparing for the future.

Three important guides were issued concerning management of the European Development Fund:

⁷⁸ In some cases these funds may be used over several years

- a practical guide to contract procedures financed from the 9th EDF⁷⁹;
- a guide to the financial procedures of the 9th EDF: this for the first time sets out in a comprehensive document all financial rules relevant for the management of projects and programmes; and
- a practical guide to management of direct labour operations and programme estimates financed from the EDF: this features all the rules applicable to the management of programme estimates.

EuropeAid took a very active role in identifying difficulties posed by the Financial Regulation and Implementing Rules entered into force in 2004 which unduly hamper implementation of external action. The Commission will put forward a proposal for a review of the Financial Regulation to take effect in 2007.

The legal bases for the new financial perspectives (2007-2013) were also drawn up. Great care was taken to ensure that all undue procedural hindrances to implementation in the current legal bases are eliminated.

Work is also proceeding on the preparation of a revision of the Cotonou Agreement: in terms of procedures, this will entail further harmonisation between the EDF and the budget.

Finally, EuropeAid is engaged in a constructive debate with the NGO community on the procedures applicable to grant management, and has started a thorough overhaul of its standard documents in this field.

5.8. Monitoring and Evaluation

5.8.1. Evaluation: Review of the 2004 work programme

5.8.1.1. Organisation of the evaluation function

The Evaluation Unit in the EuropeAid Co-operation Office is a common unit for three Directorates-General: Development, External Relations and EuropeAid. The unit is “accountable to the Group of Relex Commissioners”⁸⁰. A multi-annual strategy for the period 2002-06 was validated by the Board of EuropeAid in November 2001: this indicated the main axes of evaluation for the five-year period, the thematic and sectoral evaluations to be undertaken, and the strategy to be followed for geographical evaluations. It was also decided to develop a methodological approach for these types of evaluation.

Evaluation of individual projects is not the responsibility of the Evaluation Unit, which is in charge of regional and sectoral policies, programmes and programming cycles and only provides methodological support.

⁷⁹

http://europa.eu.int/comm/europeaid/tender/gestion/index_en.htm

⁸⁰

Communication on the Reform of the Management of External Assistance, 6 May 2000

5.8.1.2. Work accomplished in 2004

12 evaluations were completed: four Country-Level Evaluations (Egypt, Honduras, Ethiopia and Lesotho); three Regional-Level Evaluations (Mercosur, CARDS and the European Agency for Reconstruction); and five sectoral and thematic evaluations (population, transport, trade-related assistance, food aid and food security, environment and tropical forests).

Full texts are made public on the evaluation website⁸¹. In addition, 13 evaluations were ongoing at the end of 2004: four Country-Level Evaluations (Benin, Ghana, Armenia and Tanzania); four Regional-Level evaluations (Caribbean, TACIS, Latin America and MEDA); and five sectoral and thematic evaluations (private-sector development, water and sanitation, governance, micro-projects, capacity building in trade).

Moreover, two joint evaluations are ongoing: ‘3 Cs’ (Co-ordination, Complementarity and Coherence) with the Member States and Global Budget Support (GBS) under the auspices of OECD/DAC, with the UK’s DFID in the lead.

In 2004, the programme to improve evaluation methodology included the drafting of guidelines for geographical and sectoral evaluations, based on the recent experiences and practices of the Evaluation Unit. The description has been largely completed of 11 evaluation tools. An analysis of three sectors – Human Rights, education and water and sanitation – has been finalised to allow a better evaluative structuring of the logic and coherence of the activities of the European Commission. All these documents will be published on the evaluation website in 2005.

Specific seminars are habitually organised in the countries or region evaluated in order to ensure dissemination and feedback. Two major thematic seminars were held in Brussels for transport and for food aid and food security.

In 2004, for the first time, a three-column *fiche contradictoire* was completed for South Africa. The first column of this fiche contains the recommendations of the evaluation, the second column specifies the position of the Commission services in relation to the recommendations, and the third column indicates the actions taken one year after publication of the evaluation report.

5.8.1.3. Lessons learnt from Evaluations finalised in 2004

– Geographical Level Evaluations

Country and regional strategies are broadly consistent with Commission policy – as stated in EU treaties, EU agreements and policy documents – but, very often, they are too ambitious and ignore the limitations of specific instruments, the capacity of absorption of the partner countries, and the constraints on the Delegations in dealing with new themes and additional responsibilities. But the relevance of Commission strategy to the needs and policy framework of the partner country is generally good.

⁸¹ <http://europa.eu.int/comm/europeaid/evaluation/index.htm>

For Lesotho and Ethiopia, the evaluations revealed positive impacts in the main sectors of co-operation, with less positive results in the cross-cutting issues. Co-ordination with Member States and other donors improved.

For Egypt, the devolution of responsibility to the Delegation led to significantly improved dialogue and consultation with Egyptian stakeholders and programme beneficiaries, and made possible the design of more focused activities. There was also an improvement in overall donor co-ordination thanks to the efforts of the European Commission and of certain Member States.

For Honduras, the performance in realising objectives and the impact of co-operation were limited. Some innovative projects were very promising, but the limited duration or premature completion of several big projects threatened the sustainability of the results.

Regional evaluations show the strength of the Community in its role at that level. EC projects had a positive impact in enhancing MERCOSUR negotiating skills, technical knowledge of regional institutions, and managing timetables and agendas for the MERCOSUR integration progress. EC CARDS assistance is highly relevant to reconstruction in the Western Balkans and ensures an effective linkage with the stabilisation process.

The greatest room for improvement seems to be in efficiency, even if evaluation reports show recent improvements due to the devolution process. In addition, regular input/output monitoring needs to be strengthened, where it exists, or be created.

– Sectoral and thematic evaluations

EC population policy is consistent but, due to the fact that cross-cutting themes and linkages between sectors are not fully explored or taken into account, has failed to integrate population and development issues systematically into country strategies, thus missing opportunities to enhance its poverty reduction impact. The approach should be broadened beyond sexual and reproductive health to include the case of internally displaced persons, and the implications of migration on population concerns should be incorporated into all future geographical programmes.

For transport, close partnerships between the Commission and government, as demonstrated in some ACP countries, have enhanced the relevance of initiatives and their coherence with national priorities. Outside the ACP region, the Commission's lack of continuous and systematic dialogue on transport policy issues put the sustainability of its involvement at risk.

The Commission's Trade-Related Assistance (TRA) strategy has contributed to increased export performance and improved productivity of local enterprises. Recent programmes are more sensitive to the trade-related institutional environment than former ones, the sustainability of which is at risk. The Commission also takes a more proactive approach to integrating trade into the programming process at the regional level than at the national level.

The added value of the Food Aid and Food Security Regulation is its strong focus on poverty reduction, the flexibility of its components, its acknowledged role in the

Linking Relief, Rehabilitation and Development (LRRD) approach, the multi-actors partnership feature, and its various levels of intervention (policy and project).

Mainstreaming of cross-cutting issues, such as environment and tropical forests, has not yet been consistent. However, given their good performance, projects have a high probability of contributing to the Regulation's stated objectives. A certain discrepancy exists between strategic orientations and practical implementation. Despite the Regulation's emphasis on innovation through pilot initiatives, the lack of feedback and lessons learnt reduces their impact and sustainability, as well as their integration into regular programmes.

5.8.2. *Project results: Results-Oriented Monitoring (ROM)*

5.8.2.1. Achievements in 2004

In 2004, the results-oriented monitoring system (ROM) covered 117 countries in all regions of the Commission's external co-operation, providing a global overview for the Commission on progress towards results of its project portfolio. This external monitoring by independent experts is also used by Delegations and geographic Directorates for their operational and programmatic work, and is complementary to internal monitoring by stakeholders.

The following missions were completed in 2004:

Overview per region	Tacis	Cards	MED	ACP	Asia	Latin America	Total 2004
N° countries visited	13	4	20	49	17	14	117
N° projects monitored	282	79	133	302	154	150	1 100
N° reports produced ⁸²	419	112	133	324	154	150	1 292
€ million covered	479	140	1 777	3 006	1 306	873	7 581

The statistical significance of monitoring improves over time. However, the size and nature of the sample should be recalled (Swaps and Budgetary Aid are excluded, and only 10% of projects with an EC contribution of less than €1 million included).

Further information can be found in the sections on activities in the regions (Chapter 2).

5.8.2.2. Results

Overall, results are satisfying: a significant majority of projects recorded positive benefits for the communities concerned (effectiveness), as well as a promising impact.

⁸² Monitoring of regional programmes and projects entails the visit of several components, resulting in the production of more than one report for a single programme or project.

Projects and programmes monitored in 2004 performed on average “according to plan” or better, for all criteria⁸³. The best performing criteria are effectiveness (2.72) and impact (2.73), whereas efficiency (2.61) is ‘better than according to plan’ but remains relatively the weakest. Relevance (2.69) scores well across all regions, which means that in general projects correspond to the needs of the intended beneficiaries. It is to be noted that the hypothetical middle line – a numerical value of 2.5 – indicates “on track”, thus a project with a score of 2.5 follows the programmed course and performs well.

Over the last three years, the overall ratings reflect a steady, albeit statistically insignificant, improvement: from 2.62 (2002) to 2.67 (2003) and 2.68 (2004).

Although overall figures indicate that projects are ‘on track’ on average, external monitoring identified a group of projects requiring attention. In 2004, about 2% of all projects monitored had scores reflecting “major problems” (‘d’) for at least three of the five criteria. These projects are considered problematic, demanding a thorough reformulation or even project closure. A total of about 10% of projects had a ‘d’ for at least one of the main criteria. In line with the overall figures, efficiency proves to be the criterion most frequently named (6.1% of projects) followed by effectiveness (4.3%). Projects showing a major problem for at least one of the criteria were subject to close follow-up by Commission services and improvements have been recorded.

This also indicates that about 90% of the projects and programmes monitored have good prospects of delivering what has been promised in the project design, notwithstanding the timely adjustments that may be needed for a minority of them.

5.8.2.3. Results by Sector

The Commission has defined six priority areas in its co-operation strategy for fighting poverty:

- trade & development
- regional integration
- macroeconomic and social sectors
- transport
- food security and rural development
- institutional capacity and good governance

⁸³ The ratings are a : very good, b : good, c : some problems and d : major problems. To calculate the arithmetic averages given above, ratings have been given numerical values, a : 4 points, b : 3 points, c : 2 points and d : 1 point

2004 by priority area	Trade & development	Regional integration	Macroeconomic & social sectors	Transport	Food security & rural development	Institutional capacity / good governance	Other	Total/Average
N° projects	169	58	197	50	277	310	33	1 094
N° reports	212	58	216	61	316	391	38	1 292
€ million	1053	269	1794	1267	1743	1293	162	7 581
Scores								
Relevance	2.74	3.00	2.75	2.58	2.64	2.64	2.71	2.69
Efficiency	2.62	2.88	2.65	2.67	2.56	2.56	2.63	2.61
Effectiveness	2.72	2.86	2.76	2.90	2.66	2.68	2.76	2.72
Impact	2.78	2.88	2.78	2.71	2.65	2.72	2.87	2.73
Sustainability	2.80	2.97	2.69	2.42	2.54	2.60	2.84	2.65
Average	2.73	2.93	2.72	2.65	2.61	2.64	2.76	2.68

Scores can range from 4 (excellent performance) to 1 (serious deficiencies in performance). A 2.5 score indicates that performance is on track, and achieving expected results.

Selected observations in three Priority Areas

Macroeconomic policies and social sectors: performance in these sectors continues to be very good (2.72): a slightly mixed performance in the past (2002: 2.59 ; 2003: 2.75) may show signs of stabilising near the higher level.

Food security and sustainable rural development: although still well ‘on track’ (2.61), this area remained one of the weakest of all priority areas. The Commission Headquarters decided to monitor particularly projects experiencing difficulties in the field. This results in a lower average in the short run in this area, but will help to improve performance in the long term. Also here, 2004 performance shows signs of stabilising close to the 2002 (2.66) and 2003 (2.57) ratings.

Institutional Capacity and Good Governance: this sector records a steady but statistically insignificant improvement from 2.54 (2002) to 2.61 (2003) and 2.64 (2004), with efficiency improving clearly (2.56, up from 2.49). In Latin America this priority area, with over half of this sector’s projects relating to Human Rights, scores high on effectiveness and impact, indicating a strong coherence with the priorities of the benefiting communities. Also effectiveness in this area in ACP and Asia achieves the best performance of all criteria.

5.8.2.4. Conclusions 2004

First although tentative signs of efficiency gains, due to devolution, were observed in 2003 and are confirmed this year; the effects of better output achievement and the timeliness of activities have become evident in those regions where devolution is well established, such as Tacis and Latin America. In both regions effectiveness and impact have also improved, although sustainability remains a concern. In other regions, like the ACP countries, where devolution is of more recent date and the process had not been completed by 2004, efficiency gains still have to be made.

Observations in 2004 also confirm earlier findings of the importance of flexibility and the social and institutional embedding of projects in order to ensure success.

5.8.2.5. Outlook into 2005

The Commission is committed to monitoring results more effectively in the years ahead: work has started on several methodological and technical issues in order to strengthen the system. First results strongly suggest, for example, that calculations need to be adjusted to report more accurately on performance. Whereas in recent years, 2004 included, averages were calculated on the final ratings for each project, a much more precise picture emerges when taking unrounded scores into account: for most regions the differences remain within statistical limits but, for the ACP countries, the difference is interesting (recalculated scores in bold):

Average ratings for 2004		TACIS	CARDS	MED	ACP	Asia	LA	Average
Relevance	Final ratings	2.66	2.64	2.86	2.58	2.73	2.84	2.69
	Unrounded scores	2.67	2.70	2.89	2.64	2.71	2.83	2.71
Efficiency	Final ratings	2.70	2.60	2.75	2.41	2.57	2.69	2.61
	Unrounded scores	2.73	2.68	2.76	2.46	2.56	2.71	2.64
Effectiveness	Final ratings	2.78	2.61	2.80	2.55	2.72	2.90	2.72
	Unrounded scores	2.83	2.63	2.83	2.73	2.73	2.90	2.79
Impact	Final ratings	2.80	2.78	2.75	2.52	2.76	2.93	2.73
	Unrounded scores	2.87	2.74	2.81	2.52	2.76	2.89	2.75
Sustainability	Final ratings	2.80	2.51	2.83	2.38	2.67	2.73	2.65

	Unrounded scores	2.89	2.65	2.92	2.59	2.67	2.85	2.77
Average	Final ratings	2.75	2.63	2.80	2.48	2.69	2.82	2.68
	Unrounded scores	2.80	2.68	2.84	2.59	2.69	2.84	2.73

6. EC ASSISTANCE NOT COVERED BY THIS REPORT

As in the case of the previous report, this 2004 Annual Report covers all the external assistance activities managed by the EuropeAid Cooperation Office, in line with the Commission's reform of its management practice. Humanitarian and pre-accession aid and macro-financial assistance does not fall within the scope of this report. They are however included in the general tables of the statistical annex.

ECHO

The activities of the EC Directorate for humanitarian aid, ECHO, form an integral part of the overall EC contribution to development. For a full account of ECHO's activities, the reader should consult the ECHO Annual Report 2004.⁸⁴

Needs-based approach: in 2004 the ECHO Directorate-General's needs-based response to humanitarian crises was channelled through 101 funding decisions, totalling €570.4 million at 31 December 2004. The department's activities are linked to the global evolution of humanitarian needs and are reflected in the regional distribution of its funding patterns. ACP countries were the biggest recipients of aid (€301.6 million in 2004), followed by Asia (€111.1 million). Subsequent to the onset of the humanitarian crises in Darfur (Sudan), ECHO requested an increase of €25 million from the budgetary authority, bringing the total funding for that country to €91 million. Important financial support was also maintained to the Palestinian population in the Occupied Territories (€37.4 million) in view of the humanitarian situation and in the absence of a political settlement to the conflict. In the Northern Caucasus the humanitarian needs in Chechnya, after more than four years of conflict, were vast: the international community support was not up to the basic needs of the population. ECHO's assistance consequently remained high (€28.5 million).

ECHO's work programme was based *inter alia* on its global needs assessment (GNA), a cross-country assessment comparing the situation over some 130 developing countries on the basis of nine humanitarian indicators: human development, human poverty, natural disaster risk, conflicts, refugees, internally displaced persons (IDPs), malnutrition, mortality and other donor contributions. On the basis of this GNA classification, the first 25% of countries at the top of the list are those with the highest needs, the 50% in the middle are rated as medium-need countries and the remaining 25% are low-need countries. The GNA allows ECHO to verify, from a global point of view, how successfully it has implemented its needs-based strategy. Applying this methodology to 2004 results (as of 31.12.2004), 69%

⁸⁴ http://europa.eu.int/comm/echo/information/publications/annual_reviews_en.htm

or €348 million of committed funds (budgetary chapter 2302 and EDF funds) were allocated to areas with the highest needs, 30% or €152.9 million to areas with medium needs and 1% or €5.2 million to the areas with low needs ('pocket of needs').

Forgotten crises: ECHO's annual aid strategy in 2004 continued to focus on forgotten crises – humanitarian issues where there is little or no interest from political or public opinion and few donors are present, or where donors are reluctant to be involved because of the high risk. ECHO's analysis and methodology identifying forgotten crises is based on the use of quantitative data – lack of media coverage, or low donor support combined with high needs – as well as qualitative elements, including field assessment by ECHO experts and desk officers. In 2004 the following most forgotten crises were identified: Algeria (Western Sahara), Democratic Republic of Congo, Guinea, Haiti, India, Myanmar/Burma, Nepal, Northern Caucasus (Chechnya), Thailand, Somalia, Sudan, Uganda and Yemen. The total support allocated to these most forgotten crises during the year amounted to €238 million representing 42% of committed funds (budgetary chapter 2302 and EDF funds).

Thematic funding: given the central role played by the main international humanitarian agencies in the effective delivery of humanitarian aid, ECHO decided to support their core mandate on a more systematic basis. Accordingly the Directorate provided financial support to the development of information systems by the UN's Office for the Coordination of Humanitarian Affairs (OCHA), the needs assessment tools used by its World Food Programme (WFP), the reinforcement of the WHO's capacity to respond to health emergencies, and the reinforcement of UNICEF's child protection and emergency response activities.

Disaster Preparedness: under its DIPECHO programme, ECHO adopted specific action plans for Central Asia, Central America and South-East Asia. It also continued to mainstream disaster preparedness activities into humanitarian programmes. Moreover, within the framework of thematic funding, the Directorate made significant efforts in 2004 to reinforce international initiatives aimed at strengthening disaster preparedness, notably through the development of a Global Disaster Alert System in association with the UN's OCHA and the EC Joint Research Centre, and through financial support for the World Conference on Disaster Reduction to be held in January 2005 in Kobe, Japan.

Funding decisions for humanitarian aid in 2004 (budget 2004)*			
Decisions adopted by the Commission as of 31.12.2004			
Country/sub-region	Decisions in €	Country/sub-region	Decisions in €
AFRICA, CARIBBEAN, PACIFIC		ASIA	
		Afghanistan	35 160 000

Angola	8 800 000	Asia regional	169 000
Bahamas	480 000	Bangladesh	5 762 000
Burundi	18 990 000	Cambodia	3 500 000
Central African Republic	470 000	China	2 000 000
Chad	12 000 000	East Timor	250 000
Congo	2 000 000	India	3 000 000
Congo (Democratic Republic)	40 000 000	Indonesia	3 500 000
Dominican Republic	1 600 000	Iran	7 661 000
Eritrea	1 000 000	Laos	1 500 000
Ethiopia	6 998 000	Myanmar/Burma	8 070 000
Grenada	2 250 000	Nepal	4 000 000
Haiti	11 197 000	North Korea	16 750 000
Jamaica	1 200 000	Philippines	1 650 000
Kenya	3 850 000	Sri Lanka	6 500 000
Lesotho	1 000 000	Thailand	11 650 000
Liberia	4 300 000		111 122 000
Madagascar	2 000 000		
Namibia	1 000 000	Latin America	
Saint Vincent and the Grenadines	750 000	Colombia	7 315 000
Somalia	9 150 000	Cuba	1 000 000
Sudan	91 000 000	Ecuador	700 000
Swaziland	1 000 000	Guatemala	800 000
Tanzania	14 900 000	Peru	1 900 000
Uganda	18 620 000	Venezuela	485 000
West Africa	21 000 000		12 200 000
Zambia	2 000 000		
Zimbabwe	15 000 000	DIPECHO	

ECHO flights	9 000 000	Central Asia	2 500 000
	301 555 000	Central America	6 000 000
		South East Asia	5 200 000
			13 700 000
Funding decisions for humanitarian aid in 2004 (budget 2004)*(continued)			
Eastern Europe, NIS		Thematic funding	
Georgia	4 000 000	OCHA	4 000 000
Mongolia	1 000 000	WHO	3 500 000
Northern Caucasus (Chechnya crisis)	28 500 000	WFP	4 500 000
Tajikistan	8 350 000	UNICEF	5 430 000
	41 850 000	UNICEF	2 000 000
			19 430 000
Middle East/North Africa			
Algeria (Western Sahara)	8 000 000	OTHER FUNDING	
Morocco	975 000	ECHO field experts	13 500 000
Palestinian Occupied Territories	37 350 000	ECHO offices	1 800 000
Yemen	2 530 000	Evaluation/Communication/Audit	6 400 000
	48 855 000		21 700 000
		Total ECHO funding 2004 - as of 31.12.2004	570 412 000

* This table does not reflect financing decisions adopted by the European Commission in 2004 on the 2005 budget, including ECHO's response to the 26 December earthquake and the ensuing tsunami in Asia.

Macro-financial assistance

The Commission implements Macro-Financial Assistance (MFA) in association with support programmes of the IMF and the World Bank, and after consulting the Economic and Financial Committee and securing a Council Decision. MFA incorporates a set of principles which underline its exceptional character (*ad hoc*

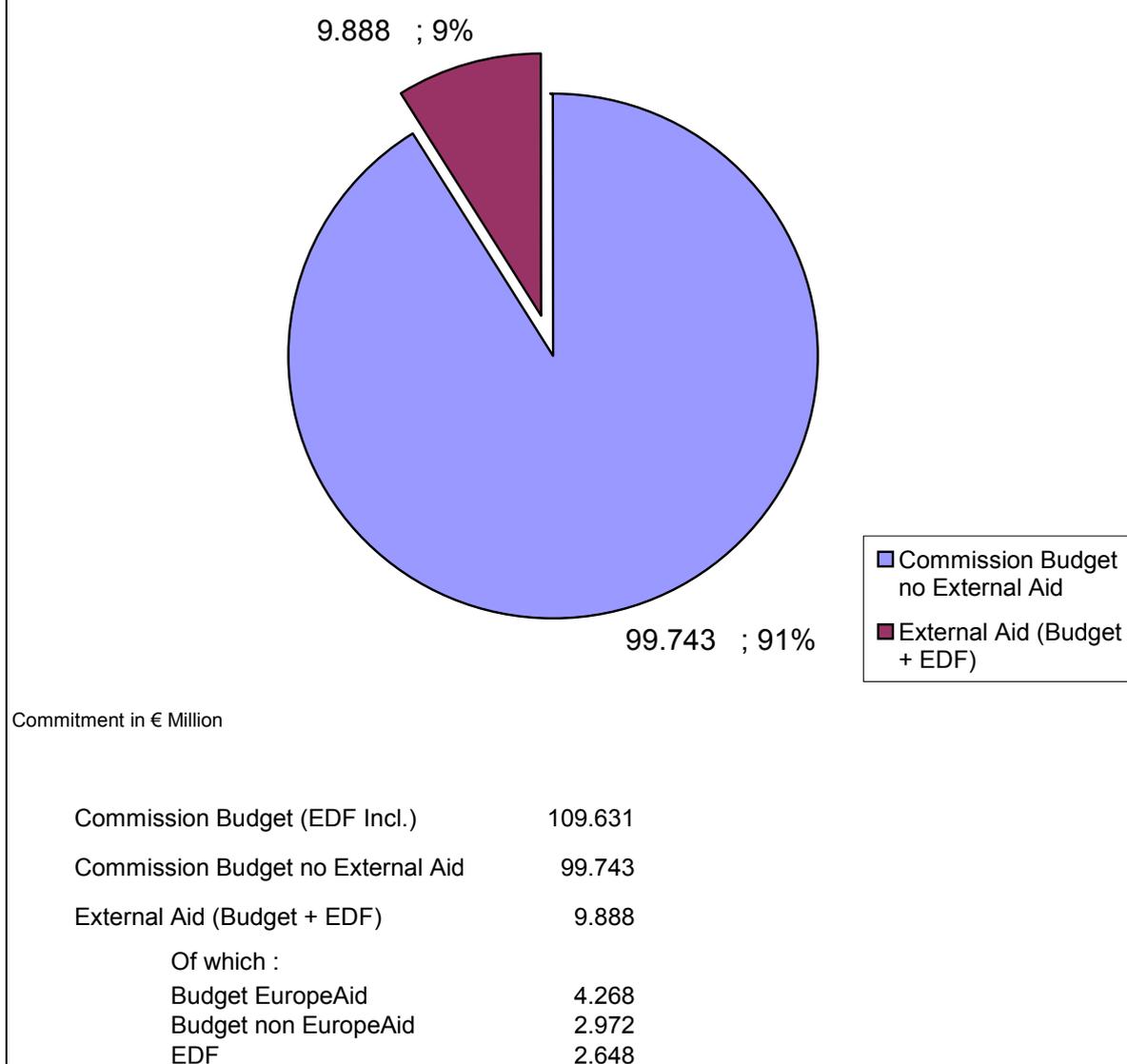
Decisions from the Council), its complementarities to financing from international financial institutions and its macroeconomic conditionality. It is an instrument designed to help beneficiary countries experiencing serious but generally short-term macroeconomic imbalances (serious balance of payment and fiscal difficulties). In close co-ordination with IMF and World Bank programmes, MFA has promoted policies that are tailored to specific country needs, with the overall objective of stabilising the external and internal financial situation and establishing market-oriented economies.

In 2004, €32 million of MFA was disbursed, of which €22 million in the form of grants: €10 million to Serbia and Montenegro, €5.5 million to Armenia, €6.5 million to Georgia, and €10 million in the form of loans to Bosnia Herzegovina, while new assistance of up to €25 million was approved for Albania, of which €16 million in grants.

7. FINANCIAL TABLES

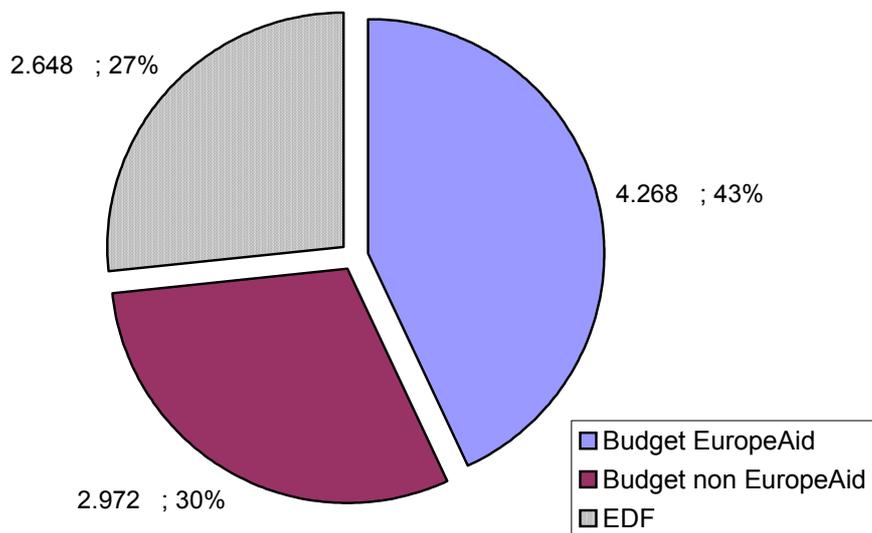
The graph shows the relation between total expenditure of the Commission (Budget and EDF) and the resources committed for the external assistance. In 2004, 9% of the resources of the European Commission were dedicated to external assistance.

Fig 7.1. Percentage of Commission Budget spent on External Assistance in 2004.



Main components of external assistance in 2004: EC Budget committed more than € 7,2 billion and EDF committed € 2,6 billion. 70% of these resources were managed by EuropeAid.

Fig.7.2. Sources of External Assistance in 2004.



Commitment in € Million

Commission Budget (EDF Incl.)	109.631
Commission Budget wo External Aid	99.743
External Aid (Budget + EDF)	9.888
Of which :	
Budget EuropeAid	4.268
Budget non EuropeAid	2.972
EDF	2.648

Detailed description of the external assistance budget for 2004 (Commitments and Payments), identifying those resources managed by EuropeAid and other Directorates General

Fig.7.3. General Commission Budget for External Assistance in 2004.

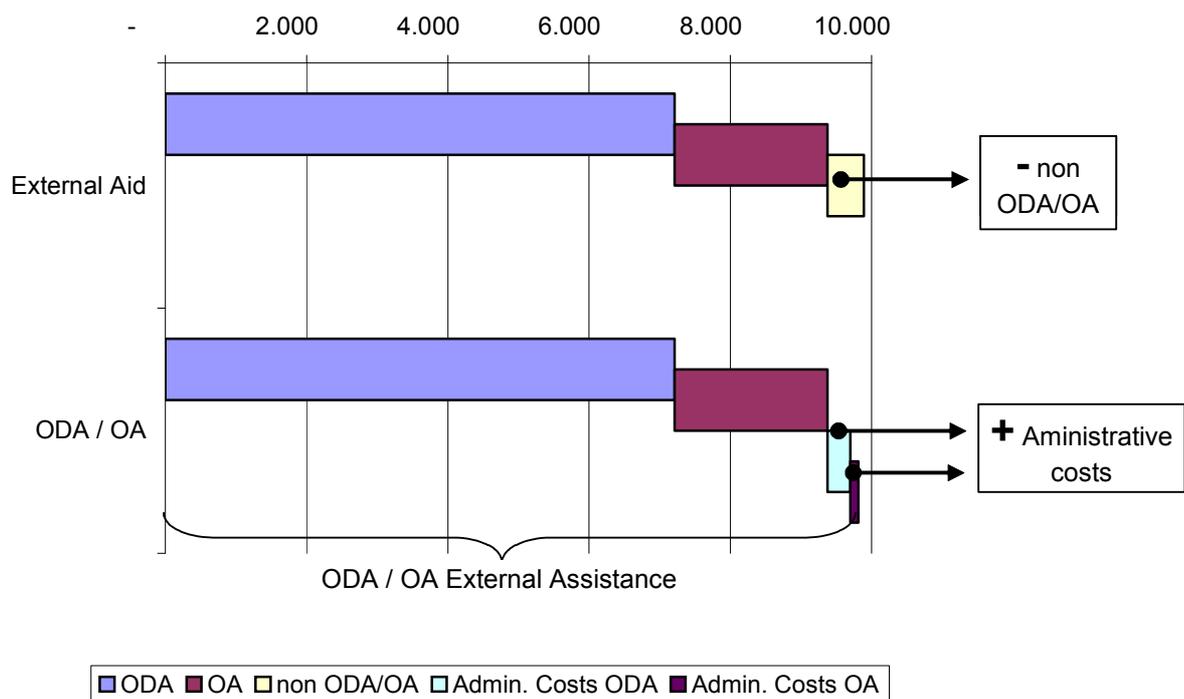
Policy Area	Description	Total		Managed by EuropeAid		Managed by other DG's	
		Commit.	Payments	Commit.	Payments	Commit.	Payments
01 - ECFIN	Macroeconomic assistance + EBRD	90,58	35,94			90,58	35,94
05 - AGRI	Pre-Adhesion - SAPARD	229,23	573,70			229,23	573,70
07 - ENV	LIFE (European Financial Instrument for the Environment)	13,69	12,02			13,69	12,02
08 - RTD	Combating major diseases + Specific measures in support of international cooperation	54,17	26,07			54,17	26,07
11 - FISH	International fisheries agreements	174,94	176,74			174,94	176,74
13 - REGIO	Pre-Adhesion - ISPA	452,84	567,67			452,84	567,67
14 - TAXUD	Customs cooperation and international assistance	1,27	0,73			1,27	0,73
15 - EAC	Education	18,50	18,49			18,50	18,49
16 - PRESS	PRINCE	4,94	1,61	1,50	0,44	3,44	1,17
19 - RELEX	Anti-personnel mines	19,00	8,91	19,00	8,91		
	Rapid reaction mechanism	26,20	23,26			26,20	23,26
	ECIP	0,01	0,19	0,01	0,19		
	Human Right	134,63	95,74	134,63	95,74		
	New Independent States	504,44	359,13	504,44	359,13		
	Western Balkan	663,29	509,60	663,29	509,60		
	Mediterranean	1.003,32	1.124,55	1.003,32	1.124,55		
	Latin America	312,14	313,82	312,14	313,82		
	Asia	611,13	526,08	611,13	526,08		
	Evaluation/coordination/anti-fraud	12,52	15,58	12,52	15,58		
	RELEX - Other specific actions	131,80	86,56	33,40	12,40	98,40	74,16
20 - TRADE	External trade relations	15,27	12,53			15,27	12,53
21- DEV	Food Aid	420,49	419,47	420,49	419,47		
	Co financing NGO's	209,23	136,97	209,23	136,97		
	Environment	49,77	21,07	49,77	21,07		
	Integrating gender issues in development cooperation	2,90	1,34	2,90	1,34		
	Social infrastructure and services	104,28	66,98	104,28	66,98		
	Capacity-building for information and communication technologies and sustainable energy		0,94		0,94		
	South Africa	135,03	116,48	135,03	116,48		
	Bananas ACP	37,29	6,84	37,29	6,84		
	Evaluation of the results of Community aid, follow-up and audit measures	6,02	6,36	6,02	6,36		
	Coordination and promotion of awareness on development issues	5,07	5,03			5,07	5,03
	DEV - Other specific actions	14,48	9,21	7,81	3,51	6,68	5,70
22 - ELARG	Pre-Adhesion - PHARE	980,31	1.748,18			980,31	1.748,18
	Pre-Adhesion - Turkey	242,27	178,04			242,27	178,04
	Pre-Adhesion - Malta & Cyprus	2,58	23,26			2,58	23,26
	Pre-Adhesion - Other specific actions	35,68	10,74			35,68	10,74
23 - ECHO	Humanitarian Aid	520,59	499,22			520,59	499,22
	TOTAL	7.239,92	7.739,06	4.268,21	3.746,39	2.971,71	3.992,66
Breakdown by budget line of external aid financed on the General Commission Budget in 2004. (Amount in € Million)							
(1) According to DAC analysis the amounts considered ODA + OA are 6.972 M€ Commitments and 7.429 M€ Payments.							
The rest of the amount is considered as not ODA nor OA.							

Detailed description by EDF instruments in 2004 (Comitments and Payments) of the EDF.

Fig.7.4. European Development Fund (EDF) in 2004		
Instruments (1)	Commitment (2)	Payment (3)
<u>Indicative Programmes</u>		
NIP/RIP Subsidies	-	1.075,07
NIP/RIP Special loans	-	0,08
Total	-	1.075,15
<u>Outside Indicative Programmes</u>		
Interest-rate Subsidies	-	9,78
Emergency Aid	-	2,48
Aid for Refugees	-	26,89
Risk Capital	-	143,28
Stabex	9,63	7,29
SYSMIN	-	27,36
Structural Adjustment Facility	-	89,73
HIPC	-	-
Transferred Funds	-	11,20
Use of interests	-	16,45
Studies + tech. assist. OCT	-	0,07
Total	9,63	334,53
<u>9th EDF & Transitional measures</u>		
Envelope A	1.739,51	654,66
Envelope B	230,22	144,39
Regional Project	134,12	12,27
Intra ACP Debt Reduction	-	100,00
Intra ACP Project	413,62	58,93
Implementation expenditure	93,76	56,58
Other	26,97	27,73
Total	2.638,20	1.054,57
Total EDF	2.647,83	2.464,25
Breakdown by instrument of development assistance financed on the European Development Fund (EDF) in 2004. (Amount in € Million)		
(1) Except The Investment Facility (9th EDF) managed by the EIB		
(2) Commitments 2004 have been calculated following DAC procedures :		
Total commitments made in 2004 reduced by decommitments made on projects committed in 2004		
(3) Before recoveries		
(4) After DAC Analysis the amounts considered as ODA + OA are 2397 M€ Commitments and 2404 M€ Payments.		
The rest of the amount is considered as not ODA nor OA		

Graph shows the resources of external assistance that are reported to the Development Assistance Committee (DAC) of the OECD as development aid. Resources are classified in Official Development Assistance (ODA) or Official Aid (OA), depending on the recipient country. The EC includes at this stage the central administrative expenditure.

Fig.7.5. Percentage of External Assistance used for Development Aid (ODA and OA).

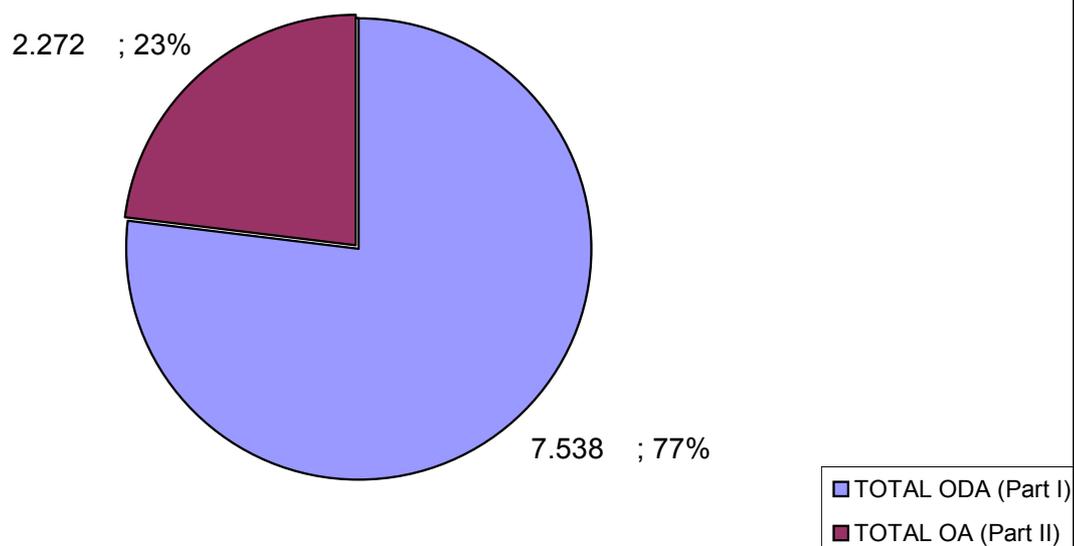


Commitment in € Million

	External Aid	ODA / OA
ODA	7.211	7.211
OA	2.160	2.160
non ODA/OA	518	
Admin. Costs ODA		328
Admin. Costs OA		113
Total	9.888	9.811

77% of the resources are considered Official Development Assistance (ODA).

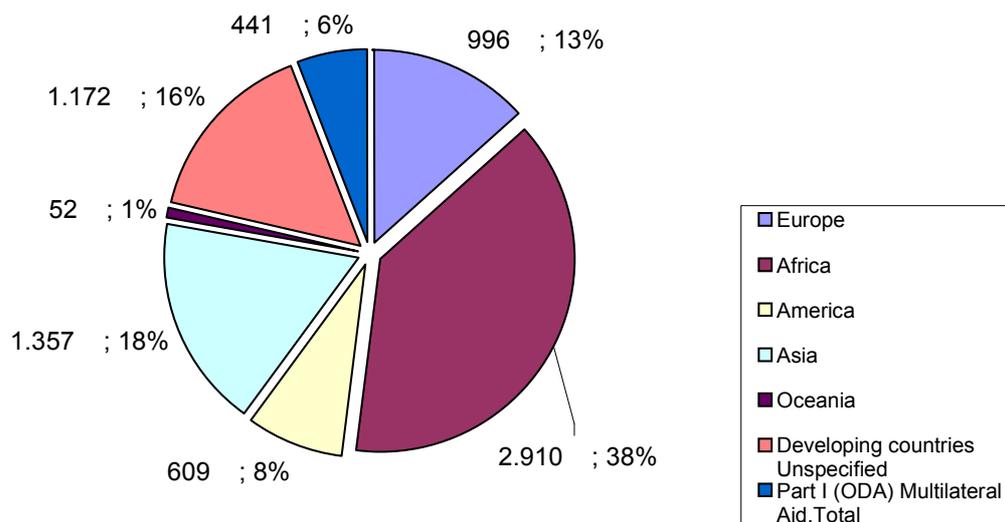
Fig.7.6. Relation between ODA and OA in the Development Aid of the EC in 2004.



Region	Total in M€		Managed by EuropeAid		Managed by Other DG's	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Europe	996	733	683	537	314	196
Africa	2.910	2.916	2.654	2.700	256	216
America	609	535	574	506	36	30
Asia	1.357	1.302	1.148	1.088	209	215
Oceania	52	54	52	54	0	0
Developing countries Unspecified	1.172	876	756	488	416	388
Part I (ODA) Multilateral Aid, Total	441	510	441	510	-	-
TOTAL ODA (Part I)	7.538	6.926	6.308	5.883	1.230	1.043
TOTAL OA (Part II)	2.272	3.348	440	351	1.832	2.997
TOTAL	9.811	10.274	6.748	6.233	3.062	4.041

Official Development Assistance by Region (DAC Regions). Graph describing the main ODA recipient regions. Geographical Africa (including North of Africa) received 38% of the resources.

Fig.7.7. Regional distribution of aid to developing countries (ODA) in 2004.



Commitment in € Million

Region	Total in M€		Managed by EuropeAid		Managed by Other DG's	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Europe	996	733	683	537	314	196
Africa	2.910	2.916	2.654	2.700	256	216
America	609	535	574	506	36	30
Asia	1.357	1.302	1.148	1.088	209	215
Oceania	52	54	52	54	0	0
Developing countries Unspecified	1.172	876	756	488	416	388
Part I (ODA) Multilateral Aid, Total	441	510	441	510	-	-
TOTAL ODA (Part I)	7.538	6.926	6.308	5.883	1.230	1.043
TOTAL OA (Part II)	2.272	3.348	440	351	1.832	2.997
TOTAL	9.811	10.274	6.748	6.233	3.062	4.041

Identifying resources committed and disbursed to each country in the world (bilateral aid) and multilateral contributions to International organizations (Multilateral aid).

Fig.7.8.1. Country breakdown of EC Development Aid (ODA and OA) in 2004.

Country/Region	Total		Managed by EuropeAid		Managed by Other DG's	
	Commitment	Payment	Commitment	Payment	Commitment	Payment
Part I: Developing Countries & Territories						
Europe, Total	996,09	732,97	682,57	536,98	313,52	195,99
Albania	83,75	35,60	67,73	35,59	16,02	0,02
Bosnia-Herzegovina	85,83	83,26	85,80	83,21	0,03	0,05
Croatia	83,14	19,41	83,00	19,34	0,14	0,07
former Yugoslav Republic of Macedonia	62,33	59,54	62,31	59,45	0,01	0,09
Moldova	11,00	8,08	11,00	8,08		
Turkey	258,16	189,00	6,52	9,99	251,64	179,02
Serbia and Montenegro	384,19	294,54	339,18	278,37	45,01	16,17
States Of Ex-Yugoslavia Unspecified.						
Europe Unallocated.	27,68	43,53	27,02	42,96	0,66	0,57
Africa, Total	2.910,29	2.916,08	2.654,24	2.700,48	256,05	215,60
North Of Sahara, Total	480,28	557,54	470,88	548,47	9,40	9,07
Algeria	64,33	54,21	56,33	46,42	8,00	7,78
Egypt	165,87	167,48	165,87	167,48		
Morocco	158,14	172,41	157,17	171,51	0,98	0,90
Tunisia	25,46	77,41	25,46	77,41		
North Of Sahara Unallocated.	66,49	86,03	66,06	85,65	0,43	0,39
South Of Sahara, Total	2.427,92	2.356,76	2.181,36	2.150,27	246,57	206,49
Angola	39,81	61,72	31,73	51,35	8,08	10,38
Benin	6,23	72,10	6,23	72,10		
Botswana	1,39	6,64	1,39	6,64		
Burkina Faso	5,32	71,85	5,27	71,82	0,05	0,03
Burundi	108,23	55,58	93,23	41,91	15,00	13,67
Cameroon	9,03	37,24	9,03	37,24		
Cape Verde	10,33	12,91	9,87	12,00	0,46	0,91
Central African Rep.	5,08	27,75	5,08	27,75		
Chad	21,50	44,01	17,50	40,49	4,00	3,52
Comoros	2,01	4,25	1,80	3,84	0,21	0,41
Congo, Dem. Rep.	137,70	201,08	96,63	161,87	41,07	39,20
Congo, Rep.	19,47	10,44	19,47	8,40		2,04
Djibouti	9,60	4,51	9,60	4,51		
Equatorial Guinea	2,81	3,02	2,81	3,01		0,01
Eritrea	26,56	9,32	25,56	8,61	1,00	0,71
Ethiopia	169,76	96,14	169,76	95,07		1,08
Gabon	8,33	12,17	7,39	11,23	0,94	0,94
Gambia	4,60	2,81	4,60	2,81		
Ghana	99,48	47,74	99,48	47,74		
Guinea	8,18	32,09		24,39	8,18	7,70
Guinea-Bissau	8,65	11,37	7,97	8,23	0,68	3,14
Ivory Coast	41,39	20,17	38,63	18,46	2,76	1,71
Kenya	152,95	53,70	152,42	53,32	0,53	0,39
Lesotho	2,99	11,89	1,99	11,26	1,00	0,63
Liberia	19,98	24,44	12,80	17,19	7,18	7,24
Madagascar	151,32	105,54	148,81	103,88	2,51	1,66
Malawi	58,19	53,27	58,19	53,27		
Mali	133,18	94,21	133,18	93,75		0,46
Mauritania	19,70	32,00	15,70	28,00	4,00	4,00
Mauritius	0,70	14,72	0,50	14,34	0,20	0,37
Mayotte	0,09	0,01	0,09	0,01		
Mozambique	46,96	124,78	42,85	121,12	4,11	3,66
Namibia	66,02	19,14	66,01	19,13	0,01	0,01
Niger	41,49	74,53	41,49	74,53		
Nigeria	247,03	62,69	247,02	62,69	0,00	0,00
Rwanda	13,19	53,77	13,19	53,77		
St. Helena		0,11		0,11		
Sao Tome and Principe	9,72	2,31	9,40	2,25	0,32	0,06
Senegal	101,50	47,32	98,41	44,15	3,10	3,17
Seychelles	1,73	1,34	0,50	0,36	1,23	0,98
Sierra Leone	21,58	52,03	15,31	44,65	6,27	7,38
Somalia	15,22	28,72	6,07	20,97	9,15	7,76
South Africa	135,04	115,34	135,03	115,34	0,00	0,00
Sudan	115,08	55,47	27,52	8,97	87,57	46,50
Swaziland	3,70	11,42	2,70	10,79	1,00	0,63
Tanzania	60,86	131,41	45,90	113,85	14,96	17,56

	Togo	1,26	4,22	1,26	4,22		
	Uganda	46,67	93,94	40,67	89,34	6,00	4,60
	Zambia	89,02	103,60	89,02	103,45		0,16
	Zimbabwe	30,84	30,45	15,84	20,40	15,00	10,05
	South Of Sahara Unallocated.	96,46	109,48	96,45	105,69	0,01	3,78
	Africa Unspecified	2,08	1,79	2,00	1,74	0,08	0,05
	America, Total	609,38	535,21	573,87	505,69	35,51	29,52
	North & Central, Total	316,82	307,87	293,15	292,05	23,66	15,82
	Anguilla		0,79		0,79		
	Antigua & Barbuda	0,40	0,71	0,40	0,71		
	Barbados	12,20	1,99	12,20	1,99		
	Belize	3,48	0,30	3,48	0,30		
	Costa Rica		5,53		5,53		
	Cuba	1,13	3,87	0,13	2,96	1,00	0,91
	Dominica	5,72	2,97	5,72	2,97		
	Dominican Republic	54,50	17,81	52,90	16,34	1,60	1,46
	El Salvador	0,00	17,77	0,00	17,72		0,05
	Grenada	3,64	1,93	0,94	0,16	2,70	1,77
	Guatemala	9,21	18,72	8,41	18,57	0,80	0,15
	Haiti	51,53	34,78	40,33	26,85	11,20	7,94
	Honduras	42,00	38,60	42,00	38,52		0,08
	Jamaica	52,12	50,52	52,05	50,46	0,07	0,07
	Mexico	9,07	10,74	9,07	10,09		0,65
	Montserrat		5,97		5,97		
	Nicaragua	40,07	49,35	40,07	49,28		0,07
	Panama		1,43		1,43		
	St. Kitts-Nevis	0,50	0,35	0,50	0,35		
	St. Lucia	8,10	0,59	8,10	0,59		
	St. Vincent and the Grenadines	6,22	3,14	5,92	2,90	0,30	0,24
	Trinidad & Tobago	8,13	1,90	8,13	1,90		
	Turks & Caicos Islands		1,00		1,00		
	West Indies Unallocated						
	N. & C. America Unallocated.	8,80	37,09	2,80	34,67	6,00	2,43
	South, Total	230,00	152,05	218,80	140,91	11,21	11,14
	Argentina	9,40	5,38	9,40	5,34		0,04
	Bolivia	58,74	29,45	58,49	28,99	0,25	0,45
	Brazil	0,54	5,86	0,53	5,84	0,02	0,01
	Chile	12,74	13,42	12,20	13,00	0,54	0,43
	Colombia	31,27	34,34	23,57	26,87	7,70	7,47
	Ecuador	42,30	12,87	41,50	12,04	0,80	0,84
	Guyana	29,87	8,21	29,87	8,21		
	Paraguay	13,00	3,64	13,00	3,56		0,08
	Peru	17,92	10,96	16,02	9,23	1,90	1,73
	Suriname	3,44	5,38	3,44	5,38		
	Uruguay	3,00	8,20	3,00	8,20		
	Venezuela	0,20	9,00	0,20	8,93		0,07
	South America Unallocated.	7,58	5,33	7,58	5,32		0,01
	America Unspecified	62,56	75,29	61,92	72,73	0,64	2,56
	Asia, Total	1.357,43	1.302,15	1.148,17	1.087,56	209,26	214,60
	Middle East, Total	397,95	510,90	334,22	419,05	63,73	91,86
	Bahrain						
	Iran	9,42	7,59		1,06	9,42	6,52
	Iraq	94,00	110,94	80,00	62,60	14,00	48,34
	Jordan	37,49	52,38	37,34	52,13	0,15	0,25
	Lebanon	28,83	50,14	24,11	46,33	4,72	3,81
	Oman						
	Palestinian Admin. Areas	90,49	150,43	58,01	119,74	32,48	30,68
	Saudi Arabia						
	Syria	55,66	26,45	55,66	26,29		0,15
	Yemen	15,57	19,12	13,04	17,40	2,53	1,72
	Middle East Unallocated.	66,49	93,87	66,06	93,48	0,43	0,39
	South & Centr. Asia, Total	517,17	525,93	418,99	441,98	98,18	83,95
	Afghanistan	248,09	170,64	216,44	137,52	31,64	33,12
	Armenia	18,74	22,72	11,70	17,06	7,04	5,66
	Azerbaijan	17,50	8,54	17,50	8,54		
	Bangladesh	35,95	46,84	31,00	43,55	4,95	3,29
	Bhutan	4,60	1,83	4,60	1,83		
	Georgia	41,88	29,09	30,71	20,63	11,17	8,47

	India	4,56	113,00	0,00	108,52	4,56	4,48
	Kazakhstan	9,46	8,24	9,46	8,24		
	Kyrgyz Rep.	6,55	18,46	6,55	18,44		0,03
	Maldives						
	Myanmar	17,24	8,93	8,00	5,10	9,25	3,83
	Nepal	9,39	17,82	5,39	13,46	4,00	4,36
	Pakistan	5,74	34,69	3,98	32,15	1,76	2,54
	Sri Lanka	27,02	11,97	21,07	4,84	5,95	7,13
	Tajikistan	28,40	17,51	13,05	9,35	15,35	8,16
	Turkmenistan	2,20	0,24	2,20	0,24		
	Uzbekistan	11,00	2,49	11,00	2,45		0,04
	South & Central Asia Unallocated.	28,83	12,90	26,33	10,06	2,50	2,84
	Far East, Total	390,74	210,29	343,67	171,60	47,07	38,68
	Cambodia	44,47	9,49	40,97	4,66	3,50	4,83
	China	118,68	39,82	116,67	36,42	2,01	3,40
	East Timor	13,25	9,72	12,14	9,22	1,11	0,50
	Indonesia	59,19	34,28	56,54	32,00	2,65	2,28
	Korea, Dem.	22,57	25,28	5,00	9,24	17,57	16,03
	Laos	7,99	7,36	6,49	6,94	1,50	0,42
	Malaysia		0,02		0,02		
	Mongolia	2,70	3,26	1,70	2,63	1,00	0,62
	Philippines	13,45	14,30	11,77	12,87	1,68	1,43
	Thailand	12,60	14,76	2,13	8,96	10,48	5,80
	Viet Nam	78,20	22,48	78,00	22,30	0,20	0,18
	Far East Asia Unallocated.	17,63	29,52	12,26	26,33	5,37	3,18
	Asia Unspecified	51,58	55,03	51,29	54,93	0,28	0,10
	Oceania, Total	52,29	53,82	52,10	53,65	0,19	0,17
	Cook Islands		0,96		0,96		
	Fiji	21,51	12,62	21,51	12,62		
	Kiribati	8,90	3,03	8,80	2,93	0,10	0,10
	Marshall Islands						
	Micronesia, Fed. Sts.						
	Nauru						
	Niue	0,20		0,20			
	Palau						
	Papua New Guinea	6,20	10,25	6,20	10,25		
	Samoa	2,30	2,72	2,30	2,72		
	Solomon Islands	6,40	2,63	6,38	2,63	0,03	
	Tokelau						
	Tonga	0,00	3,34	0,00	3,34		
	Tuvalu		2,04		2,04		
	Vanuatu	2,27	2,61	2,27	2,61		
	Wallis & Futuna	0,67	1,04	0,67	1,04		
	Oceania Unallocated.	3,83	12,58	3,76	12,51	0,07	0,07
	LDC's Unspecified	1.171,91	875,96	756,13	488,41	415,78	387,54

Part I (ODA) Bilateral, Total		7.097,39	6.416,19	5.867,08	5.372,77	1.230,31	1.043,42
	UNRWA	80,64	61,75	80,64	61,75		
	WFP	110,69	159,98	110,69	159,98		
	HIPC		100,00		100,00		
	GHF	42,82	42,82	42,82	42,82		
	UNDP		5,80		5,80		
	World Bank	145,00	127,10	145,00	127,10		
	WHO	55,47	7,04	55,47	7,04		
	FAO	6,29	5,52	6,29	5,52		
	Part I (ODA) Multilateral Aid, Total	440,91	510,01	440,91	510,01		
	Part I (ODA), Total	7.538,30	6.926,19	6.307,99	5.882,78	1.230,31	1.043,42
Part II: Countries and Territories in Transition - Official Aid (OA)							
More Advanced Developing Countries		66,01	93,30	31,13	23,96	34,88	69,34
	Aruba	4,40	0,15	4,40	0,15		
	Bahamas	0,63	1,05	0,15	0,66	0,48	0,38
	Bermuda						
	Brunei						
	Cayman Islands						
	Chinese Taipei (Taiwan)						
	Cyprus	11,66	18,32			11,66	18,32
	Falkland Islands						
	French Polynesia	3,65	6,55	3,65	6,55		
	Gibraltar						
	Hong Kong, China						
	Israel	0,44	1,14	0,44	1,03		0,11
	Korea						
	Kuwait						
	Libya						
	Macao						
	Malta	11,94	5,24		0,16	11,94	5,08
	Netherlands Antilles	1,00	2,68	1,00	2,68		
	New Caledonia	21,50	12,72	21,50	12,72		
	Northern Marianas						
	Qatar						
	Singapore						
	Slovenia	10,81	45,45			10,81	45,45
	United Arab Emirates						
	Virgin Islands (UK)						
	MADCT Unallocated						
CEEC's/NIS		2.206,41	3.246,06	409,31	326,61	1.797,09	2.919,45
	Belarus	3,56	0,39	3,50	0,34	0,06	0,05
	Bulgaria	488,81	253,06		0,07	488,81	252,99
	Czech Republic	17,10	188,57		0,05	17,10	188,52
	Estonia	9,13	87,17		0,01	9,13	87,16
	Hungary	19,69	191,42		0,17	19,69	191,24
	Latvia	7,67	107,49		0,00	7,67	107,48
	Lithuania	24,25	175,35			24,25	175,35
	Poland	51,76	886,22			51,76	886,22
	Romania	918,72	514,22			918,72	514,22
	Russia	233,50	128,84	200,35	97,17	33,15	31,67
	Slovak Republic	14,59	135,55			14,59	135,55
	Ukraine	118,60	60,71	118,58	59,67	0,02	1,04
	CEEC's Unallocated	228,90	364,79	16,82	16,85	212,08	347,94
	NIS Unallocated	70,13	152,22	70,06	152,20	0,07	0,02
	CEEC's/NIS Unallocated		0,07		0,07		
Part II (OA) Bilateral Aid, Total		2.272,41	3.339,36	440,44	350,57	1.831,97	2.988,79
	EBRD		8,44				8,44
Part II (OA) Multilateral Aid, Total			8,44				8,44
Part II (OA), Total		2.272,41	3.347,80	440,44	350,57	1.831,97	2.997,23
Grand Total Part I & Part II (ODA+OA)		9.810,71	10.273,99	6.748,43	6.233,35	3.062,28	4.040,64
Breakdown by country/region of external aid financed on the General Commission Budget and the European Development Fund (EDF) in 2004. Amount in € Million.							
Commitments and payments calculated following DAC procedures : only ODA and OA amounts increase by Administrative expenditures.							
Following DAC Directives commitments/payments are split between bilateral and multilateral contributions.							
Total allocations to a country includes bilateral and multilateral contributions (if any). For instance in 2004 the total contribution to Iraq is 174 M€ (94 M€ bilateral plus 80 M€ multilateral contribution to a trust fund managed by the UN).							

Fig.7.8.2. EC Development Aid to ACP Countries (ODA and OA) in 2004 - Commitment in € million

Country/Region	Total	EDF	Budget	Budget of which :	
				EuropeAid	non EuropeAid
AFRICA					
Angola	39,81	24,72	15,09	7,01	8,08
Benin	6,23	6,23	-	-	-
Botswana	1,39	1,39	-	-	-
Burkina Faso	5,32	3,27	2,05	2,00	0,05
Burundi	108,23	93,02	15,22	0,22	15,00
Cameroon	9,03	4,60	4,44	4,44	-
Cape Verde	10,33	9,37	0,96	0,50	0,46
Central African Rep.	5,08	5,08	-	-	-
Chad	21,50	17,50	4,00	-	4,00
Comoros	2,01	1,80	0,21	-	0,21
Congo, Dem. Rep.	137,70	92,00	45,70	4,63	41,07
Congo, Rep.	19,47	19,47	-	-	-
Djibouti	9,60	9,60	-	-	-
Equatorial Guinea	2,81	2,81	-	-	-
Eritrea	26,56	20,35	6,21	5,21	1,00
Ethiopia	169,76	139,25	30,51	30,51	-
Gabon	8,33	7,39	0,94	-	0,94
Gambia	4,60	4,60	-	-	-
Ghana	99,48	99,48	-	-	-
Guinea	8,18	-	8,18	-	8,18
Guinea-Bissau	8,65	6,47	2,18	1,50	0,68
Ivory Coast	41,39	36,80	4,59	1,84	2,76
Kenya	152,95	149,85	3,10	2,57	0,53
Lesotho	2,99	1,99	1,00	-	1,00
Liberia	19,98	10,80	9,18	2,00	7,18
Madagascar	151,32	136,21	15,11	12,60	2,51
Malawi	58,19	43,16	15,03	15,03	-
Mali	133,18	129,58	3,60	3,60	-
Mauritania	19,70	15,70	4,00	-	4,00
Mauritius	0,70	0,50	0,20	-	0,20
Mozambique	46,96	25,40	21,56	17,45	4,11
Namibia	66,02	66,01	0,01	-	0,01
Niger	41,49	40,49	1,00	1,00	-
Nigeria	247,03	246,50	0,52	0,52	0,00
Rwanda	13,19	10,86	2,34	2,34	-
Sao Tome and Principe	9,72	9,40	0,32	-	0,32
Senegal	101,50	98,41	3,10	-	3,10
Seychelles	1,73	0,50	1,23	-	1,23
Sierra Leone	21,58	15,07	6,51	0,24	6,27
Somalia	15,22	-	15,22	6,07	9,15
South Africa	135,04	-	135,04	135,03	0,00
Sudan	115,08	27,08	88,00	0,44	87,57
Swaziland	3,70	2,70	1,00	-	1,00
Tanzania	60,86	42,75	18,11	3,15	14,96
Togo	1,26	1,26	-	-	-
Uganda	46,67	38,56	8,11	2,11	6,00
Zambia	89,02	89,02	-	-	-
Zimbabwe	30,84	9,46	21,38	6,38	15,00
South Of Sahara Unalloc.	96,46	72,91	23,55	23,54	0,01
Africa unspecified	2,08	-	2,08	2,00	0,08
TOTAL AFRICA	2.429,91	1.889,34	540,57	293,92	246,65

Country/Region	Total	EDF	Budget	Budget of which :	
				EuropeAid	non EuropeAid
CARIBBEAN					
Antigua & Barbuda	0,40	0,40	-	-	-
Bahamas	0,63	0,15	0,48	-	0,48
Barbados	12,20	12,20	-	-	-
Belize	3,48	0,55	2,93	2,93	-
Cuba	1,13	-	1,13	0,13	1,00
Dominica	5,72	0,42	5,30	5,30	-
Dominican Republic	54,50	52,90	1,60	-	1,60
Grenada	3,64	0,44	3,20	0,50	2,70
Guyana	29,87	29,87	-	-	-
Haiti	51,53	37,77	13,76	2,56	11,20
Jamaica	52,12	47,20	4,92	4,85	0,07
St. Kitts-Nevis	0,50	0,50	-	-	-
St. Lucia	8,10	0,76	7,35	7,35	-
St. Vincent & Grenadines	6,22	0,59	5,63	5,33	0,30
Suriname	3,44	1,13	2,31	2,31	-
Trinidad & Tobago	8,13	8,13	-	-	-
Caribbean Unalloc.	8,80	2,00	6,80	0,80	6,00
TOTAL CARIBBEAN	250,39	194,99	55,40	32,06	23,34
PACIFIC					
Cook Islands	-	-	-	-	-
Fiji	21,51	21,25	0,26	0,26	-
Kiribati	8,90	8,80	0,10	-	0,10
Marshall Islands	-	-	-	-	-
Micronesia, Fed. Sts.	-	-	-	-	-
Nauru	-	-	-	-	-
Niue	0,20	0,20	-	-	-
Palau	-	-	-	-	-
Papua New Guinea	6,20	6,20	-	-	-
Samoa	2,30	2,30	-	-	-
Solomon Islands	6,40	6,38	0,03	-	0,03
Tokelau	-	-	-	-	-
Tonga	0,00	0,00	-	-	-
Tuvalu	-	-	-	-	-
Vanuatu	2,27	2,27	-	-	-
Oceania Unalloc.	3,83	3,76	0,07	-	0,07
TOTAL OCEANIA	51,62	51,17	0,45	0,26	0,19
TOTAL ACP (1)	2.731,93	2.135,50	596,43	326,24	270,18

Country/Region	Total	EDF	Budget	Budget of which :	
				EuropeAid	non EuropeAid
NON ACP COUNTRIES MANAGED BY EDF					
Netherlands Antilles	1,00	1,00	-	-	-
Aruba	4,40	4,40	-	-	-
French Polynesia	3,65	3,65	-	-	-
New Caledonia	21,50	21,50	-	-	-
Mayotte	0,09	0,09	-	-	-
St. Helena	-	-	-	-	-
Anguilla	-	-	-	-	-
Montserrat	-	-	-	-	-
Turks & Caicos Islands	-	-	-	-	-
Wallis & Futuna	0,67	0,67	-	-	-
TOTAL NON ACP - EDF	31,31	31,31	-	-	-
(1) Part of LDC Unspecified financed by Budget and dedicated to ACP Countries not included					

Fig.7.8.3. EC Development Aid to ACP Countries (ODA and OA) in 2004 - Payment in € million

Country/Region	Total	EDF	Budget	Budget of which :	
				EuropeAid	non EuropeAid
AFRICA					
Angola	61,72	49,96	11,76	1,38	10,38
Benin	72,10	70,41	1,70	1,70	-
Botswana	6,64	6,64	-	-	-
Burkina Faso	71,85	70,22	1,63	1,60	0,03
Burundi	55,58	40,96	14,63	0,96	13,67
Cameroon	37,24	36,13	1,11	1,11	-
Cape Verde	12,91	11,69	1,23	0,32	0,91
Central African Rep.	27,75	27,47	0,27	0,27	-
Chad	44,01	39,85	4,16	0,64	3,52
Comoros	4,25	3,69	0,56	0,15	0,41
Congo, Dem. Rep.	201,08	158,14	42,94	3,74	39,20
Congo, Rep.	10,44	8,40	2,04	-	2,04
Djibouti	4,51	4,51	-	-	-
Equatorial Guinea	3,02	3,01	0,01	-	0,01
Eritrea	9,32	6,77	2,55	1,84	0,71
Ethiopia	96,14	69,97	26,18	25,10	1,08
Gabon	12,17	10,22	1,95	1,01	0,94
Gambia	2,81	2,58	0,24	0,24	-
Ghana	47,74	47,26	0,49	0,49	-
Guinea	32,09	23,39	8,70	1,00	7,70
Guinea-Bissau	11,37	7,62	3,75	0,61	3,14
Ivory Coast	20,17	17,48	2,69	0,98	1,71
Kenya	53,70	51,09	2,62	2,23	0,39
Lesotho	11,89	11,11	0,78	0,15	0,63
Liberia	24,44	16,80	7,64	0,40	7,24
Madagascar	105,54	96,85	8,70	7,03	1,66
Malawi	53,27	48,27	5,00	5,00	-
Mali	94,21	91,22	2,99	2,53	0,46
Mauritania	32,00	24,44	7,56	3,56	4,00
Mauritius	14,72	14,18	0,54	0,17	0,37
Mozambique	124,78	100,04	24,74	21,08	3,66
Namibia	19,14	18,55	0,59	0,58	0,01
Niger	74,53	69,43	5,10	5,10	-
Nigeria	62,69	59,93	2,77	2,76	0,00
Rwanda	53,77	50,26	3,50	3,50	-
Sao Tome and Principe	2,31	2,21	0,10	0,04	0,06
Senegal	47,32	42,20	5,12	1,95	3,17
Seychelles	1,34	0,36	0,98	-	0,98
Sierra Leone	52,03	43,96	8,07	0,69	7,38
Somalia	28,72	18,47	10,26	2,50	7,76
South Africa	115,34	-	115,34	115,34	0,00
Sudan	55,47	5,22	50,25	3,75	46,50
Swaziland	11,42	10,79	0,63	-	0,63
Tanzania	131,41	111,30	20,11	2,55	17,56
Togo	4,22	3,49	0,73	0,73	-
Uganda	93,94	86,13	7,81	3,21	4,60
Zambia	103,60	103,10	0,50	0,35	0,16
Zimbabwe	30,45	18,82	11,62	1,57	10,05
South Of Sahara Unalloc	109,48	97,32	12,15	8,37	3,78
Africa unspecified	1,79	-	1,79	1,74	0,05
TOTAL AFRICA	2.358,43	1.911,87	446,55	240,02	206,53

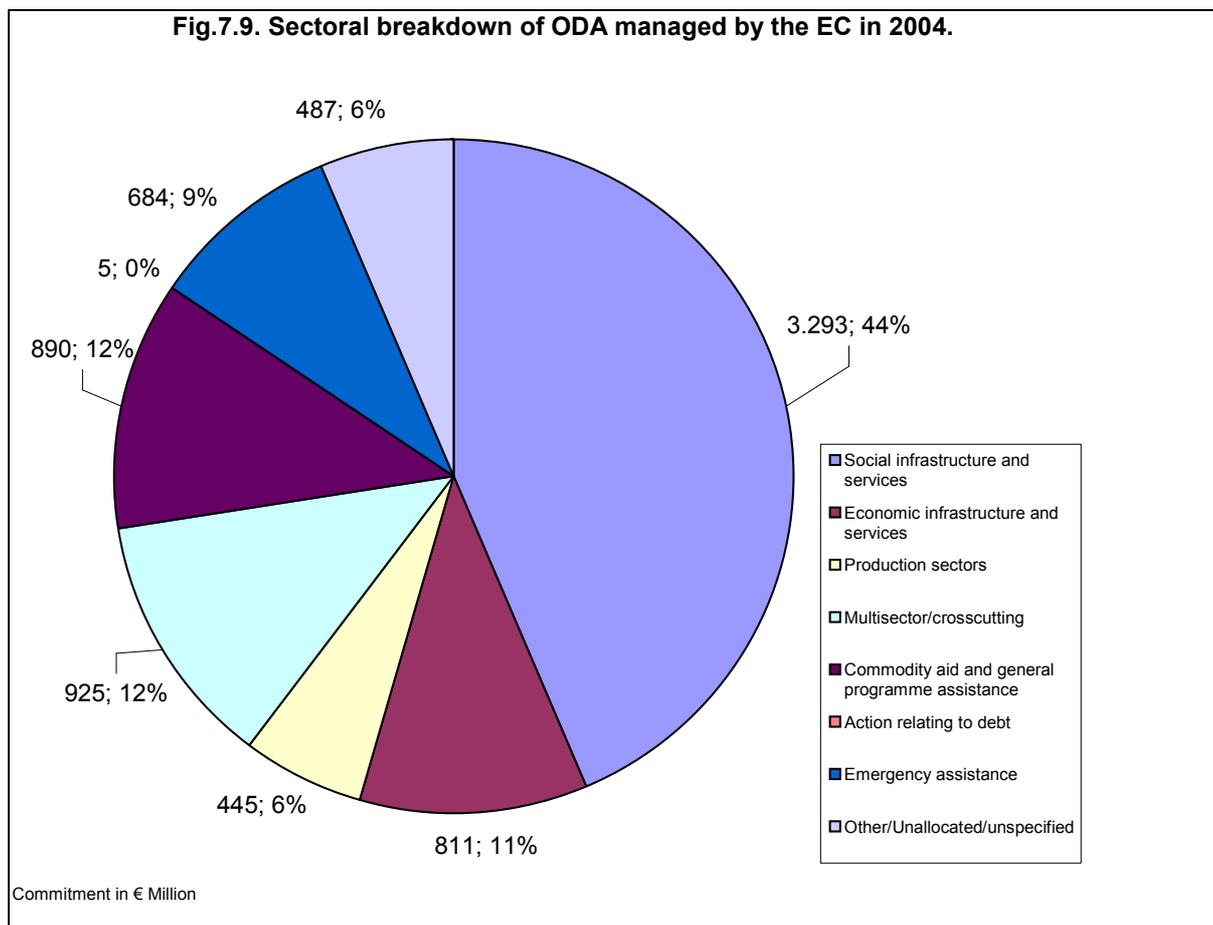
Fig.7.8.3. EC Development Aid to ACP Countries (ODA and OA) in 2004 - Payment in € million					
Country/Region	Total	EDF	Budget	Budget of which :	
				EuropeAid	non EuropeAid
CARIBBEAN					
Antigua & Barbuda	0,71	0,71	-	-	-
Bahamas	1,05	0,66	0,38	-	0,38
Barbados	1,99	1,98	0,00	0,00	-
Belize	0,30	0,30	-	-	-
Cuba	3,87	-	3,87	2,96	0,91
Dominica	2,97	2,85	0,12	0,12	-
Dominican Republic	17,81	15,23	2,57	1,11	1,46
Grenada	1,93	0,14	1,79	0,02	1,77
Guyana	8,21	8,21	-	-	-
Haiti	34,78	22,57	12,22	4,28	7,94
Jamaica	50,52	48,68	1,84	1,78	0,07
St. Kitts-Nevis	0,35	0,35	-	-	-
St. Lucia	0,59	0,38	0,21	0,21	-
St. Vincent & Grenadines	3,14	0,56	2,58	2,34	0,24
Suriname	5,38	2,52	2,86	2,86	-
Trinidad & Tobago	1,90	1,90	-	-	-
Caribbean Unalloc.	37,09	15,69	21,40	18,97	2,43
TOTAL CARIBBEAN	172,60	122,76	49,84	34,65	15,19

Fig.7.8.3. EC Development Aid to ACP Countries (ODA and OA) in 2004 - Payment in € million					
Country/Region	Total	EDF	Budget	Budget of which :	
				EuropeAid	non EuropeAid

PACIFIC					
Cook Islands	0,96	0,96	-	-	-
Fiji	12,62	12,28	0,35	0,35	-
Kiribati	3,03	2,93	0,10	-	0,10
Marshall Islands	-	-	-	-	-
Micronesia, Fed. Sts.	-	-	-	-	-
Nauru	-	-	-	-	-
Niue	-	-	-	-	-
Palau	-	-	-	-	-
Papua New Guinea	10,25	10,10	0,15	0,15	-
Samoa	2,72	2,72	-	-	-
Solomon Islands	2,63	2,40	0,23	0,23	-
Tokelau	-	-	-	-	-
Tonga	3,34	3,21	0,13	0,13	-
Tuvalu	2,04	2,04	-	-	-
Vanuatu	2,61	2,41	0,20	0,20	-
Oceania Unalloc.	12,58	11,73	0,85	0,78	0,07
TOTAL OCEANIA	52,77	50,78	2,00	1,83	0,17
TOTAL ACP (1)	2.583,80	2.085,41	498,39	276,49	221,90
NON ACP COUNTRIES MANAGED BY EDF					
Netherlands Antilles	2,68	2,68	-	-	-
Aruba	0,15	0,15	-	-	-
French Polynesia	6,55	6,55	-	-	-
New Caledonia	12,72	12,72	-	-	-
Mayotte	0,01	0,01	-	-	-
St. Helena	0,11	0,11	-	-	-
Anguilla	0,79	0,79	-	-	-
Montserrat	5,97	5,97	-	-	-
Turks & Caicos Islands	1,00	1,00	-	-	-
Wallis & Futuna	1,04	1,04	-	-	-
TOTAL NON ACP - EDF	31,03	31,03	-	-	-
(1) Part of LDC Unspecified financed by Budget and dedicated to ACP Countries not included					

Addendum to fig. 7.8. Breakdown by country/region of external aid financed on the General Commission Budget and the European Development Fund (EDF) in 2003						
Country/Region	Total in M€		Managed by EuropeAid		Managed by Other DG's	
	Commitment	Payment	Commitment	Payment	Commitment	Payment
Part II: Countries and Territories in Transition - Official Aid (OA)						
More Advanced Developing Countries	118,75	75,98	13,71	10,34	105,04	65,63
of which :						
Slovenia	67,90	46,17		0,00	67,90	46,17
CEEC's/NIS	3.946,42	2.737,72	452,37	375,10	3.494,05	2.362,62
Of which :						
Bulgaria	359,74	159,27		0,49	359,74	158,78
Czech Republic	215,33	192,31	0,01	0,49	215,32	191,82
Estonia	87,25	52,88		0,00	87,25	52,88
Hungary	264,29	168,09		0,17	264,29	167,91
Latvia	126,51	67,61		0,00	126,51	67,61
Lithuania	186,04	291,59		0,04	186,04	291,56
Poland	1.020,74	653,79		0,25	1.020,74	653,54
Romania	709,06	292,13		0,07	709,06	292,06
Slovak Republic	165,69	92,61		0,02	165,69	92,59
CEEC's Unallocated	204,99	241,12		0,73	204,99	240,39
Part II (OA) Bilateral Aid, Total	4.065,17	2.813,69	466,08	385,44	3.599,09	2.428,25
SAPARD Commitment 2003 split by recipient countries						

Breakdown by main sector of the ODA committed in 2004. Special attention to the social infrastructure sector (including education, health, reproductive health, water and sanitation, government and civil society).



Detailed description of ODA by sector following the DAC nomenclature of purpose codes.

Fig.7.10. Detailed description of ODA by sector in 2004 - Commitments.

Sector of Destination		Total	Managed by EuropeAid	Managed by Other DG's
SOCIAL INFRASTRUCTURE AND SERVICES		3,292,73	2,964,15	328,58
	Education	338,86	299,67	39,20
	Education, level unspecified	81,88	42,69	39,20
	Basic education	80,40	80,40	
	Secondary education	47,95	47,95	
	Post-secondary education	128,63	128,63	
	Health	331,24	276,83	54,41
	Health, general	36,59	36,40	0,19
	Basic health	294,65	240,43	54,22

	Population polices/programs and reproductive health		188,08	188,08	
	Water supply and sanitation		332,56	332,51	0,05
	Government and civil society		1.453,95	1.306,11	147,84
	Other Social Infrastructure		648,04	560,95	87,09
		Employment	107,06	29,50	77,56
		Housing			
		Other social services	540,98	531,45	9,53
ECONOMIC INFRASTRUCTURE AND SERVICES			810,70	801,90	8,80
	Transport and storage		601,27	601,27	
	Communications		36,19	28,34	7,85
	Energy generation and supply		83,42	82,52	0,90
	Banking and financial services		41,77	41,77	
	Business and other services		48,05	48,00	0,04
PRODUCTION SECTORS			444,65	420,22	24,43
	Agriculture, Forestry and Fishing		237,77	215,18	22,59
		Agriculture	171,21	168,38	2,83
		Forestry	36,58	36,58	
		Fishing	29,97	10,21	19,76
	Industry, Mining and Construction		108,45	108,45	
		Industry	75,95	75,95	
		Mineral resources and mining	32,50	32,50	
		Construction			
	Trade and Tourism		98,43	96,59	1,84
		Trade	98,43	96,59	1,84
		Tourism			
MULTISECTOR/CROSS CUTTING			924,57	904,51	20,06
	General environmental protection		159,55	147,50	12,05
	Women in development		13,90	13,90	
	Other multisector		751,12	743,11	8,01
COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE			890,20	808,70	81,50

Structural

	adjustment assistance with World Bank/IMF				
	Development food aid/food security assistance		244,16	244,16	
	Other general program and commodity assistance		646,04	564,54	81,50
ACTION RELATING TO DEBT			4,52	4,52	
	Action relating to debt		4,52	4,52	
EMERGENCY ASSISTANCE			683,98	205,83	478,15
	Emergency food aid		152,49	152,49	
	Other emergency and distress relief		531,49	53,34	478,15
OTHER/UNALLOCATED/UNSPECIFIED			486,96	198,17	288,79
	Administrative costs of donors		460,68	175,27	285,41
	Support to non-governmental organisations		1,30	1,30	
	Unallocated/unspecified		24,98	21,60	3,38
GRAND TOTAL			7.538,30	6.307,99	1.230,31
Breakdown by sector of Official Development Assistance (ODA) financed on the General Commission Budget and the European Development Fund (EDF) in 2004. Commitment in € Million.					

Detailed description of ODA by sector following the DAC nomenclature of purpose codes.

Fig.7.11. Detailed description of ODA by sector in 2004. - Payments.					
Sector of Destination			Total	Managed by EuropeAid	Managed by Other DG's
SOCIAL INFRASTRUCTURE AND SERVICES			2.193,52	2.055,67	137,84
	Education		309,11	301,77	7,35
		Education, level unspecified	56,33	56,33	
		Basic education	108,34	107,16	1,18
		Secondary education	57,69	54,21	3,49
		Post-secondary education	86,75	84,08	2,67
	Health		327,02	300,72	26,30
		Health, general	74,17	73,97	0,21
		Basic health	252,85	226,75	26,10
	Population		93,44	87,35	6,09

	polices/program s and reproductive health				
	Water supply and sanitation		227,29	209,03	18,27
	Government and civil society		616,25	553,39	62,87
	Other Social Infrastructure		620,40	603,43	16,97
		Employment	47,84	37,49	10,35
		Housing	20,53	20,53	
		Other social services	552,02	545,41	6,62
ECONOMIC INFRASTRUCTURE AND SERVICES			952,11	939,54	12,56
	Transport and storage		545,76	545,76	
	Communication s		37,80	33,48	4,32
	Energy generation and supply		84,84	83,99	0,85
	Banking and financial services		153,58	153,58	
	Business and other services		130,12	122,73	7,38
PRODUCTION SECTORS			636,66	596,58	40,08
	Agriculture, Forestry and Fishing		246,88	212,27	34,61
		Agriculture	188,09	176,18	11,92
		Forestry	22,78	22,78	
		Fishing	36,01	13,31	22,70
	Industry, Mining and Construction		323,31	321,83	1,48
		Industry	281,82	280,34	1,48
		Mineral resources and mining	41,46	41,46	
		Construction	0,03	0,03	
	Trade and Tourism		66,47	62,48	3,99
		Trade	56,19	52,20	3,99
		Tourism	10,28	10,28	
MULTISECTOR/CROSSCUTTING			813,03	728,40	84,64
	General environmental protection		88,37	77,58	10,79
	Women in development		3,93	3,93	
	Other multisector		720,73	646,88	73,85
COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE			1.068,07	1.045,99	22,08

	Structural adjustment assistance with World Bank/IMF		4,52	4,52	
	Development food aid/food security assistance		328,19	328,19	
	Other general program and commodity assistance		735,36	713,28	22,08
ACTION RELATING TO DEBT			126,57	126,57	
	Action relating to debt		126,57	126,57	
EMERGENCY ASSISTANCE			580,56	120,38	460,17
	Emergency food aid		66,61	66,61	
	Other emergency and distress relief		513,95	53,77	460,17
OTHER/UNALLOCATED/UNSPECIFIED			555,68	269,64	286,04
	Administrative costs of donors		531,38	249,96	281,43
	Support to non-governmental organisations		1,40	1,40	
	Unallocated/unspecified		22,89	18,28	4,62
GRAND TOTAL			6.926,19	5.882,78	1.043,42

Breakdown by sector of Official Development Assistance (ODA) financed on the General Commission Budget and the European Development Fund (EDF) in 2004. Payment in € Million.

Detailed description of ODA by sector following the DAC nomenclature of purpose codes.

Fig.7.12. EuropeAid in 2004: A closer look. Sectoral breakdown by region

Sector of Destination	NIS	Western Balkans	Meda	Asia	Latin America	ACP	LDC Unspec.	Total
SOCIAL INFRASTRUCTURE AND SERVICES	284,42	474,25	547,62	345,47	192,33	1.128,57	207,74	3.180,40
Education	29,25	31,60	83,58	74,60	32,50	84,24	0,40	336,17
Education, level unspecified					17,50	25,19		42,69
Basic education		3,00	32,00	33,40			0,40	80,40
Secondary education	1,25	11,70	30,00		5,00	21,50		69,45
Post-secondary education	28,00	16,90	21,58	41,20	10,00	25,95		143,63
Health	18,50	23,40	10,00	57,20	28,00	101,85	51,38	290,33
Health, general	13,50	7,80		0,50		28,10		49,90
Basic health	5,00	15,60	10,00	56,70	28,00	73,75	51,38	240,43
Population polices/programs and reproductive health				2,37		163,24	22,46	188,08
Water supply and sanitation		21,53	61,79	35,00	22,50	191,69		332,51
Government and civil society	155,25	265,93	185,69	110,89	107,03	494,50	103,00	1.422,29
Other Social Infrastructure	81,41	131,79	206,56	65,40	2,30	93,05	30,50	611,01
Employment	5,50	10,00				14,00		29,50
Housing								
Other social services	75,91	121,79	206,56	65,40	2,30	79,05	30,50	581,51
ECONOMIC INFRASTRUCTURE AND SERVICES	148,60	102,59	96,22	49,09	19,61	511,61	1,50	929,21
Transport and storage	14,00	26,00	51,99	48,15	18,84	447,30		606,27
Communications	1,60	1,55	4,00	0,20		21,00	1,50	29,85
Energy generation and supply	117,50	52,00	18,00			0,32		187,82
Banking and financial services		5,77	21,00			15,00		41,77
Business and other services	15,50	17,27	1,23	0,74	0,77	27,99		63,50
PRODUCTION SECTORS	2,25	14,52	28,00	71,98	54,00	226,81	26,30	423,86
Agriculture, Forestry and Fishing	1,00	5,77		49,48	13,00	123,27	26,30	218,82
Agriculture	1,00	5,77		31,50		111,05		172,03
Forestry				17,98	6,00	9,00	3,60	36,58
Fishing					7,00	3,21		10,21
Industry, Mining and Construction			28,00	11,00	3,00	66,45		108,45
Industry			28,00	11,00	3,00	33,95		75,95
Mineral resources and mining						32,50		32,50
Construction								
Trade and Tourism	1,25	8,75		11,50	38,00	37,09		96,59
Trade	1,25	8,75		11,50	38,00	37,09		96,59
Tourism								
MULTISECTOR/CROSSCUTTING	67,16	48,18	260,96	119,13	40,54	186,21	240,76	962,93
General environmental protection	37,30	13,20	24,00	46,93		9,09	49,49	180,00
Women in development			5,00		6,00		2,90	13,90
Other multisector	29,86	34,98	231,96	72,20	34,54	177,12	188,37	769,03
COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE	11,66		88,14	84,06	29,37	573,36	22,10	808,70
Structural adjustment assistance with World Bank/IMF								
Development food aid/food security assistance	11,66		18,14	64,06	29,37	98,82	22,10	244,16
Other general program and commodity assistance			70,00	20,00		474,54		564,54
ACTION RELATING TO DEBT						4,52		4,52
Action relating to debt						4,52		4,52
EMERGENCY ASSISTANCE	1,00			3,00		83,14	118,69	205,83
Emergency food aid	1,00			3,00		29,80	118,69	152,49
Other emergency and distress relief						53,34		53,34
OTHER/UNALLOCATED/UNSPECIFIED	37,61	26,54	11,71	19,47	12,04	8,94	116,67	232,98
Administrative costs of donors	37,61	26,54	11,71	19,47	12,04	7,34	95,37	210,08
Support to non-governmental organisations							1,30	1,30
Unallocated/unspecified						1,60	20,00	21,60
GRAND TOTAL	552,70	666,08	1.032,66	692,20	347,89	2.723,15	733,75	6.748,43

Breakdown by sector and Region of external aid financed on the General Commission Budget managed by EuropeAid and the European Development Fund (EDF). Commitment in € Million.
Bilateral and Multilateral ODA/OA, increase by Administrative expenditures (only EuropeAid)

Graph shows the main DAC sector concentration by EuropeAid regions.

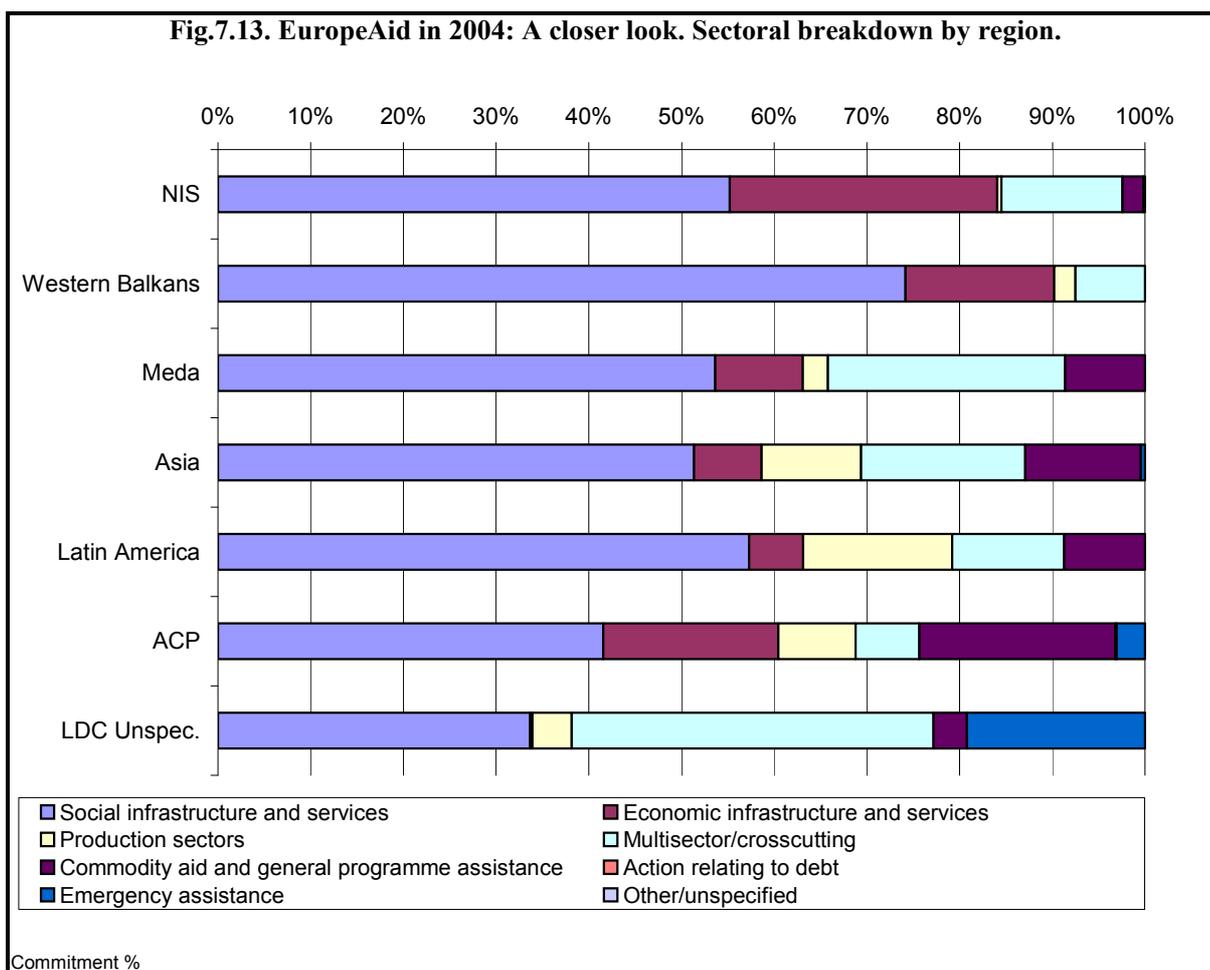
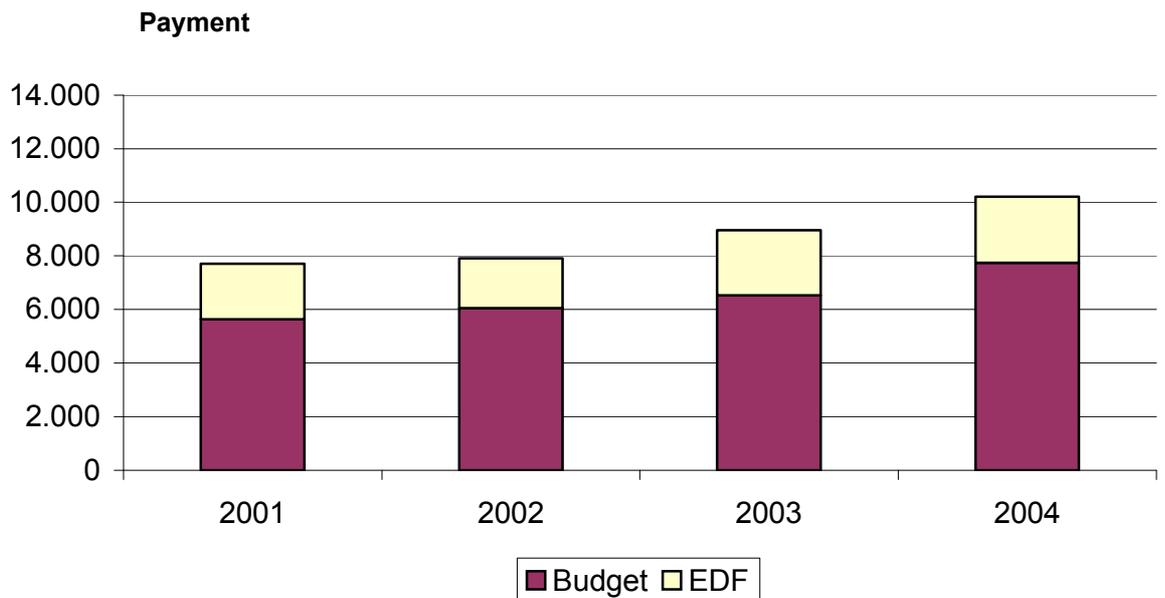
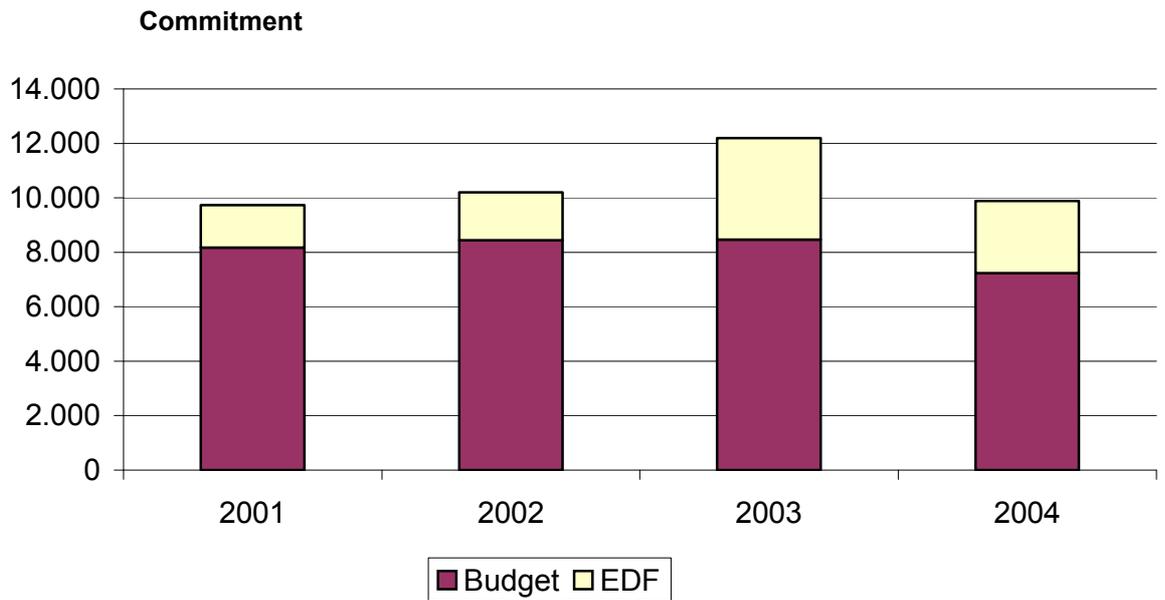


Fig.7.14. 2001-2004 External Assistance.



External aid financed on the General Commission Budget and the European Development Fund (EDF). Amount in € Million.

Source : Annual Report 2001, 2002, 2003 and 2004 (Breakdown by budget line of external aid financed on the General Commission Budget + Breakdown by instrument of development assistance financed on the European Development Fund (EDF))

Fig.7.15. 2001-2004 Development aid managed by EuropeAid.

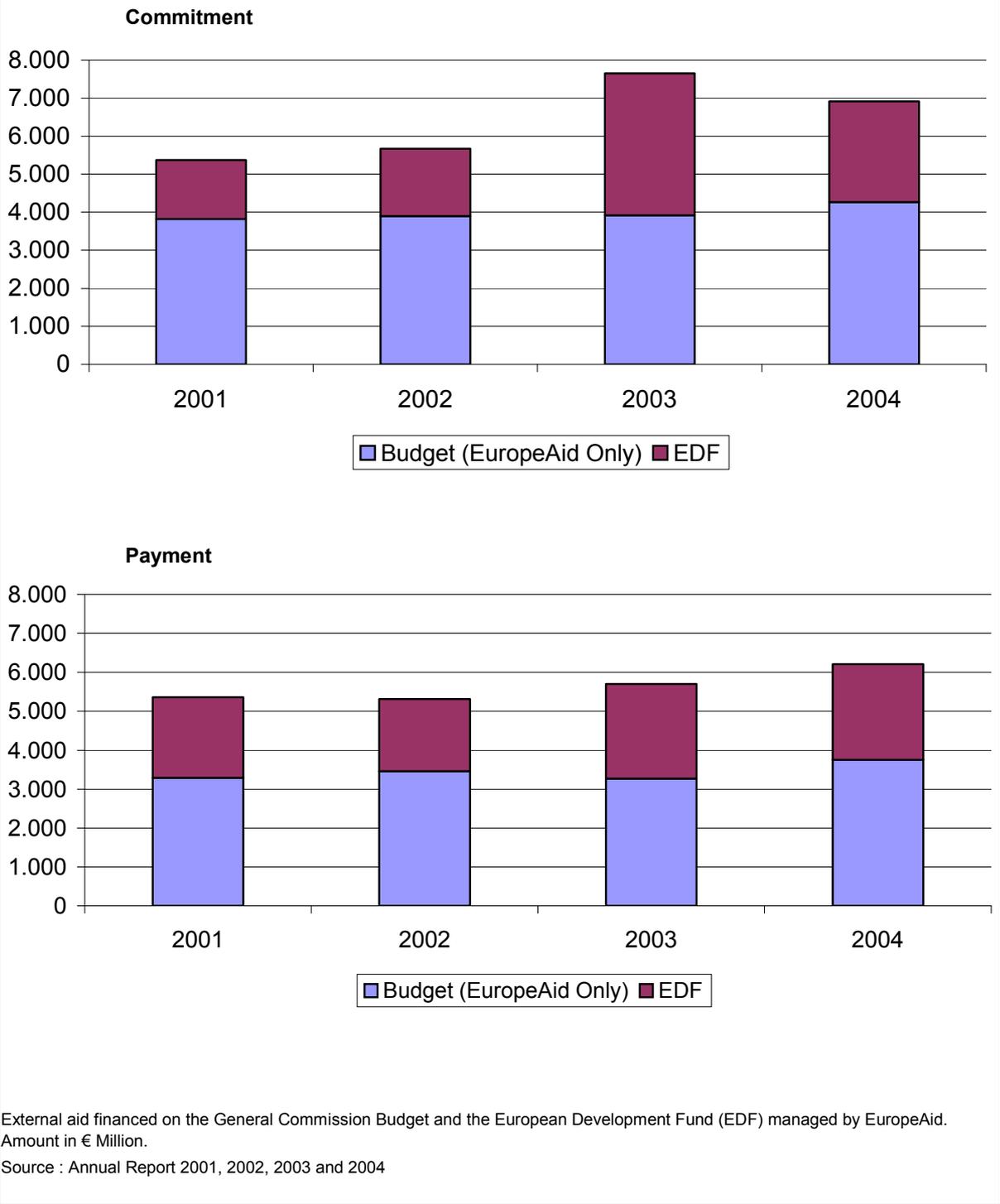
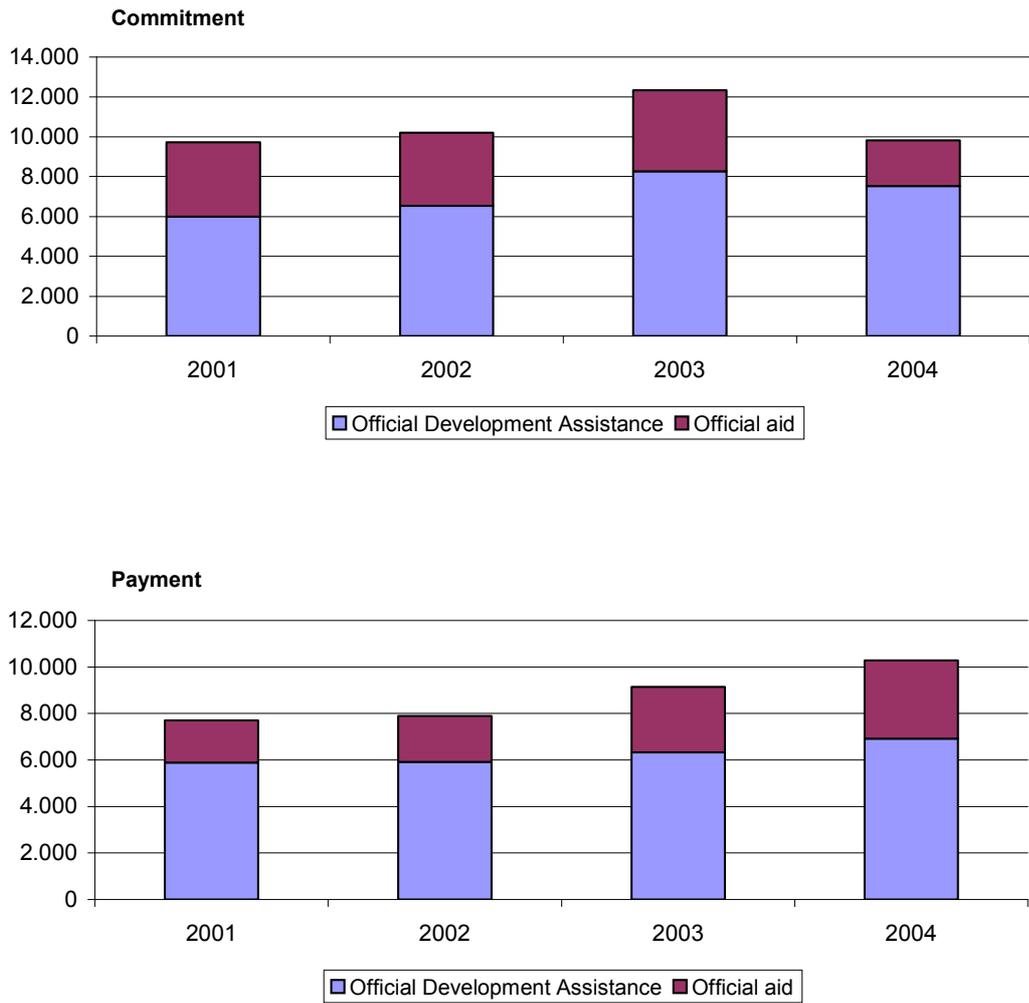


Fig.7.16. 2001-2004 Official Development Assistance (ODA) and Official Aid (OA) by the EC.

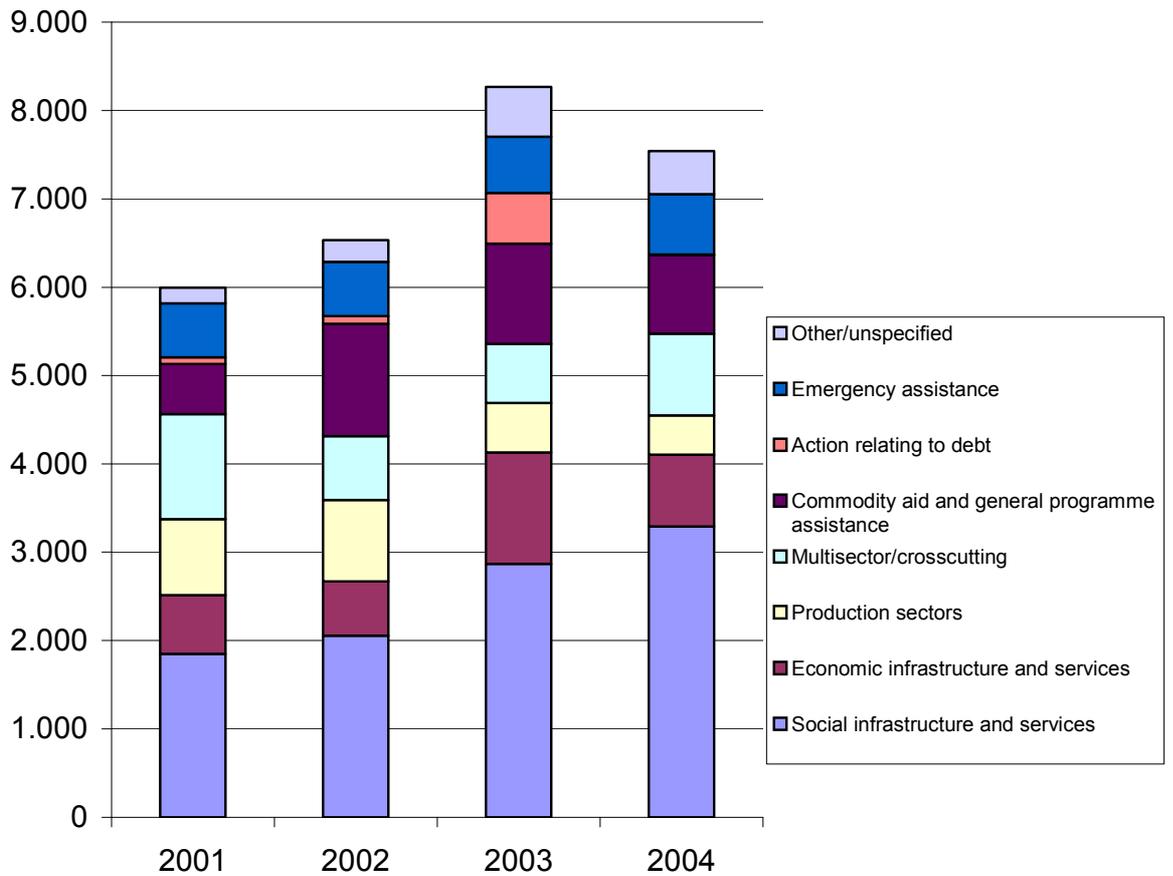


External aid financed on the General Commission Budget and the European Development Fund (EDF). Amount in € Million.

Source : Annual Report 2001, 2002, 2003 and 2004

Showing the progressive concentration of EC aid in the social infrastructure sectors.

Fig.7.17. 2001-2004 Sectoral breakdown of Official Development Assistance (ODA).



Commitment in € Million.

Progressive concentration of EC ODA (Net Payments) in Least Developed Countries (LDCs) and Other Low Income Countries (OLIC).

ⁱ National Indicative Programmes and Country Strategy Papers are available on http://europa.eu.int/comm/external_relations/index.htm