



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 12.09.2002
COM(2002) 490 final

**ANNUAL REPORT 2001 FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT
ON THE EC DEVELOPMENT POLICY AND THE IMPLEMENTATION OF THE
EXTERNAL ASSISTANCE**

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FOREWORD

2001 was a year of fundamental reform for the management of EC external assistance with the aim of improving the speed, quality, impact and visibility of projects and programmes throughout the world.

On 1 January 2001, the EuropeAid Co-operation Office was created bringing together in a single organisation responsibility for managing the whole life-cycle of projects from identification to evaluation, while responsibility for programming was consolidated within DG Development and DG Relex. A new Inter-service Quality Support Group was set up to contribute to improvements in programming and the Commission presented 112 new Country Strategy Papers, establishing coherent multi-annual frameworks for defining relations with third countries.

Inevitably for a reform of this scale, the full effects will take time. However, there are already some positive results, for example in terms of improved budget execution. The recent meeting of the OECD Development Assistance Committee (DAC) has recognised these efforts: “The European Community has substantially improved its development policies and strategies since the last review in 1998...” This statement is part of the summing up of the DAC findings. It encourages the Commission to follow up the pace of reform.

With respect to development policy, the EC made significant progress in strengthening the poverty focus of its programmes, taking concrete measures to support the achievement of the Millennium Development Goals. This included the adoption of an ambitious action programme for EC development policy. Within this agenda, the Commission also adopted a far-reaching Plan of Action on fighting poverty-related diseases in the developing world.

Coherence between development policy and other policies was also strengthened. The European Council in Gothenburg agreed on a strategy to integrate environment and sustainable development into EC development policy. And the launch of a new trade round at Doha emphasised the links between trade and development.

The 2001 Annual Report responds to requests from both the Council and the European Parliament that it should be comprehensive, based on solid data and results-oriented. It represents a positive step in this direction that will be further developed in the future.

This Report provides information on programmes implemented and assesses achievements on the ground : from promotion of Human Rights in the Balkans to water management in Asia ; from health in Africa to training and education in Latin America; from rapid mobilisation in Afghanistan to institution building in Russia.

As a new element this Annual Report contains a feature article. The Commission, as most other donors, is moving increasingly towards a more result oriented development assistance. The Feature describes work in progress, and presents “where we are” with developing effective and reliable ways of measuring the impact of our external assistance.

We still face huge challenges. But the objectives are clear – improving the performance of EC assistance and contributing to security and prosperity for all.

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INTRODUCTION

This report summarises the first year of EuropeAid Co-operation Office's implementation of EC external assistance activities¹. Its coverage is broad, from overall progress towards the Millennium Development Goals to individual examples of how EC money has been spent and what it has achieved. The EU is the largest donor of external assistance in the world, and EC spending makes up roughly 10 % of world ODA. This report accounts for the € 9.7 billion committed and € 7.7 billion paid by the EC in 2001.

Vital to the success of these activities is the reform of the management of external assistance. This report itself is a key output of the reform – bringing greater transparency and accountability to EC policy and actions in this area. By providing a consolidated account of all geographical and horizontal programmes, this report replaces a number of programme-specific reports that have been published in the past.

Progress made in priority areas for reform – improving programming, reunifying the project cycle under one roof and increasing responsibility for delegations on the ground – is detailed in Chapter 1. The reform process, launched in May 2000, still has a way to go in achieving its objectives, but improvements are already evident. For example, for the first time since 1990, there was a reduction in the level of outstanding commitments waiting to be paid.

This first section also underlines the importance of coherence, co-ordination and complementarity across EC policies designed to promote development, poverty reduction and integration into the world economy. The challenge of coherence is to find the right mix of policies for each region and country using development assistance, humanitarian assistance, the Common Foreign and Security Policy, trade-related technical assistance, Human Rights, environment and so on. Improved programming tools are designed to ensure a coherent overall framework. Co-ordination with other donors and ensuring complementarity of policies and activities are also essential to effective external assistance. The report describes the steps the EC has taken in this area with Member States, with the UN, with the Bretton Woods institutions and with other donors.

The Millennium Development Goals, agreed by the international community in September 2000, provide a common framework for focusing and measuring development progress. Chapter 2 of this report outlines global achievements towards these goals, and places EC external assistance activities in the context of this framework. It focuses on EC priority areas such as health and education and on activities designed to ensure that common themes like Human Rights and the environment are duly incorporated into projects and programmes across the board.

The instruments designed to ensure that horizontal policy priorities such as food security and the fight against drugs, as well as those mentioned above, are translated into activities in these areas, are set out in chapter 3. Details are given on individual projects carried out in 2001, as well as budget allocations and prioritisation by region.

¹ Assistance to candidate countries is not covered by this report. For details of the Phare, Ispa and Sapard programmes, please see their annual reports, which are published under the following addresses:
<http://www.europa.eu.int/comm/enlargement/pas/phare/publist.htm>
http://www.inforegio.cec.eu.int/wbpro/ispa/ispa_en.htm
<http://www.europa.eu.int/comm/enlargement/pas/sapard.htm>
For humanitarian Aid see ECHO's annual report on:
<http://europa.eu.int/comm/echo/en/publicat/publications.htm>

EC regional programmes are covered in Chapter 4. Activities in the Balkans, Eastern Europe and Central Asia, the Mediterranean, African, Caribbean and Pacific countries, Asia and Latin America are presented under common thematic headings reflecting development priorities in EC spending. This means that comparison can be made easily between regions on for example rural development or transport. ECHO's activities as well as EIB loans can also be found in this Chapter.

Chapter 5 discusses a results-oriented approach to development. Based upon Country Strategy Papers and indicators, it explores criteria for monitoring country performance. A pilot exercise on a results-oriented monitoring system of development projects is also described.

A full set of financial tables makes up Chapter 6. These include a breakdown of figures into the categories defined by the OECD's Development Assistance Committee.

Finally, the annexes give a detailed account of activities related to the reform of the management of EC external assistance. It sets out progress in harmonising financial procedures, both internally and with other institutions. It also gives details activities in 2001 in clearing the backlog of payments, audit activities, the activities of EuropeAid's Innovation Unit, relations with other organisations and transparency and visibility.

The Commission is committed to seeing through the reform, allowing it to take root and ensuring that it meets its objectives. This report marks out the steps made in 2001 towards this end.

1. THE EXTERNAL ASSISTANCE MANAGEMENT REFORM, A YEAR OF CHALLENGES

This chapter highlights progress during 2001 with the reform of the management of EC external assistance, launched in May 2000. The management reform process is a natural point of departure for the annual report, since it affects all aspects of the EC's external assistance, which are described in more detail in the following chapters. The reform of the EC's development policy, launched in November 2000 and taking place in parallel with the management reform, is covered in chapter 2.

1.1. The Reform process

When the present Commission took up office in September 1999, it was confronted with an alarming situation regarding the implementation of aid to third countries. The relevance and quality of Community programmes were the subject of increasingly explicit criticism, and the Commission's image and credibility were suffering a serious decline in the eyes of the beneficiary states, the Member States and its partners among the multilateral institutions.

On 16 May 2000, the Commission launched a programme of reform of the management of external assistance², the principal objectives of which are to:

- Improve the quality of projects and programmes;
- Reduce the time needed for implementation;
- Ensure that procedures for financial, technical and contractual management conform to the highest international standards; and
- Increase the impact and visibility of the European Union's (EU's) external assistance.

The reform process has been accompanied by the search for **an improved match between political priorities and budgetary allocations**. At the informal Evian General Affairs Council, 2-3 September 2000, and the General Affairs Council (GAC) meeting on 9 October 2000, EU Foreign Ministers underlined that the coherence of the EU's external actions should be reinforced. They also stressed in the General Affairs Council of January 2001 that the objectives of EC actions should be translated into concrete commitments, and that the synergy between EC actions and those of Member States should be improved in order to make the EU's external actions more effective.

A number of key instruments have been identified to achieve the objectives of reform. New planning and programming tools for the EC's development co-operation, in particular country strategy papers, have been drawn up and approved during 2001. These are the main strategic management instrument for EC aid (see section 1.2. of this chapter). Management of evaluations has been improved. Among other things, impartiality has been reinforced and lessons from evaluations will be

² SEC(2000)814 of 16 May 2000 – Communication from the 'Relex' Commissioners: Mr Patten (External Relations), Mr Nielson (Development), Mr Verheugen (Enlargement), Mr Lamy (Trade) and Mr Solbes Mira (Economic & Monetary Affairs)

fed systematically into the decision-making process, as well as into the design and implementation of projects and programmes (Section 1.3.). Linked to improved evaluations is the development of a results oriented monitoring system for projects and programmes (section 1.4.). This is a first step, but a very important part of the reform. The Commission has also embarked on devolution of project and programme management to the Commission Delegations (section 1.5.). 18 of the 21 delegations selected for the first phase are now deconcentrated. Preparation for the second wave (26 delegations) is well advanced, and most of these should be operating in a deconcentrated way early in the second semester of 2002. Finally, Section 1.6 explains how the Commission has taken on the challenge of improving coherence, coordination, and complementarity, the '3Cs'. These issues are very much linked to the country strategy paper process.

1.2. Improving Programming

1.2.1. Country/Regional Strategy Papers

Programming follows priorities set in Country/Regional Strategy Papers (CSP/RSP) which set out a 'strategic framework' for the EC's co-operation priorities in a given country or region³. This is the first time that the Commission has set up a coherent framework for its relations with third countries covering both development assistance and other essential relevant Community policies (the 'policy mix').

In 2001, the Commission began the process of establishing Country and Regional Strategy Papers for partners in all regions covered by the different regulations: for ACP (Africa, Caribbean and Pacific), ALA (Asia and Latin America), CARDS (for the Balkans), MEDA (for Mediterranean), TACIS (for Eastern Europe and Central Asia). These strategies have been developed in collaboration with national governments, Member States, other bilateral multilateral donors and, wherever possible, with representatives of civil society⁴. Over 110 country and regional strategies are either completed or well advanced in the preparation process. It is estimated that all will be finalised before the end of 2002, and published on the websites:http://europa.eu.int/comm/external_relations/sp/index.htm and http://europa.eu.int/comm/development/strat_papers/index_fr.htm

1.2.2. The iQSG

As part of the reform process, an inter-service Quality Support Group (iQSG) was established in January 2001. Its main task has been to assess draft Country and Regional Strategy Papers and Indicative Programmes to ensure a consistently high quality. In order to achieve maximum impact, the iQSG intervenes at a relatively early stage in the programming process. It has so far screened over 110 programming documents. The iQSG has also drafted Guidelines on the implementation of the Common Framework for Country Strategy Papers and organised four training seminars on programming. Finally, the iQSG has established a website on the Commission's intranet to improve the internal communication between all those involved in the programming process.

³ SEC(2000)814, SEC(2000)1049 of 15 June 2000, and Conclusions of 10 November 2000 Development Council <http://www.consilium.eu.int/Newsroom/newmain.asp?lang=1>

⁴ Consultation of Civil Society is an obligation under article 2 of the Cotonou Agreement.

The main yardstick for iQSG assessment has been the Common Framework for Country Strategy Papers adopted by the Council. In addition to commenting on format, style, presentation and general readability, the iQSG has endeavoured to focus on certain core aspects:

- The quality of the assessment of the potential for development, the needs and the constraints thwarting the development process;
- The coherence between the analysis and the proposed Community response strategy, checking whether EC interventions correspond to key medium term development challenges;
- The poverty focus of the proposed strategy as well as coherence with other EC policy objectives;
- The focus / degree of concentration; The degree of complementarity between EC support and that of other donors, in particular EU Member States;
- The conditions under which support is granted;
- The definition of indicators designed to monitor country performance towards economic growth and poverty reduction;
- The extent to which all external assistance provided by the Community to the country concerned is covered (coherence between country allocation and horizontal budget lines);
- The consideration given to coherence between development policy and other EC policies relevant for the partner country / region ('policy mix').

Based on the findings of the iQSG, the Commission considers that a qualitative leap in EC programming of external assistance has been achieved. The iQSG found that, overall, the documents it considered answered most of the requirements set out in the CSP Framework. Main weaknesses were highlighted to those involved in drafting the papers, so that they could make necessary changes.

There is still room for further improvement in programming . With this in mind, the Commission will undertake an analysis of the CSP process and will present its findings in a report to the Development Council in November 2002. This report will also cover proposals for further improvements in the programming process in advance of the next review of Country Strategy Papers.

1.2.3. Reunification of the Project Cycle and Creation of the EuropeAid Co-operation Office

On 1st January 2001, the geographic Directorates-General (DG External Relations and DG Development) took charge of programming and strategy, whilst the new EuropeAid Co-operation Office (EuropeAid) took on responsibility for the remainder of the project cycle (from identification of projects to ex-post evaluation). This reorganisation has led to a corresponding transfer of staff and responsibilities. An Inter-service Agreement was signed in June 2001, which clarifies the roles and responsibilities of the three Directorates General most closely involved in the management of external assistance.

1.2.4. Improving Financial Management and Performance

The first effects of the management reform process, in terms of procedures and financial management and performance, became visible during 2001. These included:

- An improvement in the overall budget execution performance, including an increase of 20% in payments compared to 2000.
- The profile of budgetary commitments showed a more even distribution across the financial year (52 % of budget executed during the last quarter compared to an average of 68 % over the period 1998 – 2000)
- For the first time since 1990, there was a reduction in the level of outstanding commitments remaining to be paid (RAL). This reduction was 3 %. The number of years of payments necessary to clear up the RAL decreased from 4.12 years at the end of 2000 to 3.66 years at the end of 2001.
- A reduction in the number of individual budget-lines (14 %), compared to 2000;
- The implementation of new, simplified contracting procedures (which reduced in number from 46 to 8) has been speeded-up through the production of a practical guide; and
- The functions of 48 Technical Assistance Offices dismantled during 2001 were internalised.

1.3. Evaluation

As part of the reform , evaluation of external assistance is being strengthened and better integrated into decision-making . The impartiality of the evaluation function has also been assured, as requested by the OECD/DAC. A clear separation is maintained between the evaluation service, which produces thematic, sectoral and ‘geographical’ (countries and regions) evaluations, and the operational and policy services responsible for considering them and taking appropriate action responding to the findings and recommendations.

1.3.1. The 2001 Evaluation Programme

The Evaluation Unit’s work programme for 2001 was adopted by the EuropeAid Co-operation Office Board at its first meeting in February 2001. In addition to the usual policy-level analysis of major sectors, crosscutting themes, instruments and country programmes, the programming process itself and the “policy mix” were included. By year’s end, 17 evaluations had been completed and 8 were ongoing. The 2001 programme grouped the evaluations around four themes. A full description may be found in Chapter 7 -Annexe - section 7.3.).

1.4. Results-oriented Monitoring

Both country-level indicators and monitoring of project results contribute to the assessment of performance of EC development co-operation.

Their roles are complementary and lessons from each should inform policy-making at all levels. More detailed information on the two approaches can be found in chapter 5.

The Commission is in the process of moving increasingly towards results-oriented development assistance and an important step is also the set-up and first test of a system to **monitor regularly the results projects achieve**, *i.e.* their outcomes and possible **impacts on the beneficiaries**.

During 2000, the Commission conceived an improved results-oriented monitoring system for the ALA/MED/ACP and Balkan regions, which is rooted in the Commission's Project Cycle Management system. This system was tested and improved during 2001.

The main objective is to gather results-oriented information on projects in the field and to report on progress. The system provides an **overview on project progress towards results** for both Delegations and the Office. It is not primarily aimed at project authorities, whose day-to-day management requires more detailed information, although it should of course be of use to them as well as to partner Ministries and Governments.

The system involves short field visits to projects by experienced **external** experts, who complete semi-standard score-sheets estimating the **efficiency, effectiveness, impact, relevance and likely sustainability** of projects and programmes. In order to ensure consistency in the system, each of the five criteria is thoroughly defined in conformity with existing methodology and then broken down into its components, which the monitor has to consider carefully before giving a rating. The external monitoring experts have varying sectoral and geographic knowledge and experience. They work in appropriate small teams; their work is based on the analysis of documents and interviews with representatives from all stakeholders for a given project, including final beneficiaries. Key data such as the project budget are noted, but no audit or in-depth financial monitoring is done. The reports, opinions of Task Managers and basic project documents, are recorded in the central database, which will be a key management and information tool.

Ongoing projects (at least six months of implementation and of another six months duration) of a certain minimum size (approx. € 1 million) are monitored. By the end of 2001, about 500 projects with a total value of € 4.7 billion had been monitored in Latin America, Asia, Africa, the Caribbean, the Pacific, in the MED – Region and the Balkans.

First insights on project performance from the conception and test-phase are detailed in chapter 5.

1.5. Deconcentration of Project Management to Delegations

The deconcentration of the management of external aid to the Delegations of the Commission is a key element of the reform of the management of the external assistance. The principle is that what can better be managed and decided on the spot, in the country concerned, should be done there, and not in Brussels.

The Commission has set itself an extremely tight timetable. The objective is to extend deconcentration to all the Delegations before the end of 2003, in three successive waves: 21 Delegations to be covered in 2001, 26 more in 2002 and the remaining 31 ACP Delegations in 2003.

1.5.1. Progress achieved in 2001

The ambitious objective for 2001 – to carry out deconcentration in 21 Delegations⁵ - covered all the geographical areas and therefore programmes of a very varied nature. Meeting this objective required the Commission services to carry out work in parallel on developing the concept, on technical preparations and on logistical planning. This complex exercise had to be launched at a time when other elements of the reform process were being put in place both inside the Relex services (creation of EuropeAid Co-operation Office, integration of project cycle etc), and at the broader Commission level (financial and administrative reform). In addition the financial resources that could be mobilised for this first wave of deconcentration were fairly modest, particularly concerning the number of new official posts (limited to 40). This situation will improve in 2002: 114 posts will be available to launch the second wave and strengthen the first wave where necessary.

1.5.2. Preparing for Deconcentration

During the first quarter of 2001, a harmonised concept of deconcentration was defined, covering all the geographical programmes. This was based on the following principles:

- in time, deconcentration will concern all programmes;
- deconcentration will concern all the phases of the project cycle;

⁵

The 21 “first wave” Delegations are :

Europe : Croatia, Russia

Mediterranean : Egypt, Morocco, Tunisia, Turkey

Asia : Indonesia, Thailand, India, China

Latin America : Nicaragua, Bolivia, Argentina, Mexico, Brazil

Africa/ACP : South Africa, Senegal, Ivory Coast, Kenya, Mali, Dominican Republic

- deconcentration requires the provision of substantial additional resources (human and material);
- the role of Headquarters will evolve towards a role of co-ordination, quality supervision, management control, technical support and improvement of working practices.

At a practical level, deconcentration involves the following changes for the Delegations:

- a more active contribution to programming, although final responsibility will remain with DGs External Relations or Development according to the geographical area;
- direct responsibility for identification and instruction work, with methodological and technical support by the EuropeAid Co-operation Office, who will also be responsible for final quality control on financing proposals and for taking these through the decision process (management committee procedures, etc);
- direct responsibility for contractual and financial implementation conditioned by the strict respect of procedures, and requiring secure access to the systems of financial and accounting management at Headquarters;
- direct responsibility for technical implementation requiring technical expertise on the spot and the possibility to call on more specialised advice from headquarters.

Between April and December 2001, the practical preparation process included testing of secured computer connections, adapting information system for deconcentrated management, developing or updating manuals of procedure, developing guidelines on financial circuits, putting in place a specific training programme, and securing financing for the deconcentration of the 21 first phase Delegations.

1.5.3. Deconcentration towards the 21 First Wave Delegations

The task of preparing the 21 Delegations themselves for deconcentration started early 2001. By July 2001, all Heads of Delegation had gone through a hearing with Relex Director Generals in order to agree the additional resources needed and to define an action plan for their mobilisation. The consolidated outcome of this process - and the challenge it constituted for Commission Services - can best be summarised as follows:

- 307 additional staff (officials and other agents) had to be selected, recruited and trained before their posting in the 21 Delegations;
- 18 out of the 21 Delegations had either to move office or to rent additional office space
- secured computer connections had to be installed in 19 out of the 21 Delegations, in order to allow them the access to Commission accounting and management information system.

Progress made by end of 2001 was quite satisfactory. The majority of the 21 Delegations were ready to start operating in a deconcentrated way from January 2002, in time for the new financial year.

1.5.4. Preparation of the Second Wave

The list of 26 Delegations⁶ to be deconcentrated in 2002 was agreed in September 2001. Afghanistan was added to the list later, for a fast track deconcentration as soon as local conditions permit.

Preparatory work started immediately thereafter. The experience gained with the first wave will be put to good use. This expectation is that, for the first set of second wave candidates, deconcentration will become effective in September 2002 (this assumes that problems with office space constraints can be resolved).

1.6. Coherence, Co-ordination and Complementarity

1.6.1. Improving Policy Coherence

Ensuring coherence between the objectives of the EC's development policy and its policies and objectives in other areas is an operational priority as well as a legal obligation for the Commission.

The European Community has bilateral association and co-operation agreements with most countries in Africa, Asia, Latin America as well as in the Mediterranean and the Western Balkans, the majority of which are developing countries. The EC has established a range of policies to promote development, poverty reduction, and integration into the world economy. The way this is done differs from country to country and region to region. The specific objectives and areas of interaction with the EU depend on a number of factors related to the country concerned; national income, poverty incidence, political developments, trade structures, geographical proximity to the European Union etc.

The challenge for the EU is to provide the right mix of policies for each region and country. The broad range of policies that the EU has at its disposal gives it a unique opportunity to apply an effective and efficient mix of co-operation instruments, including development assistance, fishery agreements, trade instruments, political dialogue, foreign policy instruments. The use of these various instruments is to be made more coherent through the Country Strategy Paper Process. All EC services are consulted in the drafting a Country Strategy Paper, in addition to consultations with the partner country itself. CSPs are required to include a section identifying the different EU policies affecting the partner country and analysing the appropriate policy mix.

⁶

The 26 "second wave" Delegations are :

Europe : Albania, Georgia, Kazakhstan, Ukraine.

Mediterranean : Algeria, West Bank /Gaza Strip, Jordan, Lebanon, Syria.

Asia : Bangladesh, Philippines, Pakistan, Vietnam.

Latin America : Colombia, Peru, Uruguay, Chile, Venezuela

Africa/ACP : Burkina Faso, Benin, Cameroon, Ethiopia, Madagascar, Niger, Republic of Guinea, Tanzania

The section below highlights two concrete examples of how coherence has been addressed in practice, in the areas of fisheries and food aid/food security. The following chapter (Chapter 2) provides other examples.

1.6.1.1. Fisheries

In its Communication on Fisheries and Poverty Reduction⁷ and in supporting the process of formulating the conclusions of both Council and Parliament, the Commission devoted a lot of attention to the issues of coherence and complementarity in the fisheries area. The key objectives of this effort were:

- to improve consistency and coherence between the Community Development Policy and other common policies affecting the fisheries sectors.
- to encourage dovetailing of operations supported by the EC and those conducted by the Member States, through a common vision of the issues at stake and the strategies to address them.

This work, carried out with close collaboration between the responsible Commission services for fisheries and development, has led to a reduction in incoherence between the EC Development Policy on the one hand, and the Common Fisheries Policy (CFP) on the other. Key drivers for this development have been:

- the EC's Development Policy, which has led increasingly to the incorporation of fisheries sector concerns into country and regional strategy papers;
- the Common Fisheries Policy, which will be increasingly directed towards sustainable development, both domestically and in terms of the Community's international relations in the Fisheries sector.

1.6.1.2. Food Aid/Food Security

In September 2001, the Commission issued a Communication on the Evaluation and Future Orientation of Council Regulation (EC) No. 1292/96 on Food Aid Policy and Food Aid Management and Special Operations in Support of Food Security.⁸ Through this Communication, the Commission has made considerable progress on coherence.

The Communication has ensured greater internal coherence in the use of food aid in relation to humanitarian aid and to the Common Agricultural Policy:

- Food aid in-kind provided under the Food Aid/Food Security Regulation and channelled mainly through direct governmental programmes, EuronAid/NGOs and WFP will be mobilised (i) in complementarity with ECHO, to provide relief in cases of major and protracted crisis, (ii) as a contribution to strategic reserves and safety nets, and (iii) linking relief, rehabilitation and development.
- Food aid in-kind has clearly been dissociated from agricultural surplus disposal and has become an instrument of development assistance.

⁷ Commission Communication on "Fisheries and Poverty Reduction" (COM(2000) 724 of 08.11.2000).
⁸ COM(2001) 473 dated 05/09/2001 modified on 12.09.2001 COM(2001) 473/2.

Regarding external coherence, the Commission services concerned made considerable progress, both in the context of the International Food Aid Convention and the WTO negotiation process, to move towards tighter rules and greater transparency in the provision of food aid to developing countries:

- Food aid should be provided as a grant. It should however be limited to emergency and humanitarian interventions, to linking relief, rehabilitation and development and as an element of safety net strategies for particularly vulnerable sections of the population;
- In order to respect consumption patterns and to avoid market distortion, food aid should only be provided at the request of the beneficiary countries specifying their particular needs; and
- Wherever possible, donors should give preference to local or regional purchases.

1.6.2. Coordination and Complementarity

Improved coordination and complementarity are essential elements in the process of making the EC's external assistance more effective. At the most basic level, co-ordination entails greater awareness of what others involved in a particular sector or country or region is doing; combined with efforts to work together more effectively. Coordination is critical to avoid overlap or inconsistencies between those seeking to achieve common goals. Complementarity begins with co-ordination, but it goes further: it implies each actor focusing its assistance where it can add most value, given what others are doing; maximising synergies.

The EC is firmly committed to both of these concepts. At the policy level, the common framework for the EC's and other agencies' interventions in the development sphere is provided by the Millennium Development Goals. In terms of implementation, the EC aims to integrate its own support at the country level within a wider framework wherever possible. The Poverty Reduction Strategy Paper (PRSP) process which the EC firmly supports (see Chapter 2), is designed specifically to promote coordination and complementarity amongst donors' efforts in low-income countries. The EC's new approach to programming, including the use of Country Strategy Papers and structured dialogue with recipients (e.g. the ACP), are key mechanisms to ensure greater coordination and complementarity. The EC's decision to focus its development interventions overall in six priority areas, with the choice of these in each country informed by what national priorities and what others are doing, is a further demonstration of commitment to these principles. Specific changes in the EC's policy approach and in individual sectors and regions are discussed in later chapters. This section highlights some examples of what has been achieved from the centre during 2001.

1.6.2.1. Between Member States and Commission

The Council and Commission guidelines for improved operational co-ordination between the EC and Member States covering all countries receiving external assistance from the Union were agreed during the 2001 Council orientation debate.⁹

⁹ General Affairs Council, 22-23 January 2001.

The improvements in the programming of EC aid, highlighted above, should help this process. In addition to consultations on country strategy papers, the sharing of sector guidelines between the Member States and the Commission has proved to be useful (the Commission is preparing sector guidelines for each of its 6 priority areas for intervention; guidelines on the transport priority have already been adopted).

These efforts are beginning to show results. The Commission regularly organises meetings with member States' Directors-General for Development. These meetings provide a forum to exchange views on best practice, common concerns, current difficulties and new approaches. In view of the major International Conferences in 2002 on Financing for Development (Monterrey) and on Sustainable Development (Johannesburg) a specific emphasis has been placed on co-ordination within international bodies. A similar effort has been made to promote stronger involvement by the Commission in the OECD/DAC.

The mandate given to the Commission by the Member States to prepare a report in preparation for the Monterrey Conference was a positive sign of the confidence that had been built up. At its meeting in November 2001, the Development Council asked the Commission to clarify a number of issues and explore, through a dialogue with Member States, potential initiatives to be implemented by them. The Council singled out, in particular, the issue of increasing the volume of aid, with a view to reaching the UN target of 0.7% of Gross National Income to be provided as official development assistance (ODA), including through the establishment of specific timetables. In addition to the volume of aid, particular mention was also made of the effectiveness of aid, including the untying of aid, global public goods and innovative sources of financing. The Commission's report was to be presented at the General Affairs Council in February 2002. It summarised possible positive initiatives that had emerged as a result of the discussions held by the Commission with Member States and addressed the issue of how the financial gap between the current level of ODA and the volume necessary to meet the Millennium Declaration Goals could be closed. This report, and the action taken by Member States, helped to ensure a positive EU contribution to the Financing for Development conference.

1.6.2.2. With Other Donors

The Commission has launched several initiatives with other donors in the framework of the joint EU-USA, EU-Canada, and EU-Japan Summits, with a particular regard for the Great Lakes Regions and Afghanistan. In addition, several high level meetings have been conducted in order to improve co-operation with Norway. The Commission is exploring pilot models for strengthening co-operation with other donors further. A first initiative has taken place whereby officials from Japan are hosted within the Commission. Harmonisation of donor procedures is a key element for the improvement of coordination, efficiency and recipient country ownership. In this regard, the Commission has launched exploratory exercises with the Member States and the DAC. A similar effort is being made in relation to the UN, through the renegotiations of the General Framework Agreement and the recasting of the financial regulation.

1.6.2.3. With the UN

In order to strengthen its co-ordination with the United Nations and to promote complementarity, the Commission has been conducting an extensive policy dialogue

and negotiations on the improvement of the EC/UN General Framework Agreement. This has been done through meetings with, amongst others, UNHCR, ILO, UNDP, UNICEF, UN-NADAF, FAO, WHO, WFP, IFAD and UNESCO. In 2001 the Commission adopted a Communication on "Building an Effective Partnership with the United Nations in the Fields of Development and Humanitarian Affairs".¹⁰ Its overall thrust (improvement of EC-UN co-operation) was endorsed by the Development Council of 31 May 2001. The new approach will lead to a strengthening of the EC's involvement in upstream policy dialogues and to a more effective, transparent, financially predictable and easier-to-monitor operational partnership with UN agencies, funds and programs. In the follow-up to this Communication, the Commission has conducted a wide analysis of the core mandate and capacities of the UN agencies, funds and programmes. On this basis, the Commission will propose, in dialogue with the Member States and where there is an added value within commonly agreed political objectives, to strengthen the co-operation with UN bodies through the establishment of a Strategic Partnership. Therefore, the division of labour among donors will be based on the selection criteria of core mandate and focus on comparative advantage added value and complementarity.

1.6.2.4. With the Bretton Woods Institutions

Intensive contacts took place with the IMF and the World Bank in the context of the PRSP process both at staff and management level. An EC PRSP team visited Washington in January - in a follow-up of the IMF/WB PRSP meetings in Brussels in September of the previous year. The mission deepened co-ordination on the PRSP process notably with an agreement for co-financing of PRSCs¹¹ in some pilot countries and for a reinforcement of co-operation on support to public finance management. Progress was also made towards a convergence of views on the importance of results-based conditionality. The plans with regard to public finance management led to the creation of the PEFA (Public Expenditure and Financial Accountability) programme, supported by the Bank, the EC and DFID, and financed partly through a € 1.9 million EC contribution to a trust fund. Co-financing of PRSCs on the other hand had not yet materialised by the end of the year. This was largely due to the fact that only 3 countries (of which 2 ACP countries) had received a PRSC, and that co-operation in the field at times fell short of expectations. In the meantime, the EC is getting involved in joint budget support with other donors, which is to some extent limiting future possibilities of PRSC cofinancing with the Bank. A number of high level contacts took place in 2001, including the visit by World Bank President James Wolfensohn to the Commission in November. The EC has become the biggest contributor to World Bank managed trust funds through its participation in the HIPC initiative. A multiplicity of contacts between the Bank and the Commission continued during the year, in particular in the context of sector coordination and special initiatives, such as the long-standing joint involvement in the Special Partnership for Africa (SPA).

¹⁰ Commission Communication on "Building an effective partnership with the United Nations in the fields of Development and Humanitarian Affairs" (COM(2001) 231 of 02.05.2001).

¹¹ Poverty Reduction Support Credit, the new World Bank programmatic lending instrument for PRSP countries.

2. PROGRESS TOWARDS THE DEVELOPMENT GOALS

The Millennium Declaration, which was agreed by 147 Heads of State and Government and 189 countries in total at the Millennium Summit in September 2000, was an historic agreement that is shaping international development co-operation efforts today, including those of the European Community. The Millennium Development Goal (MDG) is contained in the Declaration and developed in the UN 'road map' - for implementation of the Declaration - provide a common framework for focusing and measuring development progress. These goals, which grew out of the agreements and resolutions of UN conferences of the past decade, including the International Development Goals of the 1990s, have also been endorsed by most major multilateral organisations. They therefore have unprecedented legitimacy.

This chapter explains how the EC is working with others to achieve the MDGs, as well as the content of the specific objectives of the new EC development policy agreed in November 2000. A system for tracking progress towards the achievement of the MDGs has been agreed, although major efforts are still needed to improve statistical capacity in developing countries. Available data highlights uneven progress across regions and between the different goals (Section 2.1.). The primary aim of the EC's own development policy, agreed in November 2000, is the eradication of poverty (Section 2.2.). To help monitor its contribution towards the MDGs and other policy objectives, the EC is developing a system of indicators for monitoring country performance (Section 2.3.). It is also monitoring the allocation of resources from the EC development programme to Low Income Countries, and to priority sectors (Section 2.4.). To enhance its impact, the EC is targeting its assistance on six priority areas (Section 2.5.). In addition to these core areas, important crosscutting issues are being mainstreamed into development activities namely: Human Rights, gender equality, environment and conflict prevention (Section 2.6.).

2.1. The Millennium Development Goals

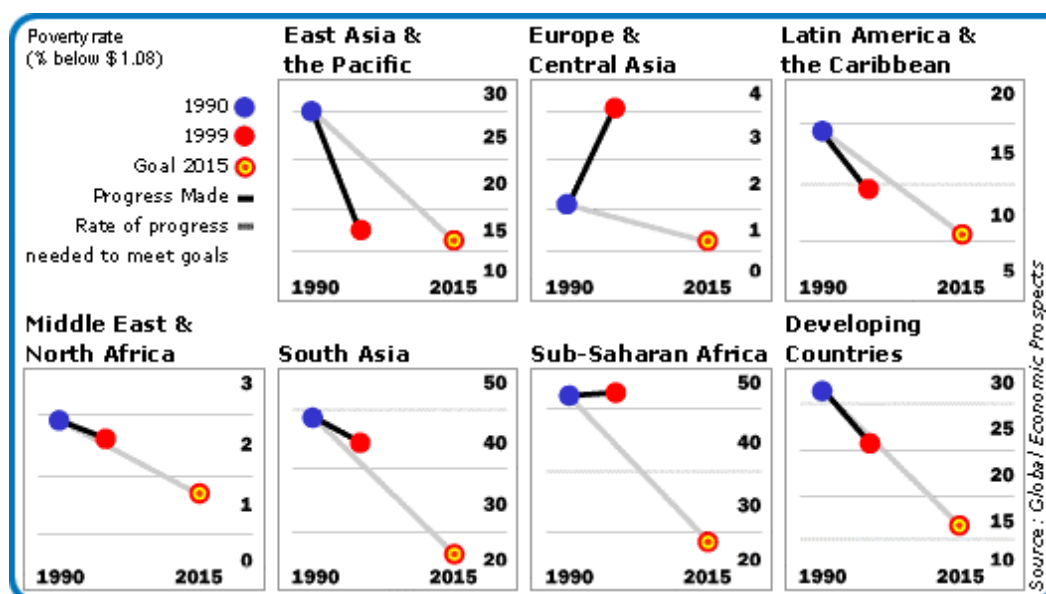
Statistical data on progress towards achieving the Millennium Development Goals¹² is scarce, although improving. At the global level, a number of organisations are tracking progress, in particular the UN, the World Bank and the OECD's Development Assistance Committee (DAC). The Commission, along with other donors, is supporting efforts to enhance statistical capacity in many developing countries and regions.

The data available shows that there is a long way to go before the international community achieves the Millennium Development Goals. Prospects vary by region, and by goal. Progress in sub-Saharan Africa lags behind the rest of the world.

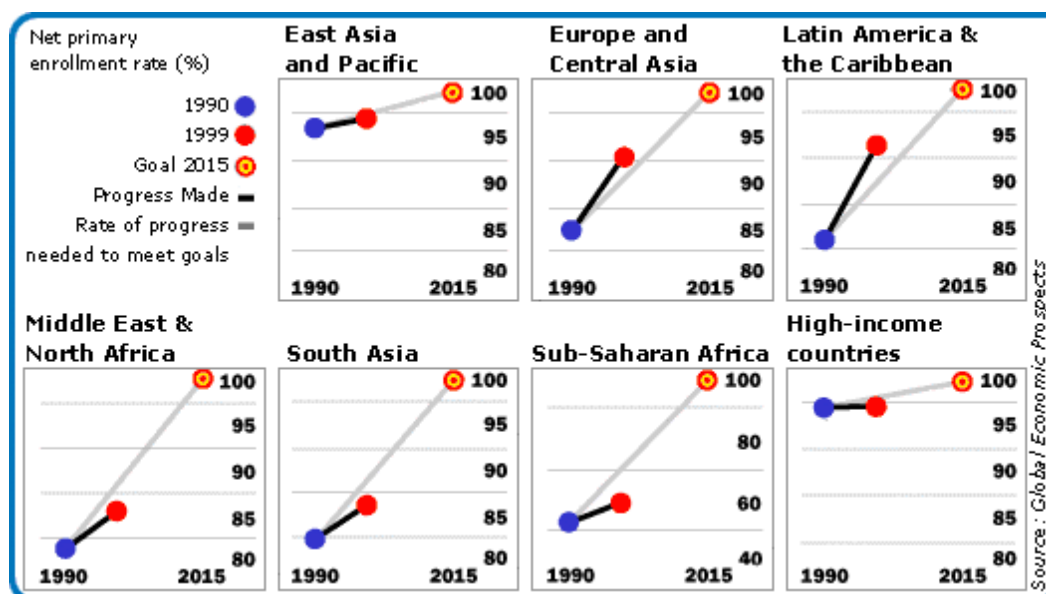
¹² see: <http://www.developmentgoals.org>

Progress towards Development Goals

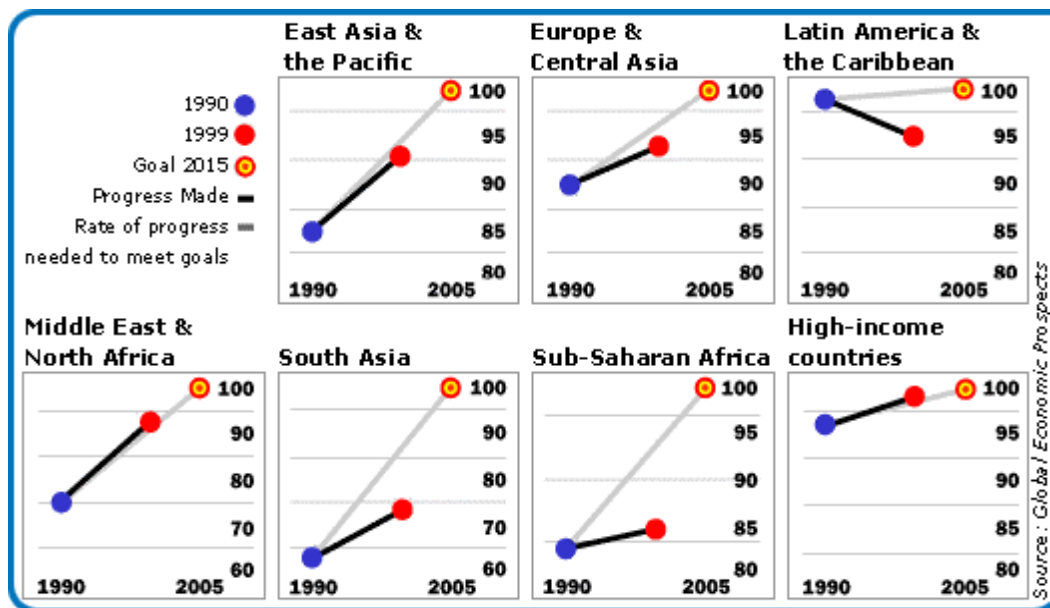
POVERTY



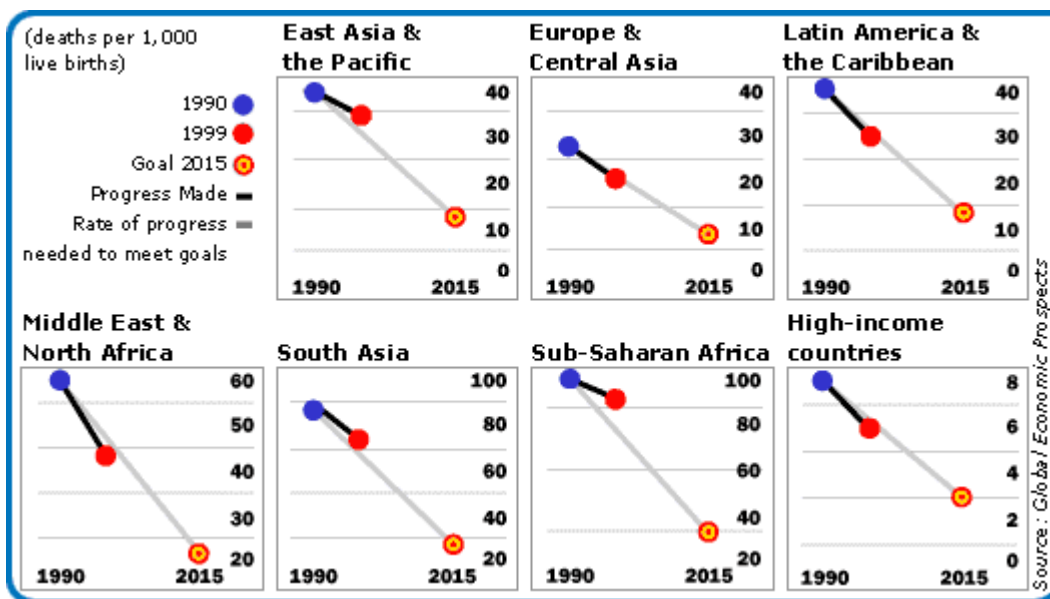
EDUCATION



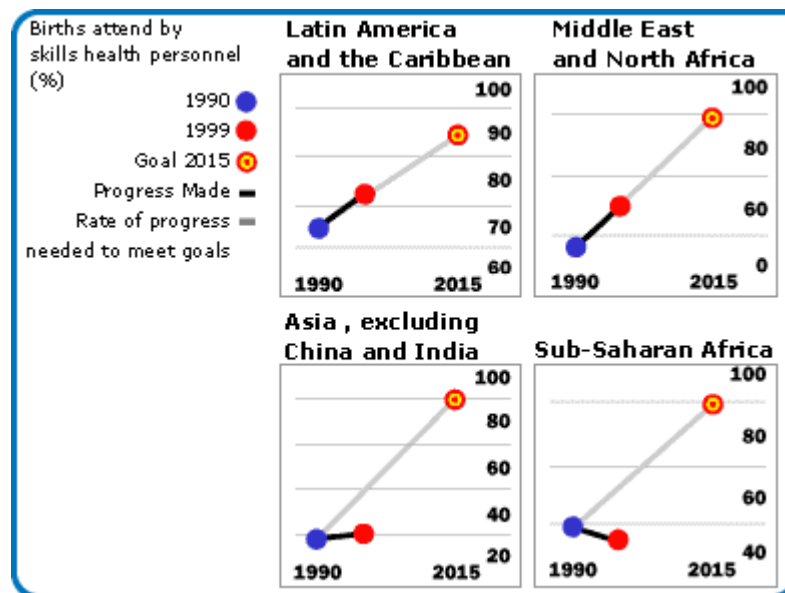
GENDER EQUALITY



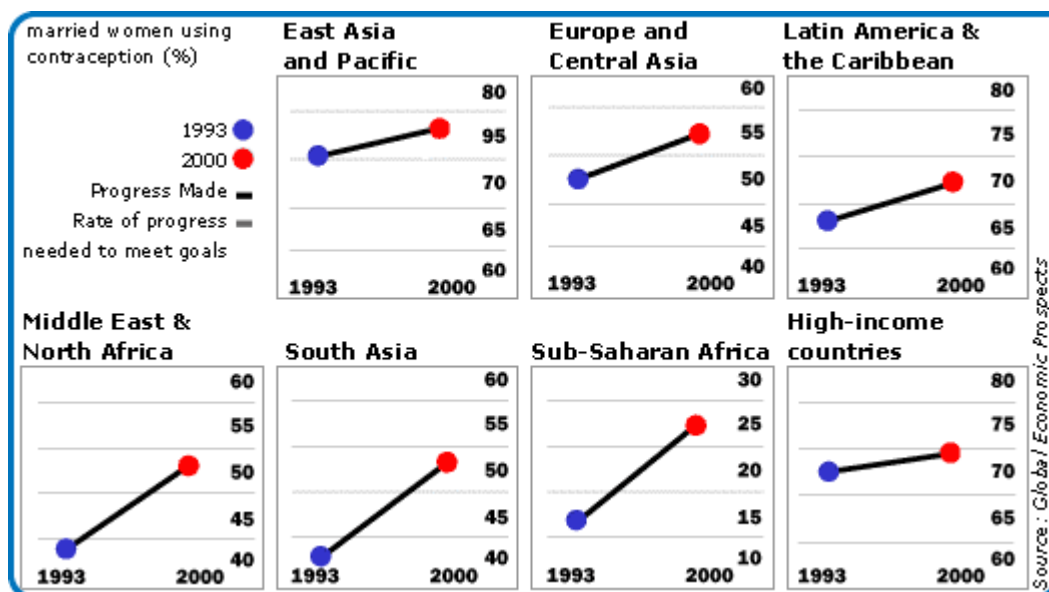
CHILD MORTALITY



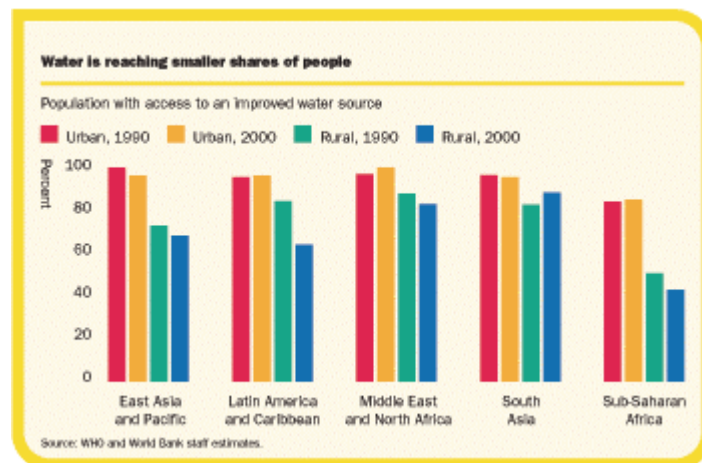
MATERNAL HEALTH



AIDS



ENVIRONMENT



Source: World Bank

Progress has been made towards reducing extreme poverty, particularly in Asia. But a vast discrepancy is occurring between Sub-Saharan Africa and most of the rest of the world. Poverty rates in Eastern Europe and Central Asia are relatively modest but have risen steeply.

Primary school enrolment is improving, although there is still a long way to go in Middle East and North Africa, South Asia and Sub-Saharan Africa.

South Asia and Sub-Saharan Africa are only progressing slowly when it comes to gender equality in school enrolment. The decreasing ratio of girls to boys in school in Latin America is regrettable

Infant mortality rates are improving, although not fast enough in all cases to reach the 2015 target. Here again, Sub-Saharan Africa is a particular concern.

Failing maternity health care in Sub-Saharan Africa seems to be one of the reasons for this.

Access to clean water and sanitation is still a problem in many countries, particularly in rural areas.

2.2. Poverty reduction

The Declaration by the Council and the Commission on the European Community's Development Policy of November 2000¹³ defines the main objective of the European Community's development policy as the reduction and eventual eradication of poverty. This objective entails support for sustainable economic, social and environmental development, promotion of the gradual integration of the developing countries into the world economy and a determination to combat inequality.

A Commission Staff Working Paper produced in July 2001¹⁴ establishes the main elements necessary to address the poverty reduction objective of EC Development Policy. This work programme is being implemented progressively. The sections below highlight the main elements for 2001.

¹³ <http://www.consilium.eu.int/Newsroom/newmain.asp?lang=1>
¹⁴ SEC (2001)1317 of 26.07.2001

2.2.1. *Allocation of financial resources*

The EC's approach to the allocation of aid recognises that particular attention must be paid to the situation of the Least Developed and other Low Income Countries¹⁵. The EC also takes account of the efforts made by the governments of partner countries themselves to reduce poverty, both in terms of their performance and their absorption capacity. Among middle income countries, the Joint Declaration on EC Development Policy requires that attention should be focused on those countries which feature both a continuing high proportion of 'poor' and a full commitment to implementing coherent poverty-reduction strategies.

The allocation of EC development resources to Low Income Countries or poor populations varies between regions.

ACP countries: Close to 90% of European Development Fund (EDF) resources are earmarked to Least Developed Countries and other Low Income Countries.

Central America, the Andean region, and Paraguay: Two thirds of EC aid to this region is targeted on the poorest segments of the rural and urban populations.

Asia: EC development co-operation programmes with Asia have been focused on the poorest countries in the region since their beginning, and on 'the poorest groups' in the populations of these countries. Over the last five years, an average of 80% of EC assistance has gone to the poorest countries: 32% has gone to the Least Developed Countries (notably Bangladesh, Bhutan, Cambodia, Laos, the Maldives and Nepal) and 48% has gone to other Low Income Countries (i.e. India, Indonesia, Pakistan, Vietnam).

2.2.2. *Poverty focus in Country Strategy Papers*

The specific policy reforms and programmes to tackle poverty in different countries will be affected by the circumstances of the country itself. Sustained economic growth - although not sufficient by itself - is an essential prerequisite for poverty reduction, as noted in the November 2000 statement. Many developing countries have recently gone through major transformations, such as transition from communism to democratic market economies or from military to civilian democratic rule. In Eastern and Central Asia, the EC's focus is on supporting this transition process, chiefly through institution building, which is judged to be the most effective remedy against poverty in this region. Conversely, in the Balkan region, peace and stability measures are seen to be the most effective instruments. In North Africa and the Mediterranean region, support is aimed particularly at strengthening the capacity of the region to integrate into the world economy through support to economic and social development.

2.2.3. *The Poverty Reduction Strategy Paper (PRSP) process*

The EC believes strongly that ownership of the strategies for sustainable development and poverty reduction by partner countries is the key to the success of

¹⁵ There are currently 49 'Least Developed Countries (LDCs)' which are designated as such by the UN on the basis of low per capita income, weak human resources, and a low level of economic diversification. The 'Low Income Country' covers a broader group of countries defined by their income alone (the World Bank classification is based on a per capita income of less than US \$ 700 in 2000).

development policies. Consistent with this, the Commission strives to integrate its support, as outlined in its Country Strategy Papers, into a wider framework. For Low Income Countries, the key framework is the Poverty Reduction Strategy Paper (PRSP) and the process that accompanies it. The Commission's efforts have been made difficult by the lack of full PRSPs: only 8 countries had produced full PRSPs by the end of 2001. When CSPs are updated, however, they can be adapted to reflect progress in the country concerned in developing a full PRSP.

Development of the PRSP approach offers a major opportunity to enhance the effectiveness of the global development effort. The Commission has contributed substantially to the development of the approach, both through its own strategic refocusing (including a shift towards direct contributions to the budgets of partner countries where necessary conditions are met) and through its contribution to international policy development. This contribution is further reinforced by the Commission's role as co-chair of the Technical Group of the Strategic Partnership for Africa¹⁶, and as leader of the Burkina Faso based pilot project on reforming the conditions imposed on partner countries to trigger the provision of macro-economic support.

If PRSPs are to become an effective framework for external assistance, however, they need to have stronger performance indicators. This should include a core set of indicators, measured annually, for which country governments hold themselves accountable to their citizens and by which the Commission (and other external partners) can judge progress. The Commission has played a leading role in international work to develop tools for such performance monitoring, and aims to integrate into its CSP monitoring process appropriate indicators drawn from the PRSPs.

2.3. Measuring Effectiveness Through Results Indicators

The Commission measures results through indicators at two distinct but complementary levels of details:

- To measure country performance in terms of economic growth, increasing standards of living and poverty reduction over the short, medium and long term. This level of indicators draws from the most relevant of the indicators associated with the Millennium Development Goals, possibly complemented by a limited further set of key indicators.
- To measure in a more detailed way the performance of the country's sectoral policies in the sectors supported.

The two levels outlined above constitute in fact two complementary degrees of detail, which need to be analysed in a coherent way.

At the first level, in all countries where the Commission is working, a limited set of indicators should be monitored in order to have a global view of progress towards the MDGs. This limited set should draw from the most relevant of the 48 indicators

¹⁶ An informal grouping of donors under the leadership of the World Bank. See http://www1.worldbank.org/prsp/newsletter/Feb_2001/Our_Partners__Perspectives/Strategic_Partnership_for_Afri/strategic_partnership_for_afri.html

associated with the MDGs plus, in order to be able to report annually on countries' progress, a small number of annually measurable key indicators. These supplementary indicators would include input indicators (which are not part of the MDG monitoring framework), e.g. indicators to measure the financial support to specific sectors from both government and donors. It would also include real-time outcome indicators. The draft guidelines for the definition of development indicators¹⁷ suggest that this set of indicators, once agreed, should be featured systematically in all Country Strategy Papers.

Systematic monitoring using this wide range of indicators, including annually measurable and input indicators at country level, will allow the Commission to keep an eye on the evolution of sectors even where it is not an active player. This will inform the decisions taken at the review of the Country Strategy Papers.

At the sectoral level, in CSP priority sectors, a wider range of indicators will be monitored. These indicators should be part of the more comprehensive set of indicators monitored by the relevant national ministries. The Commission will work with other donors and partner countries to identify a limited set of 'good practice indicators' to monitor sector performance. This indicative list would then serve as a framework for a more effective and coherent national discussion on sector monitoring. Policy orientations and regulatory measures by government should also be monitored, even if they cannot so easily be measured through generalised quantitative indicators.

In all cases, indicators monitored by the Commission are based on the national processes taking place in the relevant country (PRSPs for those countries covered by them). This allows reciprocal influence and experience sharing, as well as a valuable opportunity to discuss policy issues and increase governments' domestic accountability.

In the framework of programming, guidelines are being developed to support programmers in introducing development indicators into CSPs. As most donors are still at a very early stage in the work on development indicators, the Commission has chosen to associate EU Member States, the OECD's Development Assistance Committee (DAC), and other donors in the drafting of these guidelines.

A joint working group between EU Member States, OECD-DAC, and various Commission services will start in March 2002. The objective of this working group is to explore the potential for donors to adopt a coherent approach, including common principles and typology, in their monitoring requirements in order to reduce the burden imposed on recipient countries. The basis for this work is the Draft guidelines for the definition of development indicators¹⁸ prepared by the Commission. This is 'work in progress', and its outcomes will progressively feed into the Commission's programming and review process. EU Member States and the OECD-DAC have warmly welcomed it.

¹⁷ see http://www.europa.eu.int/comm/development/sector/poverty_reduction/infopack_ann1.pdf
¹⁸ see http://www.europa.eu.int/comm/development/sector/poverty_reduction/infopack_ann1.pdf

2.4. Sectoral Targeting in the Programming Process

As part of its efforts to improve the impact of Community development assistance, the Commission has made a consistent effort since 2000 to focus EC assistance on core areas that are important for poverty reduction and where Community action can add value. The new EC development policy agreed in November 2000 identified six priority areas: trade and development; regional integration and co-operation; support to macroeconomic policies and equitable access to social services; transport; food security and sustainable rural development; institutional capacity building, good governance and the rule of law.

This section outlines the main areas of programmed interventions as reflected in the Country Strategy Papers that have been formally approved or are close to finalisation. The sectoral breakdown is based on the OECD-DAC classification system. Some changes in the sectoral breakdown may still occur, after the finalisation of CSPs currently being processed and after analysis of draft CSPs still to come. The overall picture, however, is unlikely to change substantially.

A detailed discussion of the EC's approach in each region is contained in Chapter 4.

2.4.1. *African, Caribbean and Pacific (ACP) Countries*

The multi-annual programming for the ACP countries covers the 9th European Development Fund (EDF) which will become operational once the Cotonou Agreement comes into force¹⁹ (currently expected early in 2003) for (normally) a five year period.

The CSPs reviewed so far show a focus on transport and macro-economic support (for poverty reduction strategies), including budget financing for PRSPs with an emphasis on health and education. Transport accounts for approximately 31% and macro-economic support for 21% of resources programmed. The other major priorities are: direct allocations for education and health (10.4%); water supply and sanitation (7.1%); food security and rural development (7.1%); and institutional support and capacity building in favour of government and civil society (10.8%). Resources earmarked for the mining sector (5.3%) relate to the 'Sysmin transfer'²⁰.

In summary, around 27% of the available resources programmed thus far for the period 2002-2006 focus on social services and infrastructure as defined by the OECD-DAC. In addition to this percentage, 21% of the resources have been programmed for structural adjustment support frequently linked to performance in the social sector.

¹⁹ In order to come into force, the Agreement must be ratified by at least two thirds of the ACP States, by all the EU Member States and be approved by the European Community (article 93.2 of the Cotonou Agreement). As of 18 January 2002, thirty-six ACP States, four EU Member States and the European Community had completed this process.

²⁰ (SYSMIN: System for Safeguarding and Developing Mineral Production – these funds are allocated to support traditional industries.) This is the 'SYSMIN transfer' from the 8th EDF destined to finance the development programme identified following a request for aid under the Sysmin programme of the Lomé Convention but for which no financing decision could be taken before 31 December 2000

2.4.2. *Mediterranean*

The multi-annual programming completed for the MEDA region²¹ covers the period 2002–2004.

The programming has resulted in a generally high concentration in social infrastructure and services. An average of 47.8% has been allocated to social infrastructure and to macroeconomic support linked to social sector performance. Other priorities include the environment (5%), trade and tourism (7%) and transport (7%).

2.4.3. *Latin America*

The multi-annual financial programming for this region covers the period 2002–2006.

The major areas of programmed intervention are the social sectors (including education, health and water supply and sanitation - 23%), government and civil society (18%) and trade and tourism (15%). The choice of sectors reflects the specific needs in the region i.e. direct interventions to improve social services for the poorest groups, support to build sustainable institutions to enhance good governance and growth combined with the promotion of trade and tourism to facilitate further integration into the world economy.

2.4.4. *Asia*

The multi-annual financial programming for this region covers the period 2002–2004.

The programming reflects a strong focus on direct poverty reducing activities. Particular emphasis is given to education, health and water and sanitation (43%), trade and tourism (9%), environment (4%) and support to NGOs (5%).

2.4.5. *Eastern Europe and Central Asia*

The multi-annual financial planning for this region covers the period 2002–2004.

TACIS²² funding is programmed in complementary areas. Each national or multi-country programme focuses on no more than three of the following areas: institutional, legal and administrative reform; private sector and economic development; consequences of changes in society; infrastructure networks; environmental protection; rural economy; and nuclear safety. This selectivity is designed to enhance effectiveness. The major areas of intervention are: energy 24.4%; government and civil society 21.1%; and private sector development 16.3%.

2.4.6. *The Balkans*

The multi-annual financial planning for this region covers the period 2002–2004.

²¹ MEDA covers aid to the reform of economic and social structures in the framework of the euro-Mediterranean partnership covering Morocco, Algeria, Tunisia (Maghreb); Egypt, Israel, Jordan, the Palestinian Authority, Lebanon, Syria (Mashrek); Turkey, Cyprus and Malta.

²² TACIS: Technical Assistance for the Commonwealth of Independent States covering Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

The European Union is by far the single largest donor to the western Balkans as a whole, through programmes such as PHARE²³ in Eastern Europe, OBNOVA²⁴ for the former Yugoslavia and the Balkans and CARDS²⁵ in the Balkans. For the coming years, EC assistance will focus on institution building and civil society (42%); education, water and sanitation and other social services (20%); and private sector development (11%).

2.5. Policy Initiatives in EC Priority Areas

2.5.1. Trade and development

Trade and investment liberalisation operating within a sound and transparent economic domestic policy framework plays an important role in the promotion of economic growth and development.

The European Community is committed to fostering the smooth and gradual integration of developing countries into the world economy, by mainstreaming trade in the development strategies of the developing countries in an integrated manner, and by promoting regional and domestic policy frameworks conducive to economic growth and social development. The EC is the largest importer of agricultural products from all developing countries and, generally, their major trading partner.

In the WTO, the EC has been a strong advocate of a new round of multilateral trade negotiations, centred on the needs and interests of developing countries. The priorities agreed at the WTO Ministerial in Doha in November 2001²⁶ the ‘Doha Development Agenda’) set out a clear framework to strengthen the link between trade and development in the multilateral trading system. The integration of developing countries into the world trading system and the global economy is the core priority of the Doha Declaration. It takes on board the concerns of the developing countries as expressed by the ACP group²⁷ on ‘the importance and urgency of integrating ACP states into the multilateral trading system and, in that regard, that development issues should be at the core of any future work programme of the WTO’.

Bilaterally, the EC offers a range of preferential trade regimes to developing countries. A number of these were under discussion, or amended, during 2001. The EC has concluded or is negotiating preferential trade agreements with the Mediterranean countries, South Africa, MERCOSUR, Chile, the Gulf Co-operation Council and is examining the possibility of negotiations with others. In the context of the Cotonou Agreement (for the ACP countries), the EC is also already providing far reaching non-reciprocal trade preferences. Preparations for the forthcoming negotiations on Economic Partnership Agreements with ACP sub-regions (due to commence in September 2002) began in earnest during 2001. Developing countries

²³ PHARE: Poland and Hungary: Aid for Economic Restructuring (now extended to cover Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia).

²⁴ OBNOVA: Programme for reconstruction in Bosnia, Croatia, Serbia, Montenegro and FYROM

²⁵ CARDS: Community Assistance for Reconstruction, Development and Stabilisation covering the Western Balkans (Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia, the former Yugoslav Republic of Macedonia and Albania)

²⁶ see http://www.wto.org/english/tratop_e/dda_e/dda_e.htm

²⁷ Declaration by the ministers responsible for trade of the ACP states on the 4th WTO ministerial conference, 7 November 2001

are also benefiting from unilateral trade preferences in the context of the Generalised System of Preferences, which was further improved from 1 January 2002.

In February 2001, the EU agreed to grant duty and quota free access for all products originating from Least Developed Countries (LDCs) except for arms and munitions: the 'Everything But Arms' initiative²⁸. This became effective in March 2001. In agreeing to this, the EU did away with remaining tariffs on agricultural products. Even the three most sensitive products - rice, sugar and bananas - were included, although these are to be progressively liberalised over the next four to eight years. The beneficiaries of this liberalisation are the 48 LDCs already covered by the EU Generalised Scheme of Preferences²⁹.

Ensuring that developing countries - and notably LDCs - benefit 'from the increased opportunities and welfare gains that the multilateral trading system generates'³⁰ will require well targeted technical assistance and capacity building programmes. In addition to the trade preferences it grants to developing countries (see below), the EC is offering Trade Related Technical Assistance and Capacity Building measures to support developing countries in their efforts to strengthen their judicial, regulatory and institutional capacities. The Country Strategy Papers provide the general frameworks for all the EC's interventions. The Commission is also working with EU Member States, other bilateral donors and the multilateral institutions to promote co-ordination and complementarity mechanisms for technical trade related assistance. This is being done in the context of the relevant multilateral funds such as the Doha Development Agenda Global Trust Fund and the Integrated Framework Trust Fund for LDCs.

2.5.2. *Regional Integration and Co-operation*

The EU is a strong supporter of regional integration, which fosters better understanding and political and economic links between neighbouring countries. This process can consolidate peace, prevent conflict and promote the integration of developing countries into the world economy, thereby enhancing prospects for economic growth and sustainable development.

The policy context for EC support to regional integration and co-operation evolved during 2001, and will continue to do so. This was particularly due to the need to ensure consistency between external developments – such as the WTO Doha Development Agenda launched in November 2001 and, for ACP countries, preparations for the implementation of the Cotonou Agreement and the negotiations to be launched in 2002 on Economic Partnership Agreements.

2.5.3. *Macro-economic Policies and Equitable Access to Social Services (Health and Education)*

There is a growing international consensus that, from an aid effectiveness viewpoint, it is helpful to move away from stand-alone projects towards direct contributions to

²⁸ Regulation (EC) No 416/2001 of 28 February 2001, Official Journal of the European Communities L 60 of 1.3.2001; <http://Europa.eu.int/eur-lex>

²⁹ See list of LDCs in Annex IV of Regulation (EC) No 2820/98 of 21 December 1998, Official Journal 357 of 30.12.1998. However, all GSP preferences for Myanmar have been suspended, and this also applies to Everything But Arms.

³⁰ WTO ministerial declaration, 14 November 2001, para 2

the budgets of partner countries (budget support) whenever the conditions in a country permit it. Moreover, this budget support should be linked to national poverty reduction strategies – such as PRSPs - wherever they exist. This should result in stronger country ownership, reduced transaction costs, unified planning and resource allocation, and enhanced complementarity and flexibility.

Such budget support is only provided where it can be expected to be effective. This requires that the country manage its macro-economy in a stable and sustainable manner. Prudent fiscal and monetary policies are central to poverty reduction, together with structural changes that create the scope for private sector led growth. All budget support programmes are linked to the continuation of sound macroeconomic policies, measured through an agreed IMF programme.

The European Commission has played a leading role in developing results based mechanisms for macroeconomic budget support that enhance country ownership and provide incentives for governments to monitor progress using key indicators of poverty and of public financial management. Of 24 ACP macroeconomic support programmes in 2000 and 2001, 12 included a fully results based approach, 6 were linked to a positive results assessment and to progress with public financial management and 6 were linked to other (process based) indicators.

In all ACP countries, budget support is linked to the results attained in addressing aspects of poverty covered in the Millennium Development Goals. Such budget support thus provides a strong incentive for the government to deliver effective basic services. It also provides additional resources for the government to allocate to this goal. If they are to be used in annual performance management, the indicators chosen (which are focused primarily on basic social services such as health and education) need to be measured annually, and be capable of being monitored within this framework i.e. to evolve swiftly). In 2001, € 270.31 million was spent on ACP macro-economic support.

In MED countries, budget support is an opportunity for dialogue with the partner country on social matters and poverty alleviation. The dialogue often concerns major sectoral programmes e.g. education and health in Tunisia, and water and education in Morocco. In these programmes, the reason for focusing on education, health or water is to contribute to major reforms in the sectors, with the objective of improving the quality and the coverage of basic services, whilst ensuring sound public finance management. These sectoral programmes targeting social sectors are complemented by more traditional projects (education in Egypt) or social funds³¹ (in Egypt and under preparation in Algeria, Jordan and Lebanon). As a result, a major share of the total MEDA financing is devoted to social sectors³².

Water Management

Water management has to be seen as a cross-sectoral issue to be mainstreamed within most development policies associated with poverty reduction. It is particularly important for human development, alongside health and education. An EC Communication on Water Management in Developing Countries was drafted in

³¹

Social funds are used to support local development plans e.g. micro-financing

³²

Social sectors include: health, education, training, employment, civil society, gender, Human Rights, local development, social protection, social implications of industrial restructuring

2001. One objective of this Communication was to highlight where and how policies surrounding water and development are integrated into the European Community's development priorities. The central part of the document articulates key messages on policy orientation and actions for the way forward. Under the overarching policy framework of Integrated Water Resources Management, the focus is on water supply and sanitation, transboundary water resources management, and cross-sectoral coordination and integration of the different water uses. The Communication, building on the results of the Bonn Freshwater Conference of December 2001, promoted the development of an EU initiative as a key agenda point for the World Summit on Sustainable Development in Johannesburg in August/September 2002.

Education and Training

Programming guidelines on education and training have been developed and focused more closely on poverty reduction. Programming in developing countries has concentrated on Education For All (basic education) and vocational training, through macro-economic support and programme support. Gender issues have been carefully taken into consideration also through the increased focus on primary education and outcome indicators.

The Commission has organised two meetings with EU Member States' education experts on sector-wide approaches, the poverty focus, and on the Commission Communication on Education and Training in the Context of Poverty Reduction in Developing Countries, to be adopted in 2002.

The Commission has influenced the international agenda on education in 2001 through contributions to two major UN events: the UN Conference on Least Developed Countries and the UN General Assembly Special Session on Children (21st May to 7th June 2002).

The Commission has actively participated in the follow-up to the Dakar Conference on Education for All and the work of the senior officials' G8 Task Force on education to take forward implementation of the Dakar Framework for Action on Education for All. The main concerns in this forum have been:

- increased mobilisation and coordination among donors to meet the Millennium Development Goals in education;
- greater consistency between these targets and the Country Strategies and the Poverty Reduction Strategies;
- improved coordination at all levels of interaction with national governments through a Code of Conduct for funding agencies and partner countries; and
- the need to bridge the financial resources gap for countries committed to the Dakar goals.

2.5.4. Health, AIDS and population policy

For health, AIDS and population policy, programming guidelines have been adopted in the context of poverty reduction, gender mainstreaming and the Millennium Development Goals for health.

The Commission has participated actively in the follow-up to the commitment made by the G8 at their 2000 summit to increase support for action taken against communicable diseases in developing countries³³. The EC Programme for Action on Communicable Diseases was adopted in February 2001, endorsed by the General Affairs Council in May and by The European Parliament in October 2001³⁴. The decisions taken on priority actions led to coherent EC positions in preparation for major international events. These included: the UN General Assembly Special Session on HIV/AIDS; the Least Developed Countries Conference; the EU/US Summit in Gothenburg; the G8 Summit in Genoa; the EU/Canada Summit; the follow-up to the Cairo Plan of Action; the Doha Declaration on Trade Related Intellectual Property and Public Health; and the transitional process leading to the establishment of the Global Fund to fight HIV/AIDS, malaria and tuberculosis.

The Commission prepared the legal base for its involvement in the Global Fund as well as participating actively in the working party established to set up the Fund. It also prepared two proposals for the revision of the legal bases for two special EC budget lines: one for poverty diseases and one for reproductive and sexual health and rights. In addition, the Commission has prepared a new health and poverty communication. This is the first time there has been a single Community policy framework to guide future support for health, AIDS, population and the fight against poverty within the context of overall EC assistance to developing countries.

The Commission organised two meetings with health experts from Member States, one on a European approach to the Global Fund and one on health and poverty policies and programming. The Commission introduced the first outline of its Communication on Health, AIDS, Population and Poverty in Developing Countries scheduled for adoption in 2002 in the latter meeting.

2.5.5. *Transport*

In May 2001, in response to the Commission Communication of July 2000 on 'Promoting Sustainable Transport in Development Co-operation'³⁵, the Council adopted a 'Resolution on Sustainable Transport on Development Co-operation'³⁶. These two documents, taken together, establish a strong and clear policy platform for EU interventions in the sector.

The strategy for reaching the development goals is based on the principle that transport should be affordable and meet stakeholder needs. It should be safe and efficient and should have a minimal negative impact on the environment. It is a comprehensive strategy in the sense that it is valid for all transport modes and associated services involved in the movement of people and goods.

The Community's approach to development co-operation in the transport sector is based on the recognition that effective transport systems in urban and rural areas are essential in facilitating poverty reduction through the promotion of economic and social development, and access to social services. They are also important to facilitate trade and the integration of developing countries into the world economy.

³³ see:<http://www.g7.utoronto.ca/g7/summit/2000okinawa/finalcom.htm>

³⁴ COM (2001) 96 of 21.2.2001

³⁵ COM (2000) 422 of 6.7.2000

³⁶ Council Resolution 9985/01 following the 2352nd Council Development Meeting of 31.05.2001

Support is designed to assist developing country partners in formulating and implementing strategies for the sector, in co-operation with all stakeholders, to meet these poverty reduction and integration objectives. Such strategies need to have a clear process of prioritisation, with a sound balance between maintenance and investment, and should be economically, financially and institutionally sustainable, as well as environmentally sound, safe and socially aware. Financing for these strategies is generally provided in the framework of sectoral programmes. This facilitates improved monitoring, simplifies sector management and leads to a more transparent and improved allocation of resources.

Based on the principles and strategy outlined above, 'Programming Guidelines' for the programming of transport sector support under the 9th EDF were developed and made available to all Commission Delegations in 2001. These included formats for analysing transport policy, the problems and issues arising in strategy implementation and recommendations for the formulation of the EC transport response strategy.

Of the 44 ACP Country Strategy Papers presented in 2001, 23 countries - almost all in Africa - proposed transport, transport infrastructure or roads as a priority sector, for a total of approximately € 1.7 billion. The CSPs for these 23 countries have all based their proposals for the EC response strategy in the sector on the Programming Guidelines. The main areas for EC sectoral support under these CSPs are sector strategy development, road maintenance (backlog and periodic), capacity building in both the public and private sector (e.g. domestic contracting), and the upgrading of roads, particularly focussing on key regional transport links between countries.

Policy and strategy coordination with EU Member States, the World Bank and other donors forms an essential element of EC support to transport, in order to ensure the coherence and complementarity of EC interventions. In 2001 the Commission held discussions with the EU Member States transport experts' group on the above-mentioned Programming Guidelines and also launched a dialogue on indicators for monitoring transport sector performance and transport's contribution to development co-operation.

Policy and strategy dialogue is also pursued through the Sub Saharan Africa Transport Policy Programme (SSATP) – which brings together UNECA, World Bank, EC, several Member States, Norway, etc and approximately 30 African countries. In 2001 a new governance structure was implemented to increase African ownership, strengthen programme management, and create a small SSATP Board (the Commission represents donors). A programme review was also carried out. These changes have increased African confidence and donor willingness to support the programme, which should sustain impact at a country level and secure donor financing in the medium term.

2.5.6. Food Security and Sustainable Rural Development

Following an external evaluation of the Commission's Food Security/Food Aid policy in 1999, an important step was made in 2001 to integrate further these issues into the Commission's development objectives and policy. A Communication to

Council and Parliament³⁷ on the future orientation of Council Regulation EC 1292/96 defines in details:

- the role of the Regulation and its coherence with other Commission policies and instruments;
- the specific objectives and applications of the various instruments within the Regulation; and
- the measures required to improve the efficiency and the quality of programme management at all stages of the programming and project cycle.

With roughly 70% of the world's poor living in rural areas, the emphasis in 2001 has been on reviewing the Community policies and strategies in the rural development and natural resources sectors (agriculture, livestock, fisheries and forestry), to ensure their effective contribution to the poverty reduction objective. Moreover, a Commission strategy to support agricultural research at national, regional and global levels has been formulated. This work, carried out with broad-based participation from the relevant Commission services and active support by Member States, provides the basis for a Communication to Council and Parliament on Fighting Rural Poverty prepared during 2001 and to be presented in 2002.

For both areas - food security and rural development (including the main natural resource sectors) - operational guidelines for programming have been developed and disseminated. Efforts have also been made to ensure the integration of natural resources issues in the context of regional programming. However, while most of the Country Strategy Papers provide a good analysis of food security and rural concerns, these concerns are sometimes missing from the programming perspective.

2.5.7. *Institutional Capacity Building*

Efforts have been made to integrate institutional development and governance issues into the Country Strategy Papers. The multi-annual programming exercise completed during 2001 has given a high priority to programmes supporting the strengthening of governments and civil society (see section 2.4.).

CSPs for the ACP States identify this area as a major problem in most of the countries analysed so far. Consequently, institutional capacity building has been chosen either as a priority sector for Community support or is treated as a cross cutting theme.

The TACIS programme, which supports the transition to democracy and a market economy in the Newly Independent States, has been focused on institution building since its inception while ACP, MEDA, Asia and Latin America and CARDS (Balkans) use 4-21% of the available resources in this area, the TACIS programming provides for more than 40%.

Considerable efforts have been devoted to the provision of policy advice e.g. in trade policy, drafting of legislation, support for border management, reform of the regulatory framework of the economy, financial sectors / corporate governance /

³⁷

COM (2001) 1 of 11.01.2001

reconstruction of enterprises and the restructuring of public institutions. The programme is now moving on to include, for example, support for fair and effective legal systems, sustainable social systems and municipal services. With the realisation that transition will be a longer process than originally expected, the programme is shifting from short-term advice to longer-term partnerships between organisations. It also now differentiates more strongly between the countries of the region, in order to take account of their different levels of development.

An internal network has been established to develop a set of practical tools to improve the quality of the design and implementation of EC programmes and projects in this area.

2.6. Mainstreaming the Cross-cutting Themes

The Commission recognises that, at every stage of execution of its activities in the six priority areas, the Community also needs to mainstream crosscutting concerns. The four crosscutting themes identified in the EC's Development Policy are :

- the promotion of Human Rights;
- equality between men and women;
- the environment; and
- conflict prevention.

The main developments in each area are outlined below. Progress with implementation of specific horizontal instruments is discussed in the next chapter.

2.6.1. Human Rights

The European Commission made its first policy statement on Human Rights since 1995 when it issued its Communication on the EU Role in Promoting Human Rights and Democratisation in Third Countries in May 2001³⁸. The document recognises that it is one of the Commission's roles to promote coherence, consistency and transparency and to avoid double standards in the EU foreign policy as a whole. A further role is to promote the involvement of civil society in the EU activities in this area.

This Communication identifies three areas where the Commission can add value:

- promoting coherent and consistent policies in support of Human Rights and democratisation. This applies both to coherence within and between European Community policies, and between those policies and EU action, especially the Common Foreign and Security Policy. It also relates to the promotion of consistent and complementary action by the EU and member states.
- placing a higher priority on Human Rights and democratisation in the European Union's relations with third countries and taking a more pro-active approach, in particular by using the opportunities offered by political dialogue, trade and

³⁸ COM (2001) 252 of 8.5.2001.

external assistance. The Commission will henceforth - where it does not already do so - systematically mainstream Human Rights and democratisation issues into the political dialogue it holds with non EU countries and its assistance programmes.

- adopting a more strategic approach to the European Initiative for Democracy and Human Rights (EIDHR), matching programmes and projects in the field with EU commitments on Human Rights and democracy. To maximise impact, it identifies four themes on which the EIDHR will focus as well as a greater concentration on certain focus countries.

The Commission Communication was welcomed by the Council in the June 2001 General Affairs Council as a 'valuable contribution towards reinforcing the consistency and coherence of EU policy' in this area

On the basis of this Communication, the following activities were undertaken in 2001:

a) Strengthening of the dialogue with third countries:

The European Commission participated in the two sessions of the EU/China Human Rights dialogue which China held in Stockholm and Beijing in October 2001. The Commission also co-organised - with the Presidency in office - two Human Rights' seminars in the framework of this dialogue in Beijing in May 2001 (the death penalty and the right to education) and in Brussels in December 2001 (the fight against torture and the right to education). The Commission also participated in the political dialogue with North Korea and sent a Human Rights expert as part of the EU delegation to Pyongyang in October 2001.

The EU approach to Human Rights dialogue with countries outside the EU was formalised in guidelines adopted by the Council on 13 December 2001³⁹. These guidelines aim to strengthen the coherence and consistency of the European Union's approach towards the Human Rights' dialogue instrument and to facilitate its use by defining the conditions in which it can be applied and made effective.

b) Multilateral fora

The World Conference against Racism, Racial Discrimination, Xenophobia and Related Intolerance took place in Durban, South Africa from 31 August to 8 September 2001. The World Conference aimed to focus on action-oriented and practical steps to eradicate racism, including prevention, education, protection and the provision of remedies. The Commission prepared a contribution to the World Conference in a communication adopted on 1 June 2001⁴⁰. This document summarises the measures which have already been taken in the European Union to combat racism, and demonstrates what can be achieved by a group of states acting together at a regional level. The EC budget (European Initiative for Democracy and Human Rights) contributed € 3.7 million to the World Conference to encourage the participation of NGOs and of Least Developed Countries in the regional preparatory

³⁹ see http://europa.eu.int/comm/external_relations/human_rights/doc/ghd12_01.htm
⁴⁰ COM (2001) 291 of 1.6.2001

events and in the World Conference itself. Funding was channelled through the Office of the High Commissioner for Human Rights and the Council of Europe.

The Commission actively contributed to the 57th session of the Commission on Human Rights in Geneva and the 56th Third Committee of the UN General Assembly in New York, covering Social, Humanitarian and Cultural Affairs.

c) Election observation

In the field of Electoral Observation, the Council adopted conclusions on the Commission Communication on Election Assistance and Observation on 31 May 2001⁴¹, welcoming the Commission document as an important contribution to a coherent EU policy in such a field. The Council indicated that election support was an important element of the EU overall contribution to democratisation and sustainable development in countries beyond the European Union. Specific mechanisms for co-operation among EU institutions in election observation were also outlined in the document. The European Parliament also endorsed the Commission's new approach to Election Observation in its Resolution of 14 March 2001. Eight election observation missions were undertaken in 2001: Guyana, Peru, East Timor, Nicaragua, Bangladesh, Sri Lanka, and Zambia. Needs assessment missions were carried out in Nicaragua, Togo, Cambodia, Colombia, Congo Brazzaville, Bangladesh and East Timor.

d) Programming of funding

The approach developed in the Communication was put into practice in the 2002-2004 programming document on the European Initiative for Democracy and Human Rights (EIDHR) adopted by the Commission on 20 December 2001. In the light of these requirements, this programming document presents a 'response strategy' to enhance the impact of EIDHR, and examines the best ways of delivering assistance. This is done by targeting a limited number of thematic priorities and 29 'focus' countries.

e) Dialogue with Non-Governmental Organisations (NGOs)

The dialogue with Non-Governmental Organisations has been developed, in particular through the conference held in Brussels on 28 and 29 May 2001 on 'The role of Human Rights and Democratisation in Conflict Prevention and Resolution' and through the Annual Human Rights' Forum held in Brussels on 21/22 November 2001. The forum focused on the roles and responsibilities of state and non-state actors, on the means of implementing Human Rights' policies at bilateral and multilateral level, on the types, conditions, objectives and evaluation of the Human Rights' dialogues and on the evaluation of the conference report⁴² and of the Human Rights fora held so far.

2.6.2. Gender Equality

The mainstreaming of gender equality in Community development co-operation is a key element in the pursuit of sustainable development and is therefore a priority for

⁴¹ COM (2000) 191 of 11.4.2000

⁴² see http://europa.eu.int/comm/external_relations/human_rights/conf/cp05_01.htm

the Commission. This builds on the mainstreaming commitment made by the EC and partner countries in the Fourth World Conference on Women in Beijing in 1995 and the subsequent follow-up to the Beijing Declaration and Platform for Action⁴³.

In 2001, the main thrust was to get the Programme of Action for the Mainstreaming of Gender Equality in Community Development Co-operation of June 2001⁴⁴ completed and adopted by Council on 8 November 2001. To combat the well-known phenomenon of policy evaporation, i.e. to close the gap between policy and implementation, the Programme of Action proposes building internal capacity through training, clarifying roles and responsibilities, developing methods and indicators and establishing monitoring systems to follow implementation more closely.

The programme has chosen a tripartite strategy to achieve these objectives, with a five year timeframe (2001-2006):

- to mainstream gender considerations at the country level;
- to integrate gender considerations in all six priority areas of Community development policy; and
- to build gender competence at all relevant levels (headquarters and delegations) to support these processes.

The EC budget lines allocated to gender⁴⁵ have been a key instrument in introducing the mainstreaming concept. The funds have proved been both catalytic and strategic. The aim is to build capacity in the social sectors with the assistance of civil society in the partner countries.

An evaluation of the Council Regulation of 1998⁴⁶ on 'integrating gender issues in development co-operation' and its financial framework B7-6110 and B7 6220 has been launched and will be completed in 2002.

A review of 40 Country Strategy Papers (CSPs) was undertaken in order to assess to what extent mainstreaming of gender equality in development co-operation had been taken into account in the programming process. It was found that:

- gender was mentioned as a 'cross-cutting theme', but the concept of mainstreaming gender equality was hard to discern;
- the focus was on women and women's situations, and analysis on men and boys was missing; and
- gender was mentioned in the context of education, health and Human Rights whereas sectors that received the bulk of EC funds (transport and macro-economic support) were gender blind.

Further monitoring and methodological work is required to improve the situation.

⁴³ see http://europa.eu.int/comm/employment_social/equ_opp/beijingquesen.pdf

⁴⁴ COM (2001) 295 of 21.6.2001

⁴⁵ B7-6110 and for 2001 B7 6220 amounting to € 2.2 million

⁴⁶ Council Regulation EC No 2836/98

2.6.3. *Environment*

High rates of environmental degradation continue to undermine prospects for long-term economic and social development and often offset short-term gains in poverty reduction. Environmental deterioration, including depletion of natural resources, continues apace in developing countries. Soil erosion and land degradation, loss of forests, habitats and biodiversity, depletion of fish stocks and pollution represent serious permanent threats to sustainable development in most countries. Furthermore, developing countries are likely to be particularly vulnerable to the impact of global climate change, despite their small relative contribution to this phenomenon.

In view of this, the Commission – in partnership with the UN Development Programme, the World Bank and the UK Department for International Development – has initiated a process to reflect on linkages between poverty and the environment, and ways to reduce poverty and sustain growth. A concept paper, considered as a ‘work-in-progress’, will be subject to broader discussions in the context of the 2002 Johannesburg United Nations World Summit on Sustainable Development.

One of the major accomplishments in 2001 was the formulation of an EC strategy for ‘Integrating the Environment into EC Economic and Development Co-operation’.⁴⁷ This put an emphasis on links between poverty reduction and the environment, and aimed to integrate the environment into the six priority areas of EC development co-operation. One of the important aspects of this strategy was the commitment to the preparation of an environment integration manual, a draft version of which was produced in 2001. Furthermore, a number of environmental training courses were given in 2001 to European Commission staff and local stakeholders.

One of the constraints on the Commission’s activities in this area is the lack of attention on the part of some developing countries to the protection of their national environment. This has made it difficult for the Commission to ensure that appropriate attention is given to this issue in the programming dialogue. One of the ways that the Commission tries to strengthen environmental dialogue with developing countries is the promotion of specific opportunities. Unfortunately, this has not produced encouraging results so far. The Commission has also focused on high level political commitments to take action forward in this area in the partner countries.

In 2001, the Commission made substantial contributions to a range of Multilateral Environmental Agreements. It adopted four Biodiversity Action Plans, including a Biodiversity Action Plan for Development and Economic Co-operation.⁴⁸ The Commission also played a key role in ensuring the success of the negotiations in the context of the UN Convention to Combat Desertification⁴⁹ (which issued a key paper for the World Summit on Sustainable Development preparations) and of the Bonn and Marrakech agreements (Kyoto Protocol), which contained items of particular relevance for developing countries (Clean Development Mechanism and Technology Transfer).

⁴⁷ SEC (2001) 609 of 10.04.2001

⁴⁸ COM(2001) 162 of 27.03.2001

⁴⁹ see www.unccd.org

2.6.4. *Conflict Prevention*

Conflict prevention has been high on the political agenda of the EU in 2001. There has been some fruitful debate and concrete actions proposed and implemented to develop further the Union's capacity in this field. The Commission adopted a Communication on Conflict Prevention,⁵⁰ in April 2001. This set out a new strategy in this field and put forward important recommendations for action. Concrete results are already visible.

In terms of the mainstreaming of conflict prevention in EU policies and instruments, Country Strategy Papers (CSPs) have been reviewed from a conflict prevention angle. This means that risk factors have been systematically checked during the CSP drafting process. For that purpose, the Commission's geographical services used conflict indicators that were developed during 2001 in collaboration with the Conflict Prevention Network. The indicators look at issues such as, inter alia, the balance of political and economic power, the control of security forces, the ethnic composition of the government (for ethnically-divided countries), and the potential degradation of environmental resources.

On the basis of this conflict analysis, it has been possible to draw more attention in the CSPs to those underlying causes of conflict that external aid or other EU instruments should target. At the programming level, the Commission's intention is to put more emphasis on strengthening the rule of law, supporting democratic institutions, developing civil society and reforming the security sector. This approach is critical both to eradicating conflict and to preventing its re-emergence. It is also consistent with the Commission's renewed emphasis on institution building as part of the EC's development policy priorities.

In post-conflict situations, peace-building initiatives are essential for ensuring a lasting peace. Where the situation has allowed, the Commission has begun to engage more substantially in rehabilitation activities as well as in traditional demobilisation, disarmament and reintegration programmes (DDR). A good example is the support given by the European Commission in 2001 to the multi-donor Trust Fund for DDR in Sierra Leone.

The Commission is actively participating in many international initiatives to tackle 'cross-cutting issues' which may create tensions or conflicts. For example, in 2001 the Commission took a much more active role in the Kimberley process, aimed at the establishing an international control regime for the import and export of rough diamonds. Following the political agreement reached at Gaborone in November 2001 between the participants in this process, the Commission is now launching the preparatory work for the full implementation by the Community of the control regime in the course of 2002.

Concrete recommendations have been put forward in the Communication on Conflict to increase EU capacity to react quickly to nascent conflicts, notably to improve early warning mechanisms and CFSP instruments such as political dialogue or the use of EU Special Representatives. At the Community level, the Commission is in the process of reforming its instruments to ensure a swift Community reaction to crisis or pre-crisis situations. An important step was taken with the adoption this year

⁵⁰ COM (2001) 211 of 11.04.2001

of a Rapid Reaction Mechanism (RRM)⁵¹, allowing for speedy initiatives in peace building, reconstruction and development. The RRM is now fully operational and is being used, in particular in Former Yugoslav Republic of Macedonia, Afghanistan and Congo, to bring a host of measures to bear quickly on a conflict situation, where these would previously have been subject to more cumbersome procedures.

Conflict prevention is too big a task for a single organisation. International co-operation is crucial. Only effective coordination with international partners can achieve real progress. Following Kofi Annan's visit to Brussels in May 2001, and the adoption by the General Affairs Council of a new framework for co-operation with the UN on conflict prevention and crisis management⁵², contacts between the EC and the UN have been significantly enhanced. For example, a joint assessment mission was carried out in the summer of 2001 to the Great Lakes region to prepare for possible action on disarmament, demobilisation, and reintegration. Similar frameworks are being studied for co-operation with other organisations active in the field of conflict prevention, such as the Organisation for Security and Co-operation in Europe.

⁵¹ Council Regulation (EC) 381/2001 of 26 February 2001

⁵² Conclusions from the General Affairs' Council of 11 June 2001

3. IMPLEMENTATION : HORIZONTAL INSTRUMENTS

The European Community has developed a series of instruments to complete the range of actions covered by the existing geographical programmes. Specific budget lines and legal bases were adopted in order to put these “horizontal” policies into action. This chapter outlines activities in 2001 in the following areas:

- Human Rights and Democracy
- Food security
- Health, in particular poverty-related illness and reproductive health
- Drugs
- Relief, rehabilitation and development
- Environment
- Partnerships with NGOs

3.1. European initiative for democracy and Human Rights

Chapter B7-70 of the budget entitled “European initiative for democracy and Human Rights” (EIDHR) supports actions in the Human Rights, democratisation and conflict prevention fields. These operations must essentially be executed in partnership with NGOs and international organisations. Council Regulation Nos 975/1999⁵³ and 976/1999⁵⁴ constitute the legal basis of these activities.

The EIDHR supplements the Community programmes executed with governments (EDF, Tacis, ALA, MEDA, CARDS, Phare, etc). It also represents a form of “risk-capital fund for Human Rights” allowing initiatives to be launched on a pilot or experimental basis. It can be used in the absence of the host country’s consent or when the main Community programmes are not available for other reasons - for example, in the case of suspension. In certain regions, it provides the sole legal basis for some activities, including the promotion of political and civil rights, election observation and conflict resolution initiatives.

The priorities of the EIDHR for 2001 were drawn up by the Commission.⁵⁵ The objectives focus on a small number of thematic sectors by region. The implementation of the Initiative is also in line with the Commission Communication of 8 May 2001 on the European Union’s role in promoting Human Rights and

⁵³ Council Regulation (EC) No 975/1999 of 29 April 1999 laying down the requirements for the implementation of development co-operation which contribute to the general objective of developing and consolidating democracy and the rule of law and to that of respecting Human Rights and fundamental freedoms.

⁵⁴ Council Regulation (EC) No 976/1999 of 29 April 1999 laying down the requirements for the implementation of Community operations

⁵⁵ Priorities and Guidelines for the implementation of the 2001 European Initiative for Democracy & Human Rights (EIDHR) Brussels, 6 June 2001-SEC(2001)891
http://europa.eu.Int/comm/external_relations/human_rights/doc/sec01_891.pdf

democratisation in third countries⁵⁶ which is designed to develop a more strategic approach to the Initiative.

In 2001, some € 110 million was available to support actions in the Human Rights, democratisation and conflict prevention fields.

As in previous years, three types of projects were used to implement the EU's strategy in the areas in question:

Projects identified by call for proposals: as a result of two general calls, 93 projects obtained a grant, following notification or consultation of the "Human Rights" Committee set up by Council Regulation Nos 975 and 976/1999. A total of € 59 million was allocated to the projects selected.

Dedicated projects are systematically used for projects drawn up with international and regional organisations, including UN specialised agencies and the Office of the High Commissioner for Human Rights, the Council of Europe and the OSCE - ODIHR. They are identified by the European Commission as projects that pursue specific objectives that cannot be achieved by means of a call for proposals. € 36 million was earmarked for these projects.

Microprojects are used to finance democratisation projects with a budget ranging from € 3 000 to € 50 000. They are designed to give extra support to local civil society initiatives. They are managed directly by the Commission delegations and are selected by local calls for proposals.

In 2001, microprojects totalling € 12 million were selected in south-east Europe (Albania, Bosnia-Herzegovina, Croatia, Federal Republic of Yugoslavia, and FYROM), in the new independent states (Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldavia, Russia, Tajikistan and Ukraine), in Latin America (Colombia and Mexico), in south and south-east Asia (Cambodia, Indonesia, Nepal and Pakistan), in West Africa (Nigeria and Côte d'Ivoire), in Central Africa (Democratic Republic of Congo), in Sudan, the Middle East (Israel, West Bank and the Gaza Strip), in Haiti, Turkey and Zimbabwe.

3.1.1. The main priority areas

On the basis of the programming document adopted by the Commission⁵⁷ for 2001, € 6 million was allocated to the promotion and defence of Human Rights and fundamental freedoms (protection of civil, political, economic, social and cultural rights, minorities, ethnic groups and indigenous peoples; institutions, including NGOs involved in the protection, promotion and defence of Human Rights; rehabilitation centres for the victims of torture; education, training and information in the field of Human Rights; equal opportunities and the fight against racism and xenophobia; freedom of opinion, expression and conscience).

€ 35 million was allocated to support for democratisation and strengthening the rule of law: independence of the judiciary, separation of powers, improved governance etc.

⁵⁶ COM(2001)252 final.

⁵⁷ http://europa.eu.int/comm/external_relations/human_rights/doc/sec01_891.pdf

€ 17 million was allocated to conflict prevention and the restoration of civil peace. These projects will be implemented in: Latin America (Columbia, where the EU has given steady support to initiatives aimed at bringing about a peaceful settlement to the conflict there and in Guatemala; the Caucasus region; the former Yugoslavia, Slovenia and Albania; Africa (Sudan, Kenya, the Democratic Republic of Congo, Rwanda and Somalia); Israel and Palestine; and Afghanistan and Pakistan. The projects are part of the effort to implement the Commission Communication on Conflict Prevention of 11 April 2001.⁵⁸

Support for the activities of international criminal tribunals and the setting-up of the International Criminal Court amounted to € 3 million. Measures taken under the Initiative count as implementation of the EU common position on the international criminal court adopted in June 2001.⁵⁹ The Commission supported the setting up of the Court through regional networks, NGOs and technical assistance for implementation of legislation and technical co-operation, for instance. The Commission also made a contribution to the expense of collecting evidence (missions, inquiries, travel of witnesses, exhumations, etc.) for the tribunals for Rwanda and the former Yugoslavia.

€ 5.95 million was allocated to support for rehabilitation centres for the victims of torture in third countries and € 6 million was allocated to rehabilitation centres for the victims of torture and their families within the EU. These projects constitute implementation of the EU guidelines, adopted by the Council (General Affairs) on 21 April 2001 concerning policy towards torture and other cruel, inhuman or degrading punishment or treatment.

Efforts were made to integrate the gender equality aspect into the implementation of the EIDHR by systematically analysing all the projects selected according to their impact on this aspect.

⁵⁸ COM(2001) 211 final
⁵⁹ OJ L 155, 12.6.2001, p.19

EIDHR priority areas in 2001

Field	Amount (€ million)
Education, training and information in the Human Rights field	2.600
Fight against racism and xenophobia and protection of minorities and indigenous peoples	6.000
Freedom of opinion, expression and conscience and the right to use one's own language	0.420
Strengthening respect for the rights of children ⁶⁰	1.100
Abolition of the death penalty	0.880
Promoting pluralism at political level and in civil society	4.400
Promoting good governance, particularly by supporting administrative accountability and the prevention and combating of corruption	1.770
Promoting the participation of the people in the decision-making process at national, regional and local level, in particular by promoting the equal participation of men and women in civil society, economic life and politics	4.340
Promoting respect for Human Rights and democracy with a view to conflict prevention and the restoration of civil peace	17.000
Support for democratic transition and the observation of elections	9.960
Prevention of torture and rehabilitation of victims ⁶¹	5.950

As regards education, training and awareness-raising in the Human Rights field, the EIDHR channelled € 2.6 million into university programmes on Human Rights and democratisation. Three new regional masters in Human Rights were therefore created in south-eastern Europe, South Africa and Malta. They allow students from each of these regions to specialise in the Human Rights field. These courses follow the model of the European masters in Human Rights and democratisation launched in 1997.

The Commission's activities in the field of support for democratic transition and election observation are based on its Communication on EU election assistance and observation of April 2000,⁶² the Council conclusions of 31 May 2001.⁶³ All these documents stress the fact that an election observation mission should be deployed on the ground before, during and after Election Day.

In 2001, the EIDHR financed EU election observation missions at the request of the governments of Bangladesh, Cambodia, Nicaragua, East Timor, Zambia and Sri Lanka. In Pakistan, where elections will be held in 2002, a project is designed to

⁶⁰ Furthermore, € 1 million from budget heading B7-626 "Campaign against sex tourism in non-member countries", was allocated to an international campaign against child sex tourism.

⁶¹ Furthermore, 7 centres located in the European Union also received a grant totalling € 6 000 000 from budget heading B5-813 (this appropriation covers support for the establishment and maintenance of rehabilitation centres for torture victims and their families and other organisations offering concrete help to victims of Human Rights abuses).

⁶² http://europa.eu.int/comm/external_relations/human_rights/eu_election_ass_observ/index.htm
COM(2000) 191 final of 11.4.2000.

⁶³ 2352nd Council meeting-Development-Brussels, 31 May 2001.

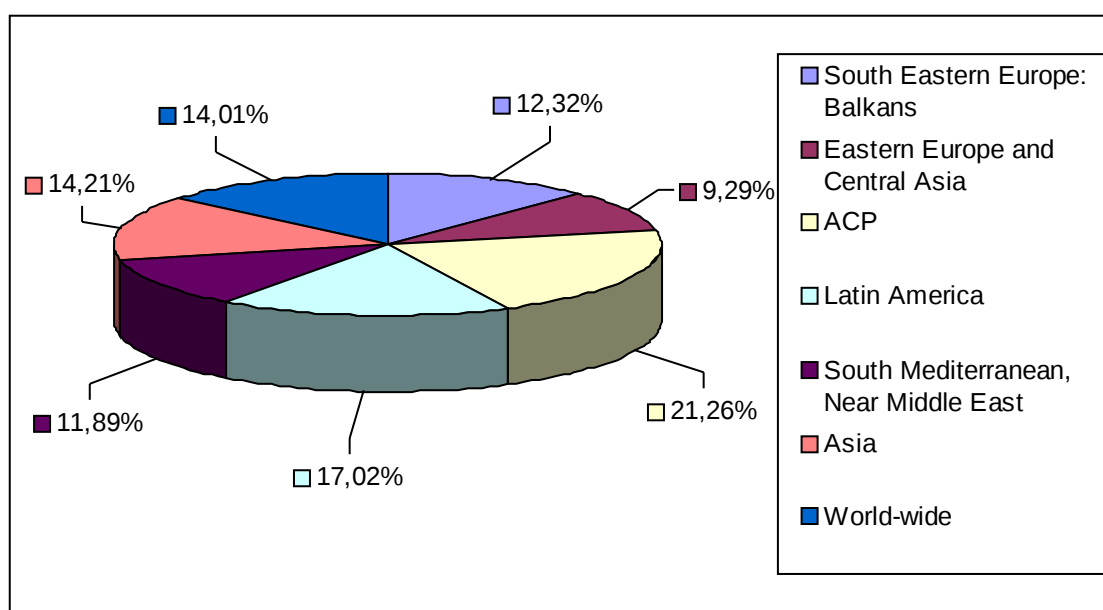
restore the general public's confidence in the institutions and in the electoral process in order to raise their political awareness and their participation in the elections. Finally, the "European Network for Electoral and Democracy Support" project received a grant of over €1.6 million to consolidate the European network born out of the EUEOP project (European Union Electoral Observation Project).

EIDHR Budgetary Execution 2001
% of Total Amount Allocated to the EIDHR
(by region)

Region	Amount in € million	% of Total
CEEC & NIS	18.454	16.51
ACP	19 049	17.05
Latin America	9.100	8.14
MEDA	9.516	8.52
Asia	11.101	9.93
World-wide (including torture)	23.530	21.06
EU	6.000	5.37
Micro	12.000	10.74
Technical Assistance	3.000	2.68
TOTAL	111.750	100

EIDHR COMMITMENTS 2001
AMOUNTS ALLOCATED TO PROJECTS (By Region)

Region	Amount in €	% of Total
South Eastern Europe: Balkans	11 155 302	12,32
Eastern Europe and Central Asia	8 409 661	9,29
ACP	19 242 726	21,26
Latin America	15 408 732	17,02
South Mediterranean, Near Middle East	10 762 574	11,89
Asia	12 862 460	14,21
World-wide	12 681 214	14,01
TOTAL	90 522 669	100



3.2. Food Security

3.2.1. Performance in 2001

In 2001 the food aid and food security budget amounted to € 454 million. The aim of this Community programme was to integrate the food security requirement more fully in the overall development strategy of the beneficiary countries referred to in the country strategy papers – and in the poverty reduction strategy papers. The programme also focused on increased ownership of the programmes and policies by the national partners: governments and civil society.

3.2.2. Breakdown by form of intervention

The priority given to direct food aid was confirmed in 2001. The Commission attaches growing importance to food aid strategy. For 2001, the Commission's food aid programme earmarked € 201.8 million for direct food aid granted to governments in the form of financial aid and support operations, including € 74 million for budget support.

A sum of € 25.2 million was reserved for technical assistance on the ground, follow-up and monitoring missions, the financing of RESAL (European network for food security), monitoring of food aid and price adjustment of purchases of foodstuffs.

Every effort was made to follow the recommendations set out in the general evaluation of three years of action of food security policy. The priorities were based on optimising analysis capacities with the support of RESAL. Food aid in kind was reserved for vulnerable people in countries in crisis and for serious food crisis situations. It provides a safety net to complement emergency operations.

Allocations to NGOs consisted of support actions for food security (funding) that were the subject of direct contracts between the Commission and NGOs amounting to € 60 million while allocations of food aid, tools and seeds to EuronAid amounted to € 76 million. In the interests of consistency and greater effectiveness, NGO projects were incorporated in the national food security strategy of the intervention countries.

Programming was done jointly with ECHO in shared intervention countries.

3.2.3. *Intervention countries*

These countries are included on the list of eligible countries under Regulation No 1292/96. They are divided into two groups: those that receive structural aid and those that are in a crisis or post-crisis situation. The first group includes countries classified as: least developed (LDC), low-income food-deficit countries (LIFDCs), with a high food insecurity index and where the government is keen for a coherent, long-term food security strategy. The second group includes countries in a crisis or post-crisis situation (linking relief, rehabilitation and development: LRRD). Interventions in these countries are less structural and mostly involve supplying food aid, tools and seeds, together with additional technical and financial support to prevent the risk of famine or help rebuild the economic and social fabric damaged by political or ethnic conflict.

In 2001, the first group included 21 countries: Albania, Burkina Faso, Cape Verde, Mauritania, Niger, Ethiopia, Eritrea, Madagascar, Mozambique, Malawi, Yemen, Bangladesh, Georgia, Armenia, Azerbaijan, Kyrgyzstan, Moldova, Nicaragua, Honduras, Peru and Bolivia. The second group included 18 countries: Afghanistan, Cambodia, India, Pakistan, Laos, Liberia, Sierra Leone, North Korea, Somalia, Sudan, Democratic Republic of Congo, Rwanda, Angola, Ecuador, Palestine, Tajikistan, Montenegro et Haiti.

Concentrating operations on a limited number of countries means a critical mass can be achieved in each country, thereby increasing the impact of aid on improving food security.

3.2.4. *Relations with the other donors*

The Community food security programme is based on four main principles of action:

- coordinating the programme's interventions with those of the other donors, starting with the Member States;
- taking part in drawing up a coherent framework for aid in the recipient country;

- pursuing discussions and analysis to help with implementing the programme;
- focusing interventions in a small number of recipient countries.

3.2.5. *Coordination with the Member States*

The desire for consistency and coordination in EU interventions and those of the Member States exists at all levels at which the food security programme is implemented. Consistency is systematic when programmes are defined, because it is the Member States which, within the EU institutions, decide on the strategic policy outlines of the programme and funding. Furthermore, there is a code of conduct for Member States and the Commission relating to food aid.

In the field, coordination takes place on a case-by-case basis, as a function of donor involvement and the nature of the programmes implemented. In Mozambique, for example, the Commission is coordinating with a number of other Member States as part of PROAGRI, a sectoral programme to strengthen the capacity of the Ministry of Agriculture.

3.2.6. *Transatlantic dialogue*

In 1995, the European Commission and USAID (US Agency for International Development) launched a new stage of the transatlantic initiative, the aim of which is to step up their coordination in various fields. With regard to food security, this dialogue takes place in the field in seven pilot countries: Bangladesh, Bolivia, Ethiopia, Haiti, Kyrgyzstan, Malawi and Mozambique. A food aid analysis table has been jointly drawn up and includes the following points: means allocated; consultation to assess needs and develop a targeting strategy; factors of long-term food security; assessment: frequency, criteria, problems encountered and joint assessment.

In Haiti, this table was used positively to assess the EU and US food aid programmes. In Kyrgyzstan, EuropeAid/USAID coordination led to harmonised intervention by both donors and a reduction in the distorting effects of the US food aid on local markets. In Bangladesh, it led to the joint production of an impact study on income-producing programmes for vulnerable populations.

2001 – ALLOCATIONS BY IMPLEMENTING PARTNERS

Partners	Euro M
Direct	180,24
Indirect	250,94
Other	22,81
Total	453,99



Indirect	Euro M
WFP	98,00
Euronaid (NGO)	76,00
NGO	60,00
UNRWA	15,00
FAO	1,94
Total	250,94

LIST OF COUNTRIES

Cty	SumOfValue
Angola	28,425,191
Ethiopia	25,386,971
Georgia	25,000,000
North Korea	24,569,523
Bangladesh	24,500,000
Afghanistan	20,548,177
Malawi	18,000,000
Eritrea	17,342,773
Mozambique	14,800,000
Sudan	13,653,576
Sierra Leone	13,389,602
Yemen	12,000,000
Burkina Faso	11,532,345
Armenia	10,000,000
Kyrgyzstan	10,000,000
Somalia	9,451,499
Honduras	6,696,996
Ecuador	6,000,000
Cambodia	5,707,110
Tajikistan	5,662,583
Peru	5,000,000
Mali	4,740,391
Gaza	3,792,572
DR Congo	3,445,775
Jordan	3,119,151
Lebanon	2,894,354
Niger	2,612,492
West Bank	2,609,162
Syria	2,584,760
El Salvador	2,210,685
Bolivia	2,145,901
Haiti	2,000,000
Zambia	1,602,071
Liberia	1,258,665
Laos	1,060,764
India	999,724
Nicaragua	891,312
Guatemala	447,350

2001 – GEOGRAPHICAL DISTRIBUTION OF ALLOCATIONS

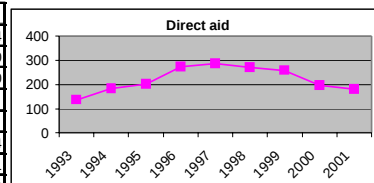
Geographical zones	Euro M.
ACP	167.64
Asia	77.39
Latin America	23.39
NIS	50.66
Europe	0.00
Mediterranean & Middle East	27.00
Other	22.81
To be distributed	85.10
Total	453.99



ACP	M Euro
East Africa	65.83
South Africa	62.83
Central Africa	6.06
West Africa	30.92
Indian Ocean	0.00
Caribbean	2.00
Total	167.64

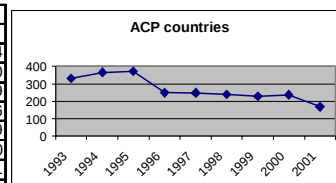
DISTRIBUTION BY PROGRAMME IMPLEMENTING PARTNER 1993-2001

Type of aid (€m)	1993	1994	1995	1996	1997	1998	1999	2000	2001
Direct aid	137,41	183,18	202,16	272,15	287,28	271,91	258,55	196,06	180,24
NGO	160,13	154,51	214,38	106,51	87,21	113,59	85,00	108,05	136,00
WFP	158,47	144,16	137,54	111,45	123,87	141,47	104,14	90,00	98,00
UNHCR	15,66	10,55	12,74	-	-	-	-	-	-
ICRC	20,96	20,27	23,04	-	10,57	9,21	-	-	-
Other organisations	38,14	21,23	13,63	13,40	11,91	12,29	25,50	15,60	16,94
Other (TA, price adjust.)	43,23	55,20	42,81	56,65	15,60	29,88	31,79	48,70	22,81
TOTAL	574,00	589,10	646,30	560,16	536,44	578,35	504,97	458,41	453,99



GEOGRAPHICAL DISTRIBUTION OF ALLOCATIONS- PROGRAMMES 1993-2001

Geographical area (€m)	1993	1994	1995	1996	1997	1998	1999	2000	2001
Europe	-	-	-	-	10,76	0,22	26,90	11,00	-
ACP	329,97	365,34	371,61	248,22	248,02	239,09	226,97	236,83	167,64
Mediterranean & Middle East	74,21	51,80	43,33	34,67	22,91	30,11	20,55	24,80	27,00
Asia	61,99	64,17	121,01	82,18	102,01	154,95	80,73	61,34	77,39
NIS	-	-	-	69,00	62,69	51,10	49,87	41,43	50,66
Latin America	55,63	49,91	67,54	69,44	61,57	72,98	55,56	34,31	23,39
Reserve and not distributed	8,97	2,68	-	-	-	-	12,61	-	85,10
Other (TA, price adjust. ...)	43,23	55,20	42,81	56,65	15,60	31,04	31,79	48,70	22,81
TOTAL	574,00	589,10	646,30	560,16	523,56	579,49	504,97	458,41	453,99



3.3. Health, AIDS and Population

3.3.1. Community response to the problem

Improving the health and welfare of people in the developing countries, the integration of the developing countries into the world economy and the fight against poverty are an integral part of Community policy (Articles 179 and 177 of the Treaty).

The Commission, in conjunction with the Member States, has gradually established a coherent set of aims and principles governing the choice of activities and the allocation of means to problems related to the major diseases and reproductive health.⁶⁴

3.3.2. Objectives

a) Poverty-related diseases

- Maximise the impact of existing interventions, services and commodities in the fight against the main transmissible diseases affecting the poorest populations;
- Increasing access to essential medicines;
- Stepping up research and development, especially into vaccines, microbicides and innovative treatments.

b) Reproductive health

- Guarantee the right of women, men and adolescents to good reproductive and sexual health;
- Allow women, men and adolescents access to a full range of care, services and safe and reliable products concerning reproductive and sexual health;

⁶⁴

http://europa.eu.int/comm/development/aids/html/policiesnf_fr.htm

- Reduce the maternal mortality, especially in the countries and population groups where it is highest.

3.3.3. *Activities in 2001 and areas of intervention*

In recent years, greater attention has been paid to health problems in the developing countries, especially to the major so-called poverty-related diseases.

A Commission Communication concerning the programme of accelerated action on these diseases was adopted by the Council in May 2001.⁶⁵

The process of selecting proposals received from the call for proposals, published in January 2000, and which had already served as a basis for mobilising credits for a first set of proposals in 2000, was continued. Of the 295 proposals initially submitted 112 were examined.

16 projects were accepted in 2001 for a budget of € 20.7 million, with the following breakdown:

AIDS: 11 projects for € 15.2 million and population: 5 projects for € 5.5 million. Several of these projects (6) aim to tackle the problem of HIV mother-to-child transmission. Others focus on the prevention of AIDS by means of better care for people affected by sexually transmitted diseases (3) or by education and training programmes (3). Three projects concern maternal health.

This call for proposals was a first in the context of these budget lines in that it was addressed to a large range of actors: NGOs, local and national authorities, research institutes and community organisations, public and private services.

The actions undertaken in 2001 therefore included the implementation and follow-up of activities launched during that year and those of previous years. In December 2001, over 90 projects worth almost € 100 million were being followed-up.

3.3.4. *The prospects: the Commission's active commitment*

The Commission's participation in 2001 in defining the guidelines for a new Council Regulation on combating diseases (HIV/AIDS, Tuberculosis and Malaria) and reproductive health, the creation of a Global Fund for the fight against these three diseases and the Commission Communication on health and poverty⁶⁶ will help to define better the role and place of thematic budget headings concerning health.

The priorities and measures to be applied in the future centre around 4 points:

- better communication about the interventions supported by the budget headings in order to reinforce their impact on improving the quality of the services provided to people and support for changes in health policies,
- in-depth analysis of the context in which interventions are implemented,

⁶⁵ COM(2001) 96 of 21.2.2001 adopted by the Council on 14.5.2001, 2346th meeting of the Council – General Affairs .

⁶⁶ COM(2002) 129 of 22.3.2002.

- applying know-how on the ground and ownership of it by local stakeholders,
- establishing an operational link between the fight against specific diseases and reproductive health and support for development of the health system.

3.4. Fighting against drugs

Prevention, treatment, reintegration of drug addicts into social and working life, epidemiological studies, combating money laundering, creation of new laws etc. The questions raised by drug trafficking and consumption require targeted responses that fit in with the European Union's global strategy.

3.4.1. Activities in 2001

In accordance with the European Union's Action Plan, Community co-operation is centred on three major areas:

- an intervention balanced between reduction of demand and of supply;
- the principle of "shared responsibility" between producer countries, transit countries and consumer countries;
- the incorporation of drugs control into development co-operation.

With regard to the reduction of supply, the Commission has organised its operation around two major trafficking routes that supply the European Union. In order to reinforce the impact of European action, the Commission has agreed on an information exchange system with the Member States in order to step up European coordination.

The Commission's intervention is often based on the expertise of Member States' national administrations. This mobilisation of European expertise fosters relations between beneficiary countries and Member States, which is welcome because of the international nature of trafficking.

On the **cocaine route**, in **Latin America**, the EC recently began assisting the Venezuelan government to set up a national drugs observatory and has allocated € 2 million to this. In Colombia, the EC wishes to play a major role in the peace process and it contributes to this by means of alternative programmes (€ 30 million out of a total of € 105 million). In the **Caribbean**, the EC has contributed some € 23 million to the Barbados action plan from heading B7-6310 and from the European Development Fund, which includes a set of programmes covering all aspects of the fight against drugs. This initiative is the result of a joint approach on the part of the Caribbean countries, the EU, the USA and the UN. The Community action is designed to reinforce the fight against money laundering and cocaine trafficking by stepping up maritime surveillance and setting up central coordination units that encompass the police, customs and the armed forces.

On the **heroin route**, various schemes to combat trafficking have been undertaken in **Central Asia** and in the **Caucasus**. Demand reduction programmes are in the pipeline. The EC is preparing a new project focused on **Iran**, designed to prevent drug addiction and to train magistrates. It also finances efforts to step up co-operation between the countries of Central Asia, **Iran, Pakistan and Turkey**.

For **demand reduction**, the Commission supports a global approach that goes well beyond detoxification.

The Commission finances a set of programmes from heading B7-6310 and other headings (regional) that support the development of networks of NGOs. These are designed to provide drug addicts with a wide range of services - from basic medical care to social, family and professional rehabilitation and including detoxification and reducing the risks attached to drug use, especially for injecting drug users.

To provide a more appropriate response to the problem, it also intends to improve **third countries' knowledge of the situation** as regards drugs, by financing projects to collate data in these countries. This approach is particularly important to enable the beneficiary countries to define their needs more clearly and to participate in projects in full knowledge of the facts.

The Community also finances several programmes to **combat money laundering** and is involved in the work done by the OECD in this field.

3.4.2. *Perspectives*

In its Communication of 8 June 2001⁶⁷ on the implementation of the EU Action Plan on Drugs, the Commission confirmed the importance given to assistance to non-EU countries in the field of combating drugs. In this context, the Commission has undertaken to focus the programming of anti-drugs action on the countries crossed by the EU's two main supply routes. The Commission will continue to develop projects to step up coordination between the beneficiary countries and with the Member States.

3.5. **Linking relief, rehabilitation and development**

- In April 2001, the Commission adopted a Communication on linking relief rehabilitation and development (LRRD) The Commission has undertaken a number of actions to implement the policy principles of Linking Relief Rehabilitation and Development (LRRD) The Commission is in the process of proposing further orientations and decisions to that end, including:
 - restructuring of budget lines and regulations to be used for linking relief and development;
 - establishing guidelines for ECHO's exit strategies;
 - establishing an agenda for improving its working methods with a view to increasing its capacity for rapid interventions.

In 2001, **ECHO's mandate and role** vis-à-vis the other Community instruments in the field of external relations was further clarified with respect to its role in the so-called "transition gap" between relief, rehabilitation and development (LRRD). As outlined in the Commission **Communication on LRRD**,⁶⁸ ECHO will focus on its core mandate, while development co-operation will have to strengthen efforts to

⁶⁷ COM(2001) 301 final of 8.6.2001.

⁶⁸ Commission Communication on Linking Relief, Rehabilitation and Development – An assessment (COM 2001 (153) final of 23.4.2001).

bridge the gap from the other side. In order to further enhance its transparency and predictability, ECHO prepared a **working paper** in December 2001 to clarify its general criteria for phase-outs and hand-overs. The working paper established these criteria in two steps:

- 1) by defining the modalities for a smooth transition from humanitarian assistance to rehabilitation and development, and
- 2) by looking at the main contextual factors that will have an impact on the modus operandi for phase-outs.

3.5.1. *The main instruments*

- Aid for uprooted people

A new legal basis⁶⁹ came into force in 2001, under which action for Asia and Latin America can be programmed until 2004.

Furthermore, as the convention currently in force between the European Community and the United Nations Relief and Works Agency for Palestine refugees (UNRWA)⁷⁰ is about to expire, the Commission has obtained a negotiating mandate from the Council to draw up a new Convention to last for 4 years.

As regards the ACP countries, Article 255 of the Lomé IV Convention allows resources of the European Development Fund to be mobilised to assist uprooted people in these countries.

- Rehabilitation schemes

EC policy in this field is governed by Council Regulation 2258/96 of 22 November 1996 on rehabilitation and reconstruction operations in developing countries (published in OJ No L 306 of 28 November 1996). These operations: *“of limited duration and to be launched as quickly as possible without compromising the quality of assessment, shall be designed to help re-establish a working economy and the institutional capacities needed to restore social and political stability to the countries concerned and meet the needs of the people affected as a whole. The operations must progressively take over from humanitarian action and pave the way for the resumption of medium-term and long-term development aid”*.

- Action against antipersonnel land mines

Although Community operations in this field have their own budget heading of a general scope, they did not until now have a specific legal basis. Here again, the adoption of a legal basis⁷¹ that is valid until 2009 will help to increase the coherence of operations by means of medium-term programming.

⁶⁹ Regulation (EC) No 2130/2001 of the European Parliament and of the Council of 29 October 2001 on operations to aid uprooted people in Asian and Latin American developing countries, OJ L 287, 31.10.2001, p 3.

⁷⁰ EC-UNRWA Convention 1999-2001, Council Decision, OJ L 261, 7.10.1999.

⁷¹ Regulations (EC) No 1724/2001 and 1725/2001 of the European Parliament and of the Council of 23 July 2001 concerning action against anti-personnel landmines in developing countries, OJ L 234, 1.9.2001.

- NGO cofinancing

Council Regulation No 1658/98 of 17 July 1998⁷² on cofinancing operations with European NGOs is also an instrument for financing development operations that take over from humanitarian operations.

3.5.2. *The main areas of action in 2001*

- Aid for uprooted people

Although operations in Latin America continue, new commitments in this field primarily concern uprooted people in Asia in situations of prolonged crisis. These are people who come from Afghanistan, Burma/Myanmar, Sri Lanka and the Philippines (Mindanao). The projects currently under way cover a wide variety of fields, ranging from assistance to refugees in camps – generally implemented by the UNHCR – to operations carried out by international and local NGOs working in the fields of education, health, water supplies or rural development. Where the situation allows, the emphasis is on returning people to their regions of origin.

As a result of the deterioration of the situation on the ground in the Middle East, the European Community has decided to increase its contribution to the activities of UNRWA. Besides its annual allocation for 2001 (€ 42 million), an additional contribution of € 15 million was mobilised for operations in the field of education and primary health care for refugees in four geographical areas: West Bank, Gaza Strip, Lebanon and Syria.

As regards the ACP countries, a convention of € 25 million was signed with the UNHCR for the voluntary repatriation of Burundian refugees currently in Tanzania on the basis of Article 255.

- Rehabilitation operations

Rehabilitation operations are financed from various budget headings covering different regions of the world (Asia, East Timor, Latin America, Mediterranean, New Independent States and ACP countries). The projects funded take several forms and cover very varied sectors, ranging from support for grassroots community organisations to large-scale projects to rehabilitate infrastructure.

East Timor deserves special mention: Community support combined with the international community's efforts under the *Trust Fund for East Timor* is contributing to the creation of an independent State. The fact that elections for the constituent assembly went smoothly in September 2001 augurs well for the continuation of the reconstruction process.

- Action against antipersonnel land mines

Action against antipersonnel land mines concerns the countries worst affected by this scourge. These operations cover both de-mining operations (Afghanistan, the Balkans, Angola, Mozambique, Somalia, Laos), and the establishment of information systems (Balkans) and institutional support (Cambodia).

⁷² OJ L 213 of 30.07.1998 p. 1.

3.6. Environment

The year 2001 has been very intensive in terms of activities carried out in the fields of Conservation and Wildlife (C&W), Forestry (For) and Sustainable Management of Natural Resources (SMNR) with the implementation of 7 new programmes/projects for a global amount of € 55 1 million, and with the approval of 4 new programmes totalling € 26 million.

Ongoing activities have been pursued, in particular in the Congo Basin, with the ECOFAC programme and related activities co-ordinated by the strengthened Regional Environmental Unit based in Libreville. The duration of some programmes planned to end in 2001 has been extended: Wildlife Tanzania, Wildlife vision Gabon, Indian Ocean Regional Environmental Programme. The Regional SMNR in Western Africa (AGIR, Guinea, Guinea-Bissau, Mali, and Senegal) has slowed down due to insufficient internal consistency, and a global evaluation is about to be launched.

The main tangible outcomes of year 2001 are the increase by 5 times of the total area of the Odzala National Park (Congo Brazzaville) and of the Monte Alen National Park (Equatorial Guinea) as well as the constructive continuation of the dialogue with logging companies. Furthermore, it is important to note the establishment of the Network of Protected Area of Central Africa (RAPAC) with the election of the President and the organisation of the first meetings of the Board of Directors. The willingness of the 5 world heritage sites in the Democratic Republic of Congo to join the network and the new membership of The Zakouma National Park in Chad are likely to give a very positive impulse to RAPAC.

The 9th EDF programming exercise has begun with particular emphasis on regional programmes and the need to appoint a network of experts with regional tasks who can support EC Delegations and the Commission in implementing environmental policies and programmes.

Water management has to be seen as a cross-sectoral issue to be incorporated into development policies centred on poverty reduction (see section 2.5.3.)

Energy is recognised as an important crosscutting element in the elimination of poverty and the achievement of the Millennium Development Goals. The strategy for sustainable energy support emphasises the need to mainstream it into the social and economic sectors (health, education, and enterprise development), as well as the environmental and other benefits of increasing use of energy efficiency and renewable energy. It also emphasises the importance of institutional capacity building and policy support in the energy sector, as well as the necessity to enhance partnerships between the private and public sectors, and involve civil society.

A Working Group of the ACP-EU Joint Parliamentary Assembly on Renewable Energy developed a resolution, adopted by the Assembly in 2001, recognising the essential need for energy services in the fight against poverty, and calling inter-alia for awareness-raising and capacity building measures for renewable energy. As a follow up to the above resolution and in order to stimulate integration of sustainable energy into 9th EDF programmes, a conference, for NAOs and key stakeholders, on sustainable energy in ACP islands was organised by the Commission, in June 2001 in the Dominican Republic, to raise awareness and start the energy mainstreaming process.

3.6.1. Activities in 2001

The financial allocations earmarked for the environment and forests are designed to:

- support global or regional initiatives, especially in connection with regional conventions in the environmental field (climate change, biodiversity, desertification) or international agreements;
- select, on a flexible basis, the partner countries (including middle-income countries) that are of particular importance in the context of the fight against environmental degradation in general, such as Mexico, Brazil or certain countries in Southeast Asia;
- launch pilot initiatives.

In 2001, commitment appropriations amounted to € 54 million, of which € 13 million were appropriations carried over from 2000 to 2001 because of the late adoption of the legal bases (the new regulations were adopted in November 2000).

Activities in 2001 were a continuation of those carried out in 2000. Essentially they involved the management of 221 projects adopted in 2000 or earlier, with the following geographical breakdown:

	Environment	Forests
Africa and Madagascar	49	46
Pacific	-	2
All ACP States	6	-
Latin America and the Caribbean	22	53
Asia	8	16
Mediterranean	4	-
Global	6	9
Total	95	126

In addition there are 29 projects selected following a call for proposals which generated almost 640 funding applications, and 5 other targeted projects

Call for Proposals	Environment	Forests
Africa and Madagascar	1	5
Latin America and the Caribbean	5	11
Asia	3	4
<i>Sub Total</i>	9	20
Outside the call for proposals		
Africa and Madagascar	1	2
Latin America and the Caribbean		1
Asia	1	
<i>Subtotal</i>	2	3
Total	11	23

3.7. Co-financing NGOs

The Commission cofinances operations in the developing countries and information campaigns in the Member States with Northern NGOs. It also cofinances operations to increase co-operation initiated by Southern civil society actors.

The whole 2001 budget of € 204 million was committed.

3.7.1. *Cofinancing with European NGOs*⁷³

At 1 January 2001, there were 1 759 projects under way, plus 293 projects selected in 2001 from the 1 200 applications for cofinancing that were presented under the first Call for Proposals (published in June 2000).

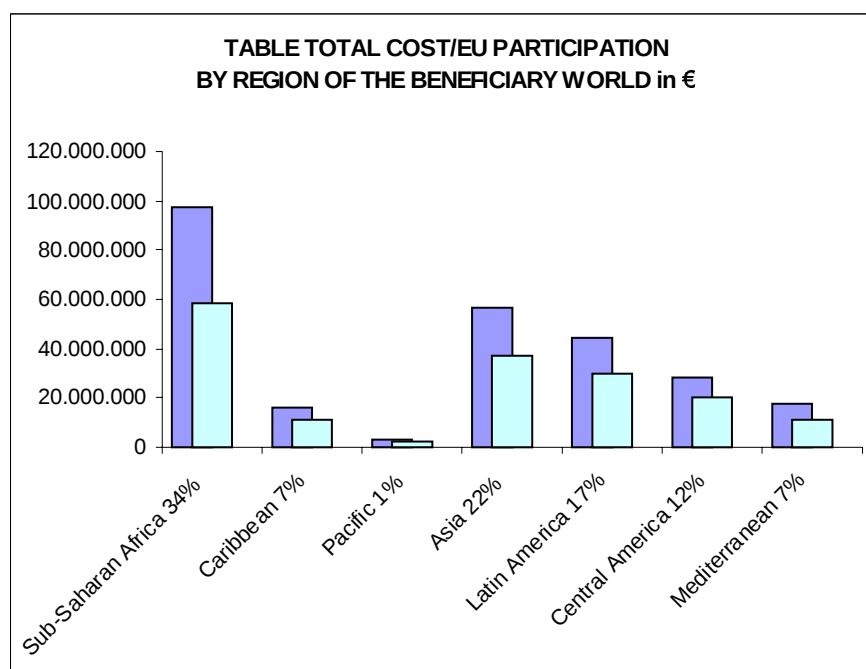
On the ground

These actions are proposed (exclusive right of initiative) by European NGOs (which have their headquarters and decision-making centre in a Member State) and are carried out either in the form of “projects” on the ground in the developing countries or in the form of “Block Grants” when, for reasons of effectiveness, several micro-operations are grouped together. In this case they are referred to as “contracts”.

Generally speaking, therefore, the Commission cofinances projects and sets of thematic operations aimed at poverty reduction in the most vulnerable countries to the tune of € 176 million annually.

⁷³

Budget heading B7/6000 Regulation (EC) No 1658/98.



Dark: total cost of the operations proposed; light: the share effectively cofinanced by the Commission. The percentages given correspond to actual financing by geographical area.

Comments: This analysis by area corresponds to the distribution of the poorest or worst affected people; the reason for slight distortions is the exceptional operations in Mozambique or Cuba during this period.

Development education

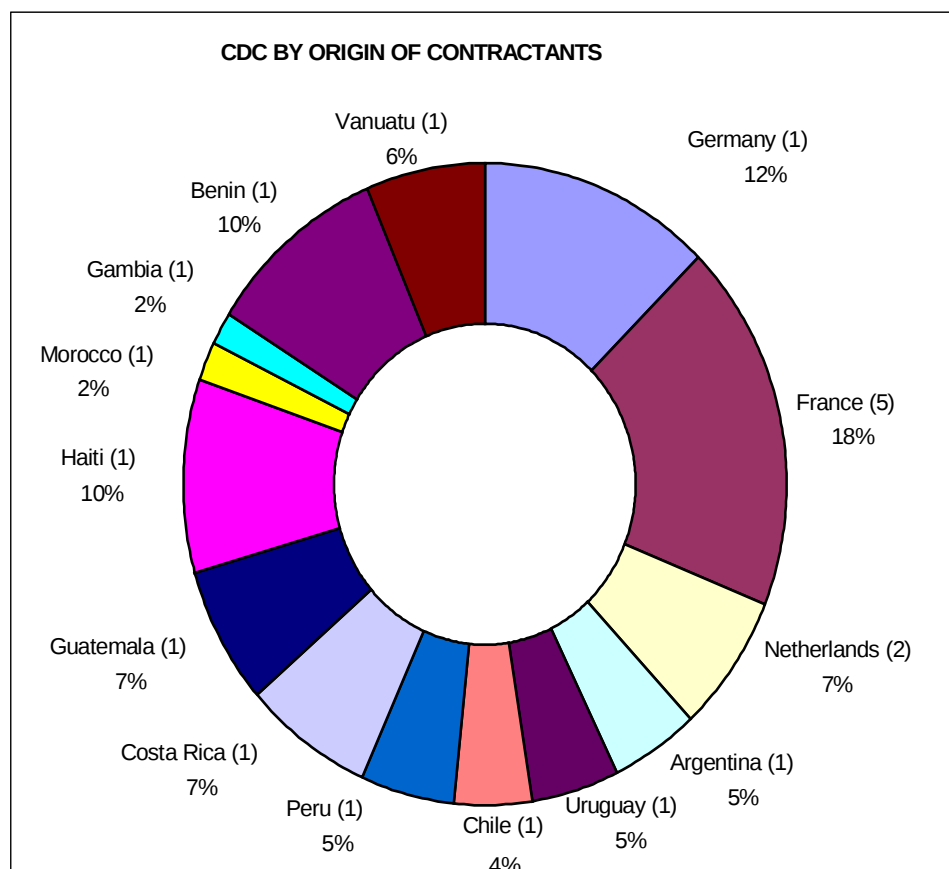
Like the operations described above, European NGOs also propose campaigns to raise public awareness in the European Union. In 2001, the Commission analysed 132 applications, and selected 49 operations for cofinancing totalling € 19.3 million.

Under the 2000 call for proposals, 21 operations were selected and financed out of the total of 61 presented in 2000.

3.7.2. *Decentralised co-operation*⁷⁴

Out of the 74 requests presented in 2000 and 2001, 19 grants were committed in 2001 for a total of € 5 million.

⁷⁴ Budget heading B7/6002 Regulation (EC) No 1659/98.



3.7.3. Other activities

- Publication of 2 new Calls for Proposals⁷⁵ at the end of December 2001 in accordance with the guidelines approved by the Member State for the years 2002-2003.
- Drafting of the Cofinancing Info Guide,⁷⁶ which will be useful for the appraisal, execution and evaluation of operations and in the context of the devolution process, will help the Delegations to keep a firmer hand on follow-up, monitoring and control activities.

As its design is firmly focused on the new technologies (Internet), users can have instant and direct access to the relevant information, thereby fostering an effective operational approach to combat poverty in the developing countries.

Drafting the Programme Contract instrument

In accordance with the rationalisation policy adopted by the Commission following the decision of 16 May 2000, in view of the proposal made by the NGOs, in accordance with existing rules, especially to improve the quality and coherence of long-term operations, a “call for programme contract ideas” was published at the same time as the call for proposals for 2000.

⁷⁵ <http://europa.eu.int/comm/europeaid/cgi/frame12.pl>

⁷⁶ Available soon at http://europa.eu.int/comm/europeaid/projects/ong_cd/index_fr.htm

67 applications were registered totalling more than € 300 million. A new evaluation and selection procedure for this pilot cofinancing instrument is in the process of being drawn up. 15 proposals, representing a total request of € 83.5 million were chosen for this experiment. A budget allocation of some € 40 million will allow the best programmes to be financed as from 2003.

The Commission intends to participate in the seminars organised by civil society, particularly to evaluate the start-up of this pilot instrument.

4. IMPLEMENTATION: THE REGIONS

4.1. Countries covered by the EC External Assistance

The EC External Assistance covers all the regions in the world. The following sections show the EC partnership and co-operation activities in all of them, under geographical bases. To make reading easier, we display all of the countries of each region in these pages. The sub-regions are indicated, where relevant.

The Balkans

Albania, Bosnia and Herzegovina (BiH), Croatia, the former Yugoslav, Republic of Macedonia (FYROM), the Federal Republic of Yugoslavia (FRY).

The Partner States of Eastern Europe and Central Asia

Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgystan, Moldova, Mongolia, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan

South Mediterranean, Near and Middle East

Algeria, Cyprus* Egypt, Israel, Jordan, Lebanon, Malta,* Morocco, Palestinian Authority, Syria, Tunisia, Turkey*

** Originally Euromed countries, at present EU candidate countries.*

African, Caribbean and Pacific (ACP)

Caribbean

Antigua and Barbuda, Bahamas, Barbados, Belize, Cuba** Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Surinam, Trinidad and Tobago.

*** Cuba was admitted as a new member of the ACP in December 2000, but is not signatory of the Cotonou Agreement.*

Pacific

Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu.

West Africa

Benin, Burkina Faso, Cape Verde, Ghana, Guinea, Ivory Coast, Liberia, The Gambia, Guinea Bissau, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo.

Central Africa

Cameroon, Central African Republic, Chad, Equatorial Guinea, Gabon, Sao Tome and Principe.

Eastern and Southern Africa and Indian Ocean

Angola, Botswana, Burundi, Comoros, Congo (DRC), Djibouti, Eritrea, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe.

Asia

Asean

Brunei, Burma/Myanmar, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam.

Saarc

Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka.

Other Countries and Regions*

Afghanistan, China, East Timor, Hong Kong, North Korea, Macao.*

* Yemen, Iran, and Gulf countries are dealt with in the Mediterranean section of this Report

Latin America

Central America

Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama.

Andean Community

Bolivia, Colombia, Ecuador, Peru, Venezuela.

Mercosur

Argentina, Brazil, Paraguay, Uruguay.

Others

Chile, Mexico.

4.2. South-Eastern Europe: The Balkans

Since its inception in 1999, the Stabilisation and Association process is the cornerstone of EU's policy towards the Western Balkans. It offers the countries in the region a steadily closer association with the EU. The three main instruments underpinning this process - contractual links, autonomous trade preferences and financial assistance – are designed to equip the countries with the means to maintain stable democratic institutions, to ensure the rule of law prevails, to sustain open prosperous economies and to create strong links between the countries and the EU as well as encourage regional co-operation.

The process is already beginning to produce the desired results. The countries are becoming stable, political and economic reform programmes based on EU law and practice are being implemented throughout the region. There are many challenges ahead, however. Problems of weakness in the rule of law and democratic institutions, corruption, poverty, social exclusion and threats of resurgence of extremist nationalism remain. The European Union's commitment to the region is long term and it will continue assist the countries in coping with these challenges and make headway on the route towards full integration. The CARDS programme is one of the tools of this process; its aim being to help these countries become viable, functioning states at the same time as they align their legal and economic systems with those of the EU.

4.2.1. Introduction

The year 2001 saw the three basic building blocks of the Stabilisation and Association Process in place and generating results to the countries or to the region as a whole.

Stabilisation and Association Agreements were signed with the former Yugoslav Republic of Macedonia on April 2001 and Croatia on October 2001: Interim Agreements were also signed the same year with the two countries in order to allow the trade and trade-related matters of the SAA to enter into force in 2001. Also in 2001 the Commission recommended the opening of the negotiations for an EU/Albania Stabilisation and Association Agreement. BiH continued during 2001 the work on the Consultative Task Force and progress on the 18 basic steps identified in the Road Map, hoping for a completion of those in 2002. With respect to the Federal Republic of Yugoslavia, the EU-FRY Consultative Task Force was launched in July 2001, holding two meetings during the year leading to its final meeting and preparation of a Feasibility report in 2002.

The Trade Preferences, following the EU unilaterally granting, in November 2000, of almost totally free access to its markets for goods from the Balkans, have already provided a much needed stimulus to exports. The trade regime serves as a catalyst to the development of a network of free-trade agreements between the countries of the Stabilisation and Association process and beyond. A Memorandum of Understanding was signed in Brussels on the 27th of June 2001, in the Framework of the Stability Pact, by Albania, BiH, Bulgaria, Croatia, former Yugoslav Republic of Macedonia, Romania and the Federal Republic of Yugoslavia aiming to establish a **network of Free Trade Agreements** in the SEE region by the end of 2002.

The EU, which has provided massive financial assistance to the region (over € 5 billion since 1991) has sifted the emphasis of the assistance as the needs of the region evolve. A new regulation was adopted in 2000, which brought a more strategic approach to the provision of assistance to the countries of the region and reinforces the objectives of the Stabilisation and Association process. The assistance will focus increasingly on support for the reforms and institution building necessary to implement the obligations in the Stabilisation and

Association Agreements. € 4.65 billion has been agreed for the region for the 2000-2006 period.

A qualitative leap forward has been made in the programming of CARDS assistance with the adoption at the end of 2001 of Countries' and Regional Strategy for 2002-2006. These programmes, designed in close consultation with the partner countries, the Member States, relevant international organisations and other donors, focus CARDS for the 2002-2006 period on key Stabilisation and Association priority areas, ranging from essential reconstruction, to focused measures designed to build each country's institutional capacity to understand, legislate on and finally implement core elements of the *acquis* and entrench the rule of law.

This improvement in programming is being matched by better implementation. CARDS assistance is on the whole being delivered rapidly and efficiently. The European Agency for Reconstruction in particular has, since its establishment in February 2000, established an impressive track record in delivering assistance quickly and efficiently in its area of operations - initially Kosovo, but now including Serbia and Montenegro, as well as the former Yugoslav Republic of Macedonia, where in December 2001 the Commission extended its mandate for the majority of EC assistance programmes in the country. Elsewhere in the region decision-making is being devolved to Delegations on the spot and their staffing levels are being increased in order to enhance aid delivery.

In **Albania** during 2001 implementation of the programmes designed in the previous years was ongoing. In order to make further progress in the Stabilisation and Association process, Albania needs to guarantee a stable political environment, with fully functioning democratic institutions, which would allow the country to re-focus on needed reforms and accelerate their implementation.

This is why the CARDS allocation 2001 of € 37.5 million has been a transitional year to gradually move the emphasis from the infrastructure investments to institution building projects. Project implementation of the Cards 2001 is due to start in autumn 2002.

Bosnia and Herzegovina continued to proceed with the process of completion of the "road-map", a work plan indicating the most crucial reforms, which BiH must address. BiH benefited from substantial financial assistance in 2001 (CARDS: € 105.23 Mio.), with main focus on refugee return, economic development, justice and home affairs and institutional capacity building.

In 2001 the **FYROM** faced the most serious political and security crisis in its history. This crisis had a major impact on the economy, democratic institutions and the administration's ability to continue the reform process.

Active political mediation by the EU Special Representative facilitated the signing of a Framework Agreement between the parties involved in the conflict on 13 August 2001. The Framework Agreement requests that the EU co-ordinate the international community's assistance in the implementation of the provisions of the Agreement, in co-operation with the Stabilisation and Association Council. The full implementation of this Agreement is essential to build the countrywide political consensus and stability needed for the reform effort ahead.

The EC's pro-active involvement is reflected also in the additional assistance provided by various EC instruments. Immediate humanitarian needs were covered by ECHO, and the European Initiative for Democracy and Human Rights supported the monitoring of the population census. The Rapid Reaction Mechanism (€ 12.8 million) and CARDS emergency

assistance (€ 13.7 million) concentrated mostly on rehabilitation and reconstruction, to facilitate return of refugees and displaced persons.

By the end of 2001, some 430 houses, many of them seriously damaged, had been or were being rebuilt. Repair and rehabilitation of power networks, supplying electricity to some 150,000 people, was completed or well under way. Security remained a problem both for NGOs involved in housing reconstruction and the Macedonian Electricity Company, with works sometimes having to be suspended and resumed later once security situation permitting.

Rapid progress in the relationship between the EU and **Croatia** in 2001 is reflected in the signature of the Stabilisation and Association Agreement (SAA) in October, and also in the substantial increase in assistance, from € 18.3 million in 2000, to € 60 million in 2001. While refugee return was the main focus in 2000, the 2001 programme extended to human capital development, compliance with SAA obligations (notably in Justice and Home Affairs matters), strategy development capacity building and support to civil society.

Meanwhile assistance to **FRY** in 2001 amounted to more than € 550⁷⁷ million. Assistance continued with major repairs and investments in physical infrastructures and utilities, which accounted for 60% of 2001 funds. Gradually assistance also moved towards support for longer-term, sustainable development of a market-oriented economy (25% of the funds, largely directed to enterprise support and rural/agricultural communities) and the establishment of democracy, Human Rights and the rule of law (15% of the funds).

During 2001, the European Union increased its ties with the region, building on what had been achieved in 2000.

The **European Agency for Reconstruction**⁷⁸ is responsible for the management of the main EC assistance programmes in FRY and FYROM. The total sum of EC funds newly delegated to the Agency in 2001 amounted to some € 525 million, and it now oversees a portfolio of over € 1.6 billion across its four operational centres. Of the funds under its management at the end of 2001, 85% had been contracted and 68% paid.

During 2001, in the Republic of Serbia, the Agency helped to stabilise an emergency situation, ensuring a sufficiency of electricity and fuel oil, basic foodstuffs and essential medical supplies, while carrying out small-scale infrastructural projects in towns and schools across all municipalities. In the new 2001 programme it consolidated its work in the energy sector, while continuing to supply essential drugs and healthcare equipment. It imported agricultural seed and fertiliser to help revitalise the rural economy. It provided credits to galvanise the small business sector, and it launched smaller programmes to promote freedom of the press, and to support civil and environmental regeneration specifically in Southern Serbia.

In Kosovo, the Agency continued to meet the most basic needs of physical rehabilitation: in works on the main power plants and coal mines; in rebuilding damaged houses, roads and bridges; in ensuring reliable water supply and waste disposal. At the same time, it successfully disbursed loans for small and medium-sized businesses and for small-scale farmers, and boosted productivity in the rural economy through the provision of basic agricultural inputs. **Its projects also paid particular attention to bequeathing longer-term**

⁷⁷ Including Kosovo and part of the regional co-operation budget. Humanitarian assistance is not included.
⁷⁸ [http:// www.ear.int](http://www.ear.int)

best practice in Kosovo, by giving technical assistance and building institutional capacity. Smaller projects were launched to encourage a free and professional press, and to support small NGO initiatives – particularly for women and for minorities of all descriptions.

In the Republic of Montenegro, the Agency accelerated key improvements in basic infrastructure - buildings roads, bridges, and schools. Increasingly, it gave more impetus to the reform of central and local administration.

The scale of the EU's total engagement in the region continues to grow. The European Union is involved at every level. *Strategically*, by holding out the prospect of potential membership in the long term, and much closer association with the EU in exchange for reform in the short term. *Militarily*, by supplying 38,000 peacekeeping troops from EU Member States, the bulk of the total. *Politically*, by taking a very active role in the affairs of the region, including in responding to crises like in FYROM and Southern Serbia, or in helping to find solutions to sensitive political questions like the relationship between Serbia and Montenegro. *Institutionally*, by working across the board to build strong institutions, so that the Western Balkan countries can manage their own affairs, uphold the rights of their citizens, and tackle organised crime. *Economically*, by assisting with economic reform, by providing substantial budgetary assistance, and above all, by taking the radical step of opening the entire EU market to exports from the Balkans, without, at this stage, demanding reciprocal concessions in return. *Financially*, by backing the EU policy with enormous financial help extending over many years. The region is receiving some of the highest per capita assistance in the world, comparable to the levels that the EC is giving to the candidate countries.

CARDS COMMITMENTS AND PAYMENTS IN THE REGION 2001 (€ million)

PROGRAMMES	COMMITMENTS		PAYMENTS	
	2001	2000	2001	2000
Countries/bilateral				
Albania	37.50	32.80	56.00	75.30
Bosnia and Herzegovina	118.70 (1)	97.30	143.20	191.50
Croatia	60.00	18.30	14.50	11.50
FRY-Serbia/Montenegro	230.00	215.50	195.80	152.90
FRY-Kosovo	171.50	416.00 (2)	402.10	213.20
FYROM-Macedonia	56.20 (3)	20.90	28.10	29.40
Regional Co-operation (4)				
Sub total	768.18	800.80	968.70	673.80
Regional	20	16.70	1.70	- (5)
Total Bilateral/Regional	788.18	817.50	970.40	673.80
Other budget lines / BA lines (ATA etc.)	8.00	3.00	1.30	2.50
GRAND TOTAL	796.18	820.50	971.70	676.30

(1) Total 2001 budget is € 105.23 million.

(2) Including € 175 million adopted by Noteboom procedure at the end of 2000.

(3) Implementation of 2001 programme started when political conditionality was compiled with end November 2001.

(4) Regional Co-operation elements are included in the figures per country.

(5) Regional elements are included in the figures per country.

Overview of Commitments/Payments 1995-2001 (€ million)

	1995	1996	1997	1998	1999	2000	2001	Total
Overall Commitments	440	581	584	462	988	1062		5550
Of which								
CARDS (Obnova-Phare-Cards budget lines)								
Commitments	81	320	330	305	455	843	1035	3369
Payments	73	298	254	146	237	624	618	2250
Ratio payments/ commitments	91 %	93 %	77 %	48 %	52 %	74 %	60 %	67 %
Democracy & Human Rights								
Commitments	3.60	6.80	14.00	6.80	9.72	10.40	11.68	63.00
Payments	3.20	6.25	10.90	6.26	4.08	3.01	0.35	34.05
Ratio payments/ commitments	89 %	92 %	78 %	92 %	42 %	29 %	3 %	54 %

4.2.2. Regional co-operation

Tackling regional problems and raising levels of regional co-operation are the focus of the regional strategy adopted in October 2001. The € 197 million package for the period 2002 -2004 aims at providing assistance at the following areas:

- Integrated border management to help *inter alia* tackle cross-border crime, to facilitate trade across borders and to stabilise border regions.
- Institutional capacity building to develop the rule of law and develop understanding of EU policies, standards and laws
- Support for democratic stabilisation to help cement advances in democracy and boost involvement of civil society in the region's development.
- Support for planning the integration of the region's transport, energy and environmental infrastructure into the wider European networks.

These areas have been selected because of their contribution to co-operation between the countries of the region or because they offer higher efficiency through delivery at the regional level.

In addition to the approval of the strategic framework, the EC launched in 2001 the regional programme for an amount of € 14 million addressing key building blocks for the regional co-operation. It addressed activities in the areas of Justice and Home Affairs and especially on Justice and Police Co-operation and training (€ 4.2 million); in the area of Infrastructure development by making resources available for an infrastructure project preparation facility for an amount of € 3 million and to strengthen Public Administration reform and regional co-operation (€ 6 million), in particular in the areas of accountancy, statistics (with the support of Eurostat) and the European Environmental Agency. It also launched support to SENSE News Agency to cover the activities of the International Criminal Tribunal for the Former Yugoslavia (€ 0.3 million) and the setting up of a Regional University Network (€ 0.5 million), which is a joint EC-UNESCO programme. The programme's overall result will be enhanced reliability, capacities and accountancy of public

administrations especially in respect of the priority areas of provision of civil service, administrative organisation and control, public finance management, financial control/audit, policy and judiciary capacities, public procurement, and tax administration and international trade agreements.

EC contribution under CARDS 2001: € 2.85 million (in addition to € 950,000 under OBNOVA 2000). This ends in 2003.

CARDS Regional Co-operation Commitments 2001 (€ million)

Regional Co-operation	Project Title	Commitment
	Justice and Home Affairs	4.2
	Regional Infrastructure Development	3.0
	Strengthening Public Administration	6.0
	Democratic Stabilisation	0.8
TOTAL		14.0

4.2.3. *Transport and Infrastructure, Water and Energy*

Ahead of the regional programme 2001, a Regional Balkans Infrastructure Study Programme (€ 6 million) was adopted in January 2001.

In the transport sector the most high profile achievement of 2001 was the opening of the Vora-Sukth highway near Tirana. This completed the link between the capital and Durres, on the coast, nearly all of which was financed by the EC. At Durres, half of the ferry terminal quay came into operation, with works on the second half starting later in the year. In May 2001, the 33km Durres-Rroghozine highway opened, a stretch of road where the East-West and North-South corridors meet.

During 2001, phase II of the EC's support to local community development projects was completed, with the funding of more than € 7 million worth of small scale infrastructure projects in towns and villages throughout Albania. In 2001 these included nearly 30 rural and urban roads, almost 20 rural water supply and waste water systems, two bridges a school and a local court. All projects under Phase III of the Local Community Development Programme have been concentrated in Tirana, which has doubled its population over the past decade. Further smaller scale investments are planned in the local community development projects within CARDS 2001.. The Commission has already been helping the municipality smarten up the façades of the main streets – with contributions from businesses and residents.

Repairing the damage of conflict includes repairing national infrastructure as well as infrastructure linking Bosnia to the rest of Europe. The largest civil engineering reconstruction project, Samac Bridge, worth € 12.3 million, was reconstructed with EC funds.

Samac Bridge

2001 saw the completion of Samac bridge, located on the interstate highway E 73 between Bosnia and Herzegovina and the Republic of Croatia. It is an important link along the Pan-European Corridor V, identified within the Balkan Stability Pact for future development. The bridge was blown up during the conflict in 1992, rendering it impassable to traffic. In addition, the debris in the riverbed diverted the flow towards the south bank causing considerable erosion. This change in the hydraulic regime was restored during the course of the new works. In general form the reconstructed bridge follows its predecessor but the width of the roadway was increased to 6.6 metres between kerbs to facilitate two-way traffic flow. The scope of the project was extended to include railway works for new track over the bridge and connections to the existing rail networks on the north and south side of the river.

Reform in civil aviation transport continued to receive support, given the needs of the sector, and the strategic location of Bosnian air space. Technical assistance (1 million) aims to help establish a strong and effective Department of Civil Aviation, capable of performing its functions effectively and supervising the safety and security responsibilities and obligations upon completion of the project.

Energy infrastructure rehabilitation received € 3.8 million as a complementary action to an EIB and EBRD funded project. The EC provides a technical assistance contribution to the interconnection of power systems in South Eastern Europe with those of Central and Western Europe at the central power station in Ernestinovo in the Croatian Danube Region.

To date, the European Agency for Reconstruction has repaired 380 km of main roads in Kosovo. The assistance also included essential safety measures such as horizontal and vertical road signs, white lines, barriers in key road axes and two bridges. This work has significantly upgraded the transport infrastructure across Kosovo, thus facilitating the movement of goods and people. In addition, support has been given to the railway system in Kosovo (supply of equipment and the repair of tracks). Institutional support has also been given to the Ministry of Transport (formerly, UNMIK's Department of Transport). The border crossing at Blace between Kosovo and FYROM is also being improved.

In Montenegro, emphasis is being placed on improving the levels of service and road safety of the coastal road between Petrovac and the Croatian border, and of the main road between Podgorica and Cetinje. The transport infrastructure programme for the 2001 budget includes:

- construction of an 8km third lane on the road from Podgorica to Cetinje
- construction of a 1.5 km third lane on the road from Petrovac to the Croatian border
- rehabilitation of two additional landslips on the road from Podgorica to the Croatian Border

upgrading safety facilities on the sections of the same two roads that are not directly part of the other two projects. The project will concentrate on 124 km of road and provide anti-skid surface treatment at "black spots", and crash barriers. It will also upgrade warning and information signs and improve road junctions.

Transport and infrastructure is key for the development of FYROM, given its geographical position as a transit country. This sector continued to receive support from the 2001 budget. Of the € 13.5 million foreseen for these sectors, € 11 million were committed to finalising the upgrading of the E75 road, part of Corridor X of the Trans European Network of cross continental road routes. A small-scale infrastructure Fund with € 2.5 million was set up, to provide for upgrading of infrastructure in municipalities.

To alleviate the consequences of the political and military crisis, the EC funded the repair of the electricity distribution transmission and distribution systems, local infrastructure, buildings and houses in the former conflict areas. The EC also provided cash assistance to about 6,500 families hosting refugees or displaced people.

Similarly, in FRY, infrastructure, energy, housing and environment have been the areas receiving assistance, in total more than € 297 million in 2001. Since June 1999, € 273 million of EU funds have been provided to improve the energy supply in Kosovo. € 80 million were allocated in 1999 and 2000 to pay for electricity imports, emergency repairs to Kosovo's own power stations, and the salaries of employees. In 2000 and 2001, the European Agency for Reconstruction implemented a major overhaul of Kosovo B power plant. To date, € 121 million have been spent on the overhaul. Alongside this overhaul, €50 million of EU funds have been directed towards an extensive rehabilitation of the coal mines that feed both Kosovo B and Kosovo A power stations. Repairs on Kosovo's electricity transmission networks and the district heating systems have also been undertaken.

The 2001 Serbian energy programme aimed to help stabilise and secure the domestic power supply through:

- rehabilitation of 4 thermo-electric power plants, plus spare parts for other coal/hydro-electric facilities (€ 37million)
- 42 projects to overhaul sub-stations and power lines (€ 24 million)
- provision of equipment and further spare parts for two coal mines - Kolubara, Kostolac (€ 17 million)
- technical assistance and institution-building (€ 2 million).

Works started in August 2001 and are now complete, with all equipment and other supplies delivered.

The programme also supported the further rehabilitation and maintenance in power generation, distribution and in the coal mines, and further imports of electricity. € 15 million was allocated to the Serbian Assistance Fund for Energy, a joint venture with the US Government, which contributed \$15 million through USAID. The fund was a financing mechanism to assist the imports of electricity into Serbia. EU-funded imports started in early December and concluded in January 2002. Funds were also allocated to preliminary studies on the setting up of a Serbian Energy Efficiency Agency and a Serbian Energy Regulatory Agency, and a study on the new measures needed to increase coal production at the Kolubara mine.

Under the “Energy for Democracy” programme, which began in November 2000, diesel and heating oil (‘mazout’) were provided for 60 municipal heating systems (covering 80% of the population), for schools, and for hospital heating systems. Power plants and coal mines were also supplied. Total funding of the programme was € 45 million. The programme continued through the worst of the winter, and was completed in April 2001. A substantial proportion (70%) of Serbia’s winter (2000-2001) electricity needs were imported by the EU, with a total cost of € 45 million, and this helped to stabilise power supplies. Essential spare parts to secure production in the lignite mines of Kolubara and Kostolac were also contracted, for € 7 million. Deliveries began in February 2001 and ended in March 2002. A further € 7 million was spent on electricity imports during July and August 2001.

By the end of 2002, the Agency’s housing programme will have reconstructed over 16,500 houses in Kosovo. This means that over 120,000 people will have been assisted. Under the 1999 housing programme, 3,540 houses were reconstructed. A further 8,420 houses were then reconstructed at a cost of € 60 million under the 2000 housing programme. The 2001 housing programme reconstructed a further 3,630 houses. 80% of all houses rebuilt by the Agency in 2001 were in what is known as Category IV (those completely destroyed) and most of the rest were in Category III (seriously damaged). The European Agency for Reconstruction has also provided technical assistance to the Housing and Property Directorate (HPD), and is completing the reconstruction of five kullas (traditional stone tower houses).

The European Agency for Reconstruction is engaged in a huge programme of works to rehabilitate the urban water supply and sanitation systems in Kosovo, and to upgrade levels of waste management to western European levels. A programme of support for essential public utilities, including improvements to the quantity and quality of the water supply (€ 3.7 million) is contributing to the rehabilitation of water installations, emergency repairs and the procurement of equipment such as 35 vehicles and 14,000 spare parts for the municipal water companies. Under the 2000 Programme, € 10 million was directed towards improving the water supply and sanitation networks. This included repairs to pumping stations and water treatment works. In 2001, a programme was launched to improve solid waste management in Kosovo. 19 waste disposal sites across Kosovo were upgraded. The works in 2001 also included the construction of six regional landfills.

Transport and Infrastructure: Commitments 2001 (€ million)

Transport and infrastructure	Country	Project Title	Amount
	Kosovo	Transport	18
	Rep of Montenegro	Transport	7
	Bosnia and Herzegovina	Assistance to the Civil Aviation Authority	1
	Albania	National Transport	12.5
	Albania	Transport Infrastructure Pogradec-Kapsthice	7
	Albania	Port of Durres	2.1
	Albania	Cross Border Crossing Kakavija-Gjirokaster	6.8
TOTAL			54.4

Environment

Within the **environment** sector, 2001 saw the establishment of the Tirana office of the Commission-funded Regional Environmental Centre in Budapest. This means that Albania is now involved in regional environmental policy-making, and can benefit from the resources made available for building capacity in environmental management. With a view to launching major works on water and waste water systems at Vlore, Gjirokaster, Saranda and Lezhe preparatory work has been undertaken by the Ministry of Public Works and Tourism, in tandem with Commission-financed technical assistance.

Environment, which has in previous years also been the target of EC assistance, was allocated € 3.25 million for the preparation of the National Environment Action Plan, solid waste feasibility studies and equipment for air quality monitoring stations in FYROM.

4.2.4. Rural Development, Agriculture

In **Albania**, in the agricultural sector, the EC is working along three lines: food control; fisheries; and veterinary control. With a view to delivering much-needed equipment to the central and regional veterinary institutes and laboratories, significant preparatory work has been undertaken in 2001. This equipment will assist the Government in developing the necessary market and service infrastructures to meet the needs of a reformed agricultural sector.

In **Bosnia and Herzegovina** agriculture has traditionally been a key economic sector. The EC has helped veterinary services in ensuring better health and management of livestock, to increase consumer confidence and trade. Technical assistance has been provided to create two reproduction centres for pigs of high genetic value. In the selection of the breed, particular attention was brought to the adaptability of the breed to the local conditions, with high success. There are as a result of the project two multiplication centres (each with approx. 50 animals), two artificial insemination centres (with 5 animals each), and two fattening centres for the first generation boars. The project has the potential of producing 1800 tons of pig meat.

The aim of the 2001 Serbian agriculture program was to support the sector, through:

- the import of a total of 48,700 tons of fertiliser of Romanian origin (36,700 tons of NPK in August and September 2001, and 12,000 tons of urea in January 2002). Deliveries to end-users are complete.
- arresting the trend of de-stocking of livestock as a result of feed shortages, through the import of 42,000 tons of maize for reprocessing into animal feed. Imports from Hungary started in September 2001. Distribution started in March 2002.
- provision of technical support for changes in agricultural pricing and marketing policy, and for the relevant regulatory framework for food products. The consultant team started work in January 2002.

In Montenegro, the Agency contracted a procurement team to purchase and distribute state-of-the-art dairy production equipment to replace outdated machinery. The

procurement team will assist the Ministry of Agriculture in policy issues and assessing business plans of the selected enterprises receiving the equipment.

Agriculture in FYROM is, together with transport, a key economic sector for the country and for its trade relations with third countries. The importance of EU markets for exports of agricultural products and the obligations stemming from the Stabilisation and Association Agreement require reforms in veterinary and phytosanitary controls as well as in animal identification systems. Building on results of ongoing programmes, the 2001 programme provided € 3 million worth of technical assistance related to food quality control, equipment to extend the veterinary and phytosanitary control capabilities, and training and equipment to ensure that the animal identification system covers all the livestock of primary importance.

CARDS Rural Development, Food Security – Commitments 2001 (€ million)

	Country	Project Title	Amount
CARDS	Albania	Local Community Development	10
CARDS	FYROM	Institutional Capacity Building – Agriculture	3
CARDS	Kosovo	Agriculture	10
CARDS	Serbia	Agriculture	20
TOTAL			43

4.2.5. Institution Building

In **Albania** institution building receives the greatest proportion of EC assistance. This responds to the need for stronger public institutions, necessary for Albania to develop closer ties with the EU in the framework of the Stabilisation and Association Process. Of the € 37.5 million allocated in 2001, € 23 million were devoted to enhancing Albania's capacity in terms of security and public order, strengthening rule of law, good governance and respect for Human Rights, strengthening public finances, increasing customs and tax revenues, strengthening standards and certification, and aid co-ordination.

Together with refugee return, institution building is the area receiving most EC funding. In **Bosnia and Herzegovina**, in 2001 alone, € 31.26 million were directed to institutional capacity building (State and Entity level institutions) and Justice and Home Affairs (Independent Judicial Commission and border management).

Institution building is the main focus of the 2001 assistance programme for **Croatia**, receiving € 28.4 million, and covering sectors such as labour market restructuring, alignment to EU standards, reform of the judiciary, asylum policy, integrated border management, public administration reform, intellectual property, competition policy, statistics, strategy development capacity building and civil society.

Institution building needs vary between the various parts (Serbia, Kosovo, Montenegro) of **FRY**, which in total received € 59.8 million for this purpose in 2001. In Serbia, a Policy and Legal Advice Centre featured a special team of 12 international and local experts assembled to provide advice to the Government on

key issues: e.g. transition to a market economy, regulatory framework, harmonisation of legislation with the EU, accession to the World Trade Organisation. The signature of the agreement financing the Centre took place in October 2001, and the team started work in December 2001.

In Kosovo, EU local government experts have been seconded to municipalities in Kosovo to assist in their institution building. In 2000, the Municipal & Local Investment Fund (MLIF) was established to finance small-scale infrastructure rehabilitation projects proposed by municipalities across Kosovo. Examples include road patching and the repair of street lighting and pavements. The Agency also supported the OSCE in its organisation of Kosovo's election in November 2001.

Governance will be enhanced in Montenegro through an Agency project to assist the decision-making capabilities of several of its institutions, such as the Statistical Office. Management expertise will be provided, as well as training sessions and study trips abroad. The project also foresees the provision of technical support to assist in reforming the administration of capital expenditure in the public sector. The Agency is also providing technical support to the Budget Office, Treasury Unit, Internal Audit and IT Unit within the Ministry. In addition, IT equipment to the value of € 1 million has been provided, and a long-term information and technology expert will support the computerisation of the Ministry. Technical expertise is also provided to support the restructuring of the Ministry of Finance.

Centrally managed projects have again included customs and financing of transitional civilian administrations, owing to the specific nature of these programmes. The Balkans Customs Team of EuropeAid Co-operation Office has continued its direct management of the Customs Assistance Mission in Kosovo (CAM-K) (€ 5 million) and has started developing similar assistance to Serbia (€ 5 million) and to Montenegro (€ 1.4 million). The Customs Assistance Mission to Albania (CAM -A) (€ 2 million) and the Customs and Fiscal Assistance Office (CAFAO) (€ 10.5 million) were also successfully continued.. Furthermore, the Commission continued supporting the running costs of the interim administrations in Bosnia and Herzegovina and Kosovo. € 13,5 million were provided for the Office of the High Representative and € 11 million were provided for the EU Pillar of UNMIK responsible for the reconstruction and economic recovery of Kosovo.

In **FYROM**, the strengthening of government institutions is high on the reform agenda, and institution building therefore continues to receive EC support; in 2001, € 11.5 million were earmarked for this purpose. The main focus was in the area of Justice and Home Affairs (Judicial reform, integrated border management and customs administration), building on programmes from previous years. In addition, to assist the country in implementing the Framework Agreement for peace, € 1.7 million were provided to support police reform.

The Customs and Fiscal Assistance Office (CAFAO)

Since 1996, the Customs and Fiscal Assistance Office (CAFAO), has been assisting the State and Entity authorities of Bosnia and Herzegovina to implement the customs and tax related provisions of the Dayton Peace Agreement. Assistance and advice are given on all aspects of customs and taxation work: management, organisation, structure, procedures, legal questions, computer systems, investigation, and training. CAFAO is generally viewed as one of the more successful reform programmes in Bosnia and Herzegovina, with assistance being provided against a background of an inconsistent and shifting political will to implement change, the continued existence of ethnically based parallel structures and widespread corruption. The number of European customs and taxation officers working in the programme has varied from 20 to 40 depending on programme needs and activities. One of the most obvious indicators of its success is the consistent increase in customs revenue, which in 2001 was three times as much as in 1996.

This table shows examples of important projects in Institutional Building for 2001.

Institution Building – CARDS Commitments 2001 (€ million)

Institution	Country	Project Title	Amount
General Directorate of Customs	Albania	Customs Assistance Mission (CAM-A)	2.0
General Directorate of Taxation	Albania	Computerisation of taxation	2.0
Federation Customs Administration & Republika Srpska Customs Administration	Bosnia & Herzegovina	Modernisation of customs	10.5
UNMIK Customs Service	Kosovo	Modernisation of customs	5.0
JHA	Croatia	Judiciary and Law Faculties	0.6
Institution Building	Croatia	Support to the Ministry of European Integration in the approximation of legislation	0.8
Tax and Customs Administration	Serbia	Customs and Fiscal Co-ordination Office in Serbia (CAFACO)	5.0
Tax and Customs Administration	Montenegro	Customs and Fiscal Assistance Mission in Montenegro (CAFAM-M)	1.4
TOTAL			27.3

4.2.6. Private Sector and Economic Development

As part of the European policy to assist in the transition to a market-oriented economy, enterprise development received € 36 million in 2001. This economic regeneration strategy remains focused on private sector development, local economic development and job creation, and the creation of a single economic space in line with the European Union. European projects worked to address these problem areas with 30 projects with a total budget of almost € 90 million.

In 2001 EC projects in the Balkans have worked to strengthen the development of the domestic banking sector through building up the management capacity of domestic banks and the establishment of a self-sustaining Micro Enterprise Bank. Domestic trade also benefited from technical assistance to remove internal trade barriers with progress now being made in tax harmonisation and creation of effective customs unions.

The Cards allocation for **Albania** includes projects within the field of standards and certification as well as the local community development aiming at enhancing the local economy by improving infrastructure and local employment.

The Serbian enterprise programme supports the development of small and medium-sized enterprises (SMEs), through:

- the provision of a credit line (total so far donated by the EU through the Agency is € 10 million) in the form of a revolving credit fund based in the National Bank of Yugoslavia and lent onwards to SMEs through three commercial banks, Exim Bank, Novosadska Bank and Zepter Bank (other banks will join the scheme soon). These banks have received over 600 applications so far. Loans have been approved in 40 cases, for a total value of € 4 million.
- assistance to the Ministry of Privatisation, Restructuring and SME Development.
- the establishment of, and assistance to, support facilities for SMEs, in the form of business advice centres (“Regional Enterprise Agencies”) in seven cities and towns, with sub-centres in a further 11 towns. The first agencies will open in May 2002.
- the establishment and operation of a Euro Info Correspondence Centre in Belgrade, which will open in April 2002.

In addition, € 1 million funding has been provided for technical assistance for the first stages of restructuring state enterprises. Work on this started in March 2002, in three enterprises in the field of transport vehicles and agricultural machinery.

The European Agency for Reconstruction is playing a key role in enterprise development in Kosovo. In 2000, the Agency, along with the World Bank, established the Interim Credit Unit (ICU), which provides credit to small and medium-sized enterprises (SMEs). It is the number one lender in Kosovo. As well as supporting the ICU, the Agency, along with the German Development Bank KfW, is providing small loans to micro-enterprises through the European Fund for Kosovo. Three Regional Enterprise Agencies were established at the end of 2001, and EU funds have also supported the creation of the Kosovo Council for SME Development which acts as an independent advocate for the private enterprise sector. The Agency also helped establish the Euro Info Correspondence Centre (EICC) in Kosovo, which now acts as Kosovo’s business link with the rest of Europe. Much support has also been given to socially-owned enterprises (SOEs) through the Industrial Development Programme (IDP). The IDP provides technical assistance and credit to SOEs in order to re-start production and create jobs.

As part of an overall effort to revitalise the enterprise base in Bosnia and Herzegovina, the EC is funding the revitalisation of approximately 45 medium sized companies in the agribusiness, textile and leather sectors, as well as regional enterprise development. In addition to the € 4.2 million for this revitalisation and restructuring, € 10 million were provided in 2001 for revolving funds for private sector development.

Financial Instruments to support SMEs	
The European Fund for Bosnia and Herzegovina has provided approximately € 8.7 million in loans for SMEs, of which € 5 million have been provided by the EC. Other bilateral donors participating in the European Fund for Bosnia and Herzegovina are Austria, Germany and Switzerland. This credit line is managed by an EU bank through a number of participating Bosnian banks. The programme is targeted at SMEs and start ups and covers investments in plant and equipment as well as working capital. It is the only programme so far in Bosnia and Herzegovina, which supplies long-term credit. There are presently 8 partner banks (6 in the Federation and 2 in Republika Srpska) which have approved over 123 loans, indicating the dynamic development of this loan programme. The EC is also channelling € 9.5 million for micro-credits through the Micro-Enterprise Bank (main shareholders are the EBRD and IFC), which to date has provided more than € 19 million in more than 3,400 loans. 30 operational Projects were committed in 2001 for a total amount of € 90 million.	

CARDS Private Sector and Economic Development Commitments 2001 (€ million)

	Country	Project Title	Amount
CARDS	Albania	Standards and Certification	2.0
CARDS	Regional	Regional project on statistics	2.5
CARDS	Croatia	Industrial Standards	3.0
TOTAL:			7.5

4.2.7. Health and Education

4.2.7.1. Health

While health is not a designated priority for EC assistance in the Western Balkans (as opposed to bilateral assistance). At the same time, the CARDS programme in 2001 included € 31.5 million for the health sector in Serbia. € 26,5 million were used to improve the availability of essential drugs throughout Serbia and introduce reforms such as establishing treatment protocols and the rationalisation and restructuring of the pharmaceutical industry. A € 5 million contribution to health reforms in Serbia was designed to improve the quality of some basic services in hospitals and health centres by rehabilitating and supplying priority equipment. Health care reform in Kosovo received € 14 million for a local technical assistance team to assist the UNMIK Department of Health and Social Welfare, for EC support to a World Bank project to implement a social insurance system, and for providing essential medical and information technology equipment.

4.2.7.2. Education

Reform of higher education in **Albania** has received € 2.5 million, enabling the country to continue participating in the TEMPUS programme. The main objective of the programme is the promotion of reform of higher education institutions as well as

academic teaching and learning, using “Joint European Projects”. The aim of these is to contribute to the long-term development and renewal of the partner country’s higher education through co-operation activities between higher education institutions of the European Union and the partner country.

Education reform in **Bosnia and Herzegovina** focuses on vocational education and training and higher education. The first vocational education and training programme resulted in a Green Paper agreed to by the 40 key actors responsible for education in Bosnia and Herzegovina. In the course of 2001, this paper was followed by a White Paper, which represents an agreed concept for legislation throughout Bosnia and Herzegovina and a framework for implementation of the operational steps for reforming the system state-wide, including the application of a single frame curriculum for vocational education. Higher education reform is linked to the participation of Bosnia and Herzegovina in the TEMPUS programme; the EC provided € 3 million for this purpose in 2001.

Vocational education and training reform and higher education reform will assist **Croatia** in tackling unemployment, one of its greatest social problems. The EC is contributing to vocational education and training reforms aimed at the establishment of a modern, flexible and high quality vocational education and training system, responsive to the needs of the labour market and society and well integrated with the primary, general secondary and higher education systems, with an emphasis in decentralised management and the preparation of concepts for holistic curriculum and teacher training reform. Promotion of the reform of higher education institutions and academic teaching and learning is done through Croatia’s participation in the TEMPUS programme (€ 4 million).

FRY including Kosovo (under UN administration) has received € 4.9 million to ensure its participation in the TEMPUS programme. In addition, reform of vocational education and training in Montenegro has received € 1 million in 2001.

The close link between education and unemployment (currently more than 32% of the workforce) in **FYROM** has resulted in this area being a target for EC funding. In 2001, the EC supported higher education reform with € 7 million, of which € 3 million, were earmarked for participation in the TEMPUS programme and € 4 million (in addition to € 1 million for this purpose in 2000) for the creation of the first university providing education in the Albanian language as well as in Macedonian and English. The creation of this university aimed to respond to one of the main grievances of the large Albanian minority in the country, and improve interethnic relations.

South East Europe University in FYROM. On 20 November 2001 the South East Europe University opened its doors for the first time. The curriculum will be in Albanian, Macedonian, English and other European languages. The university will include faculties of law, business administration, public administration, teacher training, communications and computer studies. The total cost of the project, co-ordinated by the OSCE, was approximately € 33 million, for which the European Union, including the European Commission (with € 4 million) and bilateral contributions from the EU Member States, is the largest donor. Project activities have been directed towards the construction of the University buildings, and also providing student loans and covering the running costs of the institution.

Social development – CARDS Commitments 2001 (€ million)

Social Development	Country	Project Title	Amount
OBNOVA 2000	Croatia	Tempus	1.5
CARDS 2001	Croatia	Tempus	4.0
CARDS 2001	Croatia	Labour Market Restructuring	3.0
CARDS 2001	Croatia	Vocational Education and Training	0.6
Education	FYROM	South East Europe University	4.0

4.2.8. Cross cutting Issues

4.2.8.1. European Initiative for Democracy and Human Rights

In 2001, EIDHR committed more than € 10 million for projects in the Western Balkans.

EIDHR provided nearly €4.5 million for projects supporting promotion and defence of Human Rights and fundamental freedoms in the countries of South-Eastern Europe. Amongst the initiatives supported, the Roma communities benefit from specific support. A specific project contributes to the inter-ethnic dialogue through the strengthening of the management capacity of local authorities when dealing with the Roma communities in Bosnia and Herzegovina, Croatia, Kosovo, Montenegro, in FYROM and in Serbia (€ 725,000). In FYROM one of the projects will allow observation and monitoring of the census in order to promote an equitable and impartial presentation of the population, and to follow international recommendations with regard to the census (€ 999,800).

A Masters Programme in Regional European's Democracy and Human Rights in Europe and the South East.

The project will give post-graduate students from Albania, Bosnia and Herzegovina, Bulgaria, Croatia, and FYROM the opportunity to study Human Rights. This master's course will contribute to the emergence of specialist individuals who will join NGOs, local administrations and become political decision-makers in the Balkans. € 1.3 has been granted for this action.

The support to the processes of democratisation and to the reinforcement of Human Rights has benefited from more than € 3 million spent on five projects. For example, a € 820,000 project developed and reinforced the possibilities of action of civil institutions and NGOs and increased the number and the capacity of active NGOs. Another project was set up to restore and build up confidence between community groups and the police forces through parents' and teachers' groups and local police initiatives. This will encourage the strengthening of a democratic environment that respects Human Rights in BiH (€ 300,000).

The support for the prevention of conflicts as well as to the restoration of civil peace is a major priority of the EIDHR. This included for example in 2001 a project entitled "Actions for women activists beyond the borders." This aims to deal with the divisions in society and to confront community pressure on an individual and collective basis in time in an individual and collective basis and to confront today's realities in different regions of Albania, Bosnia and Herzegovina, Croatia, Kosovo,

Macedonia, Serbia and Montenegro and of Slovenia (€ 660,000). Another project aims to promote the reconciliation between Albanians and minority groups in the municipality of Gjakova and Kosovo (€ 510,000).

4.2.8.2. NGO Activities

Civil society has a critical role to play in the democratic stabilisation in the Balkans. An active civil society is crucial in making government and the civil service both transparent and accountable to the citizen. Continued improvements are needed on access to information and also on legislation that facilitates NGO activities.

The CARDS National and Regional Programmes and the EIDHR have been the main channels for support in this field. In order to enhance ownership at local level and to improve the EC's responsiveness to needs articulated at the level closest to the citizen, the EC has endeavoured to work closely with NGOs and other civil society partners.

In Albania, for example, support for NGOs and civil society was provided mainly through small-scale operations. Here, the EC allocated € 0.2 million to democratic stabilisation as a whole. In Croatia, € 1 million was devoted to strengthening the capacities of civil society organisations and improving their delivery mechanisms. In BiH, EC support focussed on NGO training and capacity building, NGO project funding and technical assistance, with local NGOs being particularly involved in projects relating to refugee return. In total, the EC allocated € 2 million to the development of civil society. In FRY EC assistance mainly took the form of emergency assistance packages focussing on the promotion of pluralism by strengthening NGOs and civil society as well as on inter-ethnic reconciliation. In FYROM, the main aim of support for civil society was to foster national reconciliation, in the 2001, emergency assistance to FYROM totalling € 10.3 million was approved by decision of the Commission as a rapid reaction mechanism (RRM) with the aim, among others, of strengthening civil society.

In addition to this, micro-projects managed by the Commission Delegations were used to respond quickly and effectively to funding requests from local NGOs, co-operatives, educational institutions, women's and cultural groups etc. These funds benefited projects that, owing to their size, would not normally attract major donors.

4.2.8.3. Coherence with other policies

EC assistance to the Balkans has been designed to help them participate in the Stabilisation and Association process and thereby contribute to the goal of conflict prevention, leading eventually to the conclusion of Stabilisation and Association Agreements. Under the EU strategy, there is a steady move in emphasis away from large-scale infrastructure and post war reconstruction to building up modern democratic States capable of managing their own affairs and being reliable partners for the EU. The advancement of the economic reform process and the development of regional co-operation are coherent with the Community's trade policy for the region under which highly favourable trade preferences have been granted. In late 2000, the EU established a uniform Autonomous Trade Preference scheme, which provides duty and quota free access for practically all exports of the five countries to the EU markets.

4.2.8.4. Refugees Returns

Return of refugees and displaced people to their pre-war homes remains a key priority for EC aid to the Balkans. The slow return and re-integration of displaced persons and refugees remains one of the main obstacles to the restoration of political stability and the return to economic and social normality in Bosnia and Herzegovina. The EC programme is in line with the objectives defined in Annex 7 of the General Framework Agreement for Peace (Dayton Agreement), the priorities identified by the Return and Reconstruction Task Force, the analysis of UNHCR and the “Agenda for Regional Action” of the Stability Pact.

In 2001, of more than € 105 million received for Bosnia and Herzegovina, € 38.4 million were directly directed to refugee return to assist the following:

- specifically to support and sustain breakthrough (minority) and spontaneous returns;
- to assist the Property Legislation Implementation Plan;
- to ensure the sustainability of the returns through the development of business and employment opportunities in return areas.

Spontaneous minority returns to pre-war homes in Bosnia and Herzegovina.

The aim of this project was to support the minority community who had already returned to Kljuc and Bosanska Krupa and to encourage further returns. This was achieved through the complete reconstruction of 65 houses, repair of the electrical distribution system in Veliki/Mali Radic – Bosanska Krupa municipality and a job creation component encompassing distribution of tools, seeds and livestock. The job creation component of the project provided livestock for 32 families; 33 families received agricultural equipment and chainsaws; 3 micro-business were established, where 9 returnees are employed full-time, 10 part-time and a few on a seasonal basis.

In Croatia, refugee return continued to receive substantial funding (€ 23.2 million). Support is delivered via the “EU Reconstruction programme for return” (EUPOP), in co-operation with NGOs on the ground. The programme promotes an integrated approach to the return of refugees and displaced persons, and aims to provide effective return to pre-war homes, sustainability of the return process and reintegration and reconciliation through the improvement of the quality of life for the entire municipality of return in Croatia.

Rebuilding houses damaged by conflict.

The 2001 housing sector programme in Kosovo involves the reconstruction of some 3,630 conflict damaged houses for vulnerable families. Around 3,100 houses were completed and 16,700 people had moved into their homes by the end of 2001. About 6% of the families are from an ethnic minority background, including families that have recently returned to Kosovo. NGO partners in the programme identified vulnerable families according to rigorous selection criteria. Elected Village Reconstruction Committees assisted the NGOS and helped ensure transparency and local accountability in the selection process. The NGOS are working to support the “self-help” inputs of beneficiary families to ensure the successful completion of this programme.

4.2.9. Co-operation with other donors in the region

Effective donor co-ordination is essential for the success of the reconstruction in the Balkans. The European Commission/World Bank **Joint Office** for South East Europe⁷⁹ ensures that overlaps between donors' activities are avoided in programmes and projects. Among the key mechanisms of donor co-ordination there are the High Level Steering Group and a Working Level Steering Group which met regularly to discuss key issues. Other instruments for donor co-ordination include Donors Conferences and Consultative Group meetings. In 2001, the Joint Office organised 5 major Donor meetings.

Co-operation with other donors in the region can be in the form of joint funding of projects, or entrusting another organisation to manage EC funds. Examples of the latter are the management of the Small Medium Enterprise credit line of the European Fund for Bosnia and Herzegovina by the German KfW or the OSCE taking the lead in the creation of the South East Europe University in FYROM, where financial resources from the EC and Member States were pulled together. An example of joint funding and pulling together of resources is the EC technical assistance contribution to the interconnection of power systems in the Croatian Danube Region, to the works to be funded by EIB and EBRD loans.

The EC also provides interest rate subsidies for **EIB** loans; thus, in the past, FYROM, received € 20 million for this purpose. In 2001, Bosnia and Herzegovina received exceptionally support of € 11.89 million for interest rate subsidies for roads and railways improvement.

4.2.10. EIB Loans

The EIB operations in the Western Balkans mainly focus on basic infrastructure in environment, transport and energy, as well as in the support of SME development. The European Investment Bank works in close co-operation with the EC.

Examples of EIB Loans and subsidies 2001 (€ million)

EIB Loans	Country	Title of Project	Amount of Loan
BEI	Croatia	Rehabilitation and modernisation of Croatian railway section of Pan-European Corridor Vc	40
BEI	Albania	Upgrading of power transmission and distribution networks	30
BEI	FRY	Rehabilitation of transport infrastructure in Serbia and Montenegro	66
BEI	FYROM	Financing for small and medium-scale ventures	20
BEI	Bosnia-Herzegovina	Rehabilitation of several railway sections of Pan-European Transport Corridors	40
TOTAL of all loans and subsidies in the Balkans			319

4.2.11. ECHO

The recovery of the Western Balkans from the 1999 Kosovo crisis continued in 2001, although the conflict in the former Yugoslav Republic of Macedonia

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<http://www.seerecon.org>

(FYROM) overshadowed the improvement in the overall humanitarian situation. In 2001, ECHO continued to be present in five countries and entities in the region (Serbia, Montenegro, Kosovo, FYROM and Albania) with a budget of € 83.05 million. The decrease from the two previous years reflects the improvement in the humanitarian situation and the increasing involvement of other EC instruments.

ECHO's efforts in the Western Balkans pursued three objectives: to respond to the new humanitarian needs resulting from the FYROM crisis; to continue addressing basic humanitarian needs of refugees, IDPs and vulnerable social cases; and, to promote the LRRD process by supporting the transition to reconstruction and longer term development and by promoting self-reliance among the beneficiaries of aid.

In **Kosovo**, ECHO concluded the bulk of one of its largest humanitarian operations, moving from a pure emergency intervention to rehabilitation and finally resulting in a successful transition towards a more structural development process. In June 1999, when the Kosovo refugees started returning, ECHO responded to the pressing humanitarian needs, providing food, medical assistance, as well as emergency shelter to more than 22,000 returnee families. In 2000, ECHO continued to respond to the basic needs of the most vulnerable whilst supporting the initial steps of the recovery process (in the education and health sector, through the rehabilitation of water supplies and by supporting self-reliance projects). In 2001, ECHO succeeded in finalising its prior intervention and continued to support UNHCR's protection and assistance efforts in favour of minorities. In addition, ECHO provided basic assistance to the refugees from FYROM (72,000 at the peak of the crisis) and to their host families.

Serbia remained ECHO's largest operation. The political changes in Serbia and the reform-minded government have attracted long-term structural assistance from donors, including the EC, as demonstrated by the success of the donor conference on FRY, held in Brussels in June 2001. However, humanitarian needs are still considerable in Serbia, mainly due to the large caseload of refugees and internally displaced person (IDPs) (almost 600,000). Whilst prospects for the return of IDPs are, at the moment, still bleak, durable solutions for refugees – mainly integration but also repatriation - are in sight. ECHO's programme in 2001 continued to address basic needs whilst pursuing more long-term solutions, such as facilitating the repatriation (legal information, go and see visits) and supporting the private accommodation of refugees, as a more dignified alternative to life in collective centres.

In **Montenegro** and in **Albania**, the humanitarian needs resulting from the Kosovo crisis have virtually been fully covered. In Montenegro, ECHO focused on covering the winter needs and reducing the dependency of beneficiary groups on humanitarian assistance by funding self-reliance activities. In Albania, one of the poorest countries in Europe, the focus was on consolidating the previous health and water and sanitation interventions with a view to facilitating the transition to a development process.

In **FYROM**, 2001 witnessed an open conflict between the Ethnic Albanian Armed Groups (EAAG) and the Macedonian armed forces. The conflict escalated in various stages in the first half of the year resulting in various waves of population displacements within the country and outside its borders, especially into Kosovo. The international community, mainly the EU, adopted a pro-active stance in terms of

political mediation, of reconstruction assistance (through the Rapid Reaction Mechanism (RRM) and the CARDS 2001 programme) as well as humanitarian assistance. In strict accordance with its mandate, ECHO has provided food assistance to all IDPs and to vulnerable returnees, non-food assistance to the host families and IDPs, and has funded the emergency rehabilitation of schools and health centres damaged during the conflict, in order to facilitate the return of IDPs. Since the start of the conflict, close co-ordination within the Commission allowed the establishment of a task division between the various EC instruments, thus avoiding both overlaps and gaps. ECHO focused on the immediate humanitarian needs whilst the RRM addressed medium term needs such as housing reconstruction. On the political front, in spite of some positive developments following the conclusion of a Framework Agreement between political leaders from both ethnic groups and the approval, in November, of constitutional changes, the political process was, at the end of 2001, still fragile.

ECHO Financing Decisions 2001 (€ million)

Country	Amount
Serbia	47.800
Montenegro	7.500
Kosovo	14.000
FYROM	5.400
Albania	6.600
Regional	1.750
TOTAL	83.050

4.2.12. Monitoring in the Balkan countries

The Commission, during 2000, conceived an improved results-oriented monitoring system for the ALA/MED/ACP and Balkan regions, which is rooted in the Commission's Project Cycle Management method and tested the system during 2001. The conception and test-phase at its end, the paragraph below describes first, tentative but interesting insights on what works and what can be improved concerning the Balkans. Further information on the results-oriented monitoring system can be found in chapter 1.4 (monitoring). The system is to be applied globally as of 2002.

During 2001, 12 projects were visited in the Balkans in two countries. The total volume of EC financing covered by these visits amounted to € 112.3 million. The most important sectors assessed were firstly infrastructure and economic services (76%) and secondly economic and institution building, civil society, social infrastructure and services (22%). The overall rating for projects in the region was 2.28, compared to an average mark of 2.5.

Effectiveness, impact and sustainability were identified as being the most successful aspects. The sub-criterion of socio-cultural adequacy, which includes the participation of target groups in design and implementation, and the relationship between project staff and local communities, was given the highest rating in the region. Among the main criteria, relevance and efficiency were the weakest. Results

achievement, as related to efficiency, was the sub-criterion with the lowest rating, followed by economic adequacy (as a sub-criterion of sustainability).

4.2.13. Conclusions and Perspectives

The adoption of the CARDS programme in 2000 brought a more strategic approach to the provision of assistance to the countries in the Western Balkans and reinforces the objectives of the Stabilisation and Association process. During year 2001 the programme responded both to longer-term development objectives and to immediate needs caused by conflict or post-conflict situations.

Assistance under the CARDS programme was, on the whole, being delivered rapidly and efficiently. The European Agency for Reconstruction in particular has established an impressive track record in delivering assistance quickly and efficiently in its area of operation - Kosovo, Serbia and Montenegro and since December 2001 also the former Yugoslav Republic of Macedonia. Elsewhere in the region, decision-making is being devolved to the Commission Delegations.

As the region evolves, assistance has to change. Country Strategies and a Regional Strategy have been adopted in 2001 for the period 2002-2006. During this period, the programmes will focus on the key Stabilisation and Association priority areas, gradually moving from reconstruction to institution building and economic reform, one important part being to build each country's institutional capacity to understand, legislate on and finally implement core elements of the Community acquis

4.3. Eastern Europe and Central Asia

Three main challenges faced the region of Eastern Europe, Caucasus and Central Asia in 2001. The dominant issue is clearly the events of 11 September, which will have a major impact on the EC approach in particular to Central Asia. A doubling of finance for this region is anticipated in 2002. Second, the EU welcomed the progress in reforms in Russia. This has been marked by an increased focus in EC support for implementation of the reform agenda, building on earlier TACIS work, which helped put reform legislation in place. Thirdly, the EC has given strong support to those countries currently developing Poverty Reduction Strategy Papers.

As regards sectoral priorities, three themes are of particular note in the EC response in 2001. Firstly, increased attention was given to justice and home affairs, and this will be further expanded in the years to come. Secondly, the EC consolidated its support for the social sector, notably health and education. Thirdly, cross-border issues, notably border management improvement, have been given particular priority.

4.3.1. Introduction

The European Union with its Member States, is the largest donor of development assistance to Eastern Europe, the Caucasus and Central Asia⁸⁰. The TACIS programme continued to be the primary source of EU assistance to this region in 2001.

The main purpose of TACIS is to assist in the transition to a free market economy and to promote greater democracy. This objective is the centrepiece of the Partnership and Co-operation Agreements (PCAs), which in turn form the basis of the EU's continuing relationship with Eastern Europe, the Caucasus and Central Asia. PCAs are legal frameworks, based on the respect for democratic principles and Human Rights, setting out the political, economic and trade relationship between the EU and its partner countries. Each PCA is a ten-year bilateral treaty signed and ratified by the EU and the individual state. In addition, the European Union co-operates with Russia and the Ukraine through Common Strategies under the EU's Common Foreign and Security Policy. The Common Strategies aim to strengthen coherence between the EU and Member States' policies and activities within these two countries.

Russia also participates in the 'Northern Dimension' initiative concerning the external and cross-border policies of the European Union covering the Baltic Sea region, Arctic Sea region and North West Russia. In 2001, the first meetings were held under the EU/Russia Energy Dialogue, including four thematic working groups, as well as a Summit meeting. The Commission also produced a Communication on Kaliningrad in January 2001⁸¹, the conclusions of which were endorsed by the Council.

⁸⁰ TACIS: Technical Assistance for the Commonwealth of Independent States covering Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan

⁸¹ COM (2001) 26 of 17.1.2001

The legal basis for TACIS is Council Regulation N° 99/2000 for 2000-2006, which came into force in January 2000. The regulation takes account of the European Union's experience with the region over the past eleven years. The programming process has evolved and the relationship between the EC and partner countries is now based more on a constructive dialogue and less on response to demands from partner governments. The new Action Programmes, in particular those for Moldova and Kyrgyzstan, have established a strong emphasis on poverty reduction. In addition, the management of TACIS has seen a shift towards a focus on fewer, larger projects.

The TACIS programme is divided into two main categories: national and multi-country programmes. During 2001, Strategy Papers, analysing the situation and setting out the EU response, have been developed for each of the major programmes covering the period 2002-2006, except for Belarus and the Central Asian countries. Indicative programmes, describing the priorities for strategy implementation, were also developed covering the period 2002-2003. For the national programmes, the indicative programmes for each country establish two or three of the following areas of co-operation as priorities:

- institutional, legal and administrative reform;
- private sector and economic development;
- social consequences of transition;
- development of infrastructure networks;
- environmental protection and management of natural resources; and
- development of the rural economy.

The principal multi-country programmes are the following: Regional Co-operation, Cross Border Co-operation, Baltic Co-operation, Nuclear Safety, and the EU-European Bank for Reconstruction and Development investment preparation facility.

COMMITMENTS AND PAYMENTS IN THE REGION 2001 (€ million)

	COMMITMENTS		PAYMENTS	
	2001	2000	2001	2000
PROGRAMMES				
<u>National Action Programmes (B7-5200B)</u>				
Armenia		7.8	4.3	3.4
Azerbaijan		21.6	4.6	13.2
Belarus			3.1	1.4
Georgia	4.0	8.5	3.7	6.6
Kazakhstan	14.0		6.1	4.6
Kyrgystan	9.1		4.4	2.4
Moldova	19.5		4.0	6.7
Mongolia		4.3	2.4	4.8
Russia	80.0	53.0	86.4	91.3
Tajikistan				
Turkmenistan			2.9	3.1
Ukraine	63.0	63.5	31.2	59.2
Uzbekistan		10.0	6.8	11.9
Sub total	189.6	168.7	159.9	208.6
<u>Multi-country Action Programmes</u>				
Cross Border (B7-5210)	23.0	22.5	26.1	19.4
Baltic (B7-5211 in 2001, B7-5370 in 2000)	6.0	5.9		
Nuclear Safety (B7-524 for 2001 only)	51.0		35.8	
Regional + other multi-country (B7-5200B)*	101.7	214.3	126.2	182.0
Chernobyl Shelter (B7-536)	40.0		40.0	40.4
ATA (B7-5200A)	12.2	32.4	5.6	2.0
Sub total	233.9	275.1	233.6	243.9
<u>Other budget lines</u>				
Food Aid (audit)			1.4	
Sub total			1.4	
GRAND TOTAL	423.5	443.8	395.0	452.4
<i>* for 2000 includes Nuclear Safety</i>				

Overview of Commitments/Payments 2000-2001 (Million €)				
	2000	2001	Total	
Commitment	443.8	423.5	867.3	
Payment	452.4	395.0	847.4	
Ratio P/C	102,0%	93,3%	97,7%	

4.3.2. Regional Co-operation

Over half of TACIS support is directed through multi-country initiatives. Attention here focuses on three principal instruments: the regional co-operation programme (support for co-operation between Newly Independent States), the cross-border co-operation programme (support for Newly Independent States with joint borders with the EU/candidate countries) and the nuclear safety programme.

4.3.2.1. Regional Co-operation Programme

The Regional Co-operation programme promotes co-operation between Newly Independent States. There are three priority areas: networks, environment and justice and home affairs. The Regional Indicative Programmes 2002-2003 were prepared and approved in 2001 for the Regional Co-operation Programme. These documents proposed new activities in several areas, such as assistance with policy development in accordance with various international environmental initiatives (for example, the Kyoto Protocol) and also development of a telecommunications' reform programme. Aside from these proposed interventions, the Regional Co-operation Programme also

continued work on more established programmes of assistance, such as TRACECA (oil and gas) and INOGATE (transport).

a) Networks

Support to networks is directed through two main instruments: the INOGATE programme covering the oil and gas sector and TRACECA programme covering transport. In addition to these two main instruments, support may also be provided in the telecommunications' sector.

- Traceca

The Traceca programme supports the development of the East-West transport corridor from Europe, to Central Asia, via the Caucasus, in order to enhance the ability of countries in this area to access European and world markets, as well as fostering regional co-operation. Legislators in the signatory countries agreed the Traceca Multilateral Agreement - the key basis of Traceca - based within both the TACIS and PHARE⁸² programmes. This was followed by a detailed action plan for 2000-2001. In February 2001, the Traceca Secretariat was established in Baku, in Azerbaijan. The programme has six on-going projects, which form part of the TACIS Regional Action Programme 1999, and which provided road sector studies in the Caucasus and traffic forecasting between the 12 Traceca countries. A major supply contract for an optical cable along the railway lines in Armenia, Georgia and Azerbaijan is also under implementation.

- Inogate

Inogate aims to enhance co-operation between producers, transporters / pipeline providers and consumers of oil and gas across the TACIS region. In this way, it hopes to promote interstate oil and gas projects, reduce investment risks and promote the introduction of international standards – especially in the environmental and safety fields - in the energy network infrastructure. Twenty-one countries from Eastern Europe, the Caucasus and Central Asia as well as Greece and Turkey have signed the Inogate umbrella agreement, which upgrades the East-West oil and gas corridors in compliance with EU and international standards. Four new Inogate projects were launched in 2001 to continue work already underway to improve the accountability of gas transit between the Newly Independent States.

b) Environment

TACIS funds a range of regional environmental initiatives e.g. a project to help environmental ministries to implement their national environmental action plans, to develop common policies and to support sub-projects in environmental financing and policy reform. Another project funds trans-boundary river management in four river basins – covering nine countries, in support of the United Nations / Eastern and Central Europe trans-boundary water convention. The successful Caspian Sea environmental project ended in 2001 with local experts visiting the Caspian Sea to monitor invasive and toxic species. The Joint Environmental Programme, which brings together investment from different international financing institutions,

⁸²

PHARE: Poland and Hungary: Aid for Economic Restructuring (now extended to cover Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia).

facilitated the signing of a € 60 million loan for water protection in Kazakhstan in 2001. There have also been developments under the international framework of 'Environment for Europe'. Further support was given to the Project Preparation secretariat based in the European Bank for Reconstruction and Development (EBRD), and the Task Force for the Environmental Action Programme, based at the Organisation for Economic Co-operation and Development (OECD). TACIS funds also assisted Non-Governmental Organisations (NGOs) to prepare a sustainable development strategy paper to be presented in Brussels in 'Green Week'⁸³.

c) Justice and Home Affairs

The European Union is giving increasing attention to supporting the rule of law and effective law enforcement in its assistance to the Newly Independent States and Mongolia through the TACIS programme. Key issues are: combating organised crime, in particular drug trafficking and trafficking in women as well as reducing illegal migration throughout the territory of the Newly Independent States. The EU is also giving special attention to the Kaliningrad area and given its future perspective as an 'enclave' within EU Member States. In addition, TACIS seeks to provide systematic support for enhanced border management. Four new initiatives were proposed under the Regional Programme for 2001: border management on the Belarus/Russian border; combating trafficking in women in the Russian Federation; combating organised crime in Kaliningrad; and fighting the drugs' trade in the Western Newly Independent States and the Caucasus.

4.3.2.2. Cross-Border Co-operation

The Cross-Border Co-operation programme is designed to provide support to the Newly Independent States, which have borders with the EU or the candidate countries. There are three principal themes to this support: economic development (specifically SMEs), environment, and border crossings. This support is designed to be complementary to that provided through the TACIS national programmes, and details on the individual sectors are provided later in the report. The main focus of 2001 in this area was the opening to traffic of a number of border crossings begun under earlier programmes. In addition, the cross border economic development project at Uzghorod on the Ukrainian, Hungarian and Slovakian borders, was brought nearer completion. This is the first major cross border economic development project to be financed under TACIS and has produced valuable lessons for projects about to commence in Moldova and the Ukraine. The Cross-Border Co-operation programme has been particularly active on the Finnish-Russian Border. A seminar was held in St Petersburg in November 2001 with the aim of helping to boost the participation of the Ukraine, Belarus and Moldova. It is hoped that this will result in cross-border committees being established between neighbouring countries.

⁸³

Green Week is an annual campaign organised by the European Commission's Directorate-General for Environment, which provides a platform for raising the awareness of EU environmental policies and activities.

Kamenny Log (Belarus) – Medininkai (Lithuania) Road Border Post.

The border crossing at Kamenny Log in Belarus is located on the route between Minsk and Vilnius. It will facilitate the movement of trade along the important route from Kaliningrad, through Vilnius and Minsk, and onwards to Moscow, as well as linking the Baltic Sea ports with Russia. Following the independence of both Belarus and Lithuania, there was a need to provide an external border facility. The need to implement controls was considered all the more important because Lithuania is not a member of the Commonwealth of Independent States and not part of the customs union with Russia. It is, therefore, a major interface point between Eastern Europe, the Caucasus, Central Asia and the expanding European Union. A TACIS grant of € 1.34 million supported the construction of the post while equipment is to be supplied under a € 1.12 million grant that covers three border posts in Belarus. The TACIS funded construction works commenced in January 2001 and were completed at the end of December that year. Equipment deliveries to the site will be completed in April 2002.

4.3.2.3. Nuclear Safety

The EU has made a major contribution to dealing with the problems associated with the closure of the Chernobyl nuclear power plant through the new Industrial Complex for Solid Radioactive waste project and the second contribution of € 100 million to the Chernobyl Shelter Fund managed by the European Bank for Reconstruction and Development.

A particular emphasis has been put on increasing operational safety through ‘on site assistance’, which is provided on a continuous basis by EU operators at 14 sites in the Newly Independent States. On site assistance aims to improve the level of design safety, operating and surveillance conditions and the organisation of operational safety. Independent regulatory authorities are being strengthened through EU technical and financial assistance and much of the necessary legal framework has now been put in place. The overall safety culture is being improved through more formal and regular dialogue between plant operators and regulatory authorities (the so-called ‘2+2’ approach). Nuclear Power Plants (NPPs) are being modernised with the provision of equipment (a condenser cleaning system to Balakovo NPP, non destructive testing equipment to several plants, steam generator level control system to South Ukraine NPP, etc.).

There are 91 ongoing projects for general assistance, 17 ongoing Procurement Agent contracts for equipment, 3 contributions to the European Bank for Reconstruction and Development for the Chernobyl Shelter. 18 new projects have been identified under the Annual Programme 2001, which contribute to the aim of improving the culture of nuclear safety in Russia, the Ukraine and other CIS countries.

In order to support the establishment of a reliable safeguards system in Russia, the European Commission is providing support to the Methodological and Training Centre in Obninsk in its training of both operators and inspectors as well as providing technical support to Russian operators. In addition, the Ural Siberian Training and Methodological Centre in Snezhinsk provides training and services to operators and inspectors involved in the final stage of the fuel cycle.

The Commission not only co-operates with the European Bank for Reconstruction and Development but also with the International Atomic Energy Agency, whose activities to improve nuclear safety in the Newly Independent States are presently channelled through its Technical Co-operation Program and the Contact Expert Group related to North West Russia.

Important steps have also been taken to accelerate the rate of implementation of existing commitments in the nuclear safety programme. There has been an increase in staff working on these issues and the team is now well equipped to tackle the four principal challenges: on-site assistance; design safety and off-site emergency preparedness; nuclear waste and safeguards, and regulatory authorities and technical safety organisations.

Ensuring the safety acceptability of plant modifications: the '2+2' approach

Licensees have complete and undivided responsibility for the safety of their plants and their impact on the environment. Regulatory bodies inspect and assess all nuclear installations to ascertain compliance with regulations and licence terms. The TACIS nuclear safety programme, while contributing directly to the upgrading of nuclear installations in the Newly Independent States, also promotes direct transfer of Western European best safety practice to both licensees and regulators. More specifically, it addresses the difficult question of the interface between these two bodies during the licensing of plant upgrades. For this purpose, the so-called '2+2' approach, provides for a coupled co-operation scheme, on the one hand between EU and Newly Independent States' nuclear utilities and on the other hand between EU and Newly Independent States' regulators and their expert organisations. In addition to improving licensing practices in the Newly Independent States, this integrated approach also helps to ensure that EC funded plant modifications do improve safety and conform to West European regulations and practices.

Regional Co-operation – Commitments 2001 (€ million)

Regional Co-operation	Amount
Regional Co-operation	38.0
Cross-Border Co-operation	23.0
Baltic Co-operation	6.0
EU/EBRD Investment Preparation Facility	15.4
Nuclear Safety	51.0
Chernobyl Shelter Fund	40.0
ISTC/STCU	25.0
Miscellaneous	21.8
Total	220.2

4.3.3. *Transport and Infrastructure*

4.3.3.1. Transport

Support to the transport sector is provided both through the Regional Co-operation Programme (see above) and through the national action programmes. The objective of the transport projects is to modernise the transport system and to make it suitable for a modern market economy. In 2001, sixteen projects were under way in the sector. These projects deployed more than 400 European experts, of whom 30 were full-time residents in the partner countries.

Transport infrastructures inherited from the Soviet era are oversized in comparison with current and short term needs. There is, therefore, no need for major investment, although some assistance is necessary in order to maintain the efficient utilisation of the existing infrastructures. The transport system is still dominated by railways, which carry more than 80% of land freight, (compared with 20% in the EU). In order

to improve the system's flexibility, TACIS has been promoting projects in multi-modal transport by supporting the growth of road transport, breaking up large transport businesses and transferring management know-how to the partner countries. Support has also been given to the establishment of modern legal frameworks and institutional arrangements.

Projects completed in 2001 included Road Transport Safety and Russian Marine Seaports' Safety, which managed to successfully introduce western standards in their respective fields. Major projects started in 2001 include the Moldovan Railways Restructuring, the Kaliningrad Port Development and the Northwest Russian Road Management projects.

Moldovan Railways The Moldovan Railways project seeks to revitalise the country's railways system and to enhance its competitiveness. The project provides consultancy support and training to the Moldovan authorities as well as to the Moldovan Railways with a particular focus on the development and implementation of a Restructuring Plan.
Kaliningrad ports Kaliningrad ports are the only ice-free Russian ports in the north-west of Russia and will gain in importance due to the imminent accession into the EU of neighbouring Poland and Lithuania. The Kaliningrad Port Development project, started in February 2001, is designed to facilitate trade and investment between EU Member States and the Russian Federation by strengthening efficiency and upgrading physical and technical capacity of the channel and Kaliningrad ports. Specifically, this project promotes opportunities for joint ventures, private banks, and international funding agencies to finance the improvement of physical infrastructure and freight handling equipment. Furthermore, it provides management training in commercial marketing for senior staff at the Port Authority and port operating companies.

4.3.3.2. Infrastructure

Construction/maintenance

The principal activities in the infrastructure sector in terms of works contracts are financed through the TACIS Cross-Border Co-operation programme (see also section 2.2 of this Chapter). During 2001, the construction of four TACIS-funded border posts was completed at Salla and Svetogorsk in Russia, Kamenny Log in Belarus and Leushen in Moldova. The year also saw the start of two separate works contracts for the approach roads to and bridge over the River Bug on the Ukraine–Poland border, which will be completed in 2002. Tenders for works contracts were launched for a railway border station at Ivangorod in Russia, the border post at Bagrationovsk and for the demarcation of 650 km of the Belarus border with Lithuania. Tenders were also launched for a total of 30 equipment supply lots (16 in Russia, 4 in Belarus, 6 in the Ukraine and 4 in Moldova).

Energy Sector

In 2001 eight major projects continued in the energy sector in the Ukraine, Central Asia and the Caucasus. Three of these focussed on the reorganisation of the oil and gas sector and three were aimed at promoting the concept of energy efficiency in the Ukraine. Two more supported structural reform of the energy market in the Caucasus. Eleven projects were implemented in the energy sector in Russia, of which five will continue into 2002.

Transport and Infrastructure: Commitments in 2001 (€ million)

Transport and Infrastructure	Country	Amount
Transport	Kyrgyzstan	1.2
Environment	Kazakhstan	2.0
Energy	the Ukraine	20.0
Total		23.2

4.3.4. Food Security and Rural Development

In 2001, TACIS supported twelve continuing projects in the food and agriculture sector in Russia. Two of these focused on promoting agricultural co-operation (production, processing, and credit co-operatives) in three pilot regions. Another aimed to promote reform through agricultural training and education. TACIS also tackled the issue of food quality through a project working in different regions on selected food products. In addition, there were two projects on farm restructuring (in Astrakhan and in the Urals), another on agricultural advice centres in South Russia, and one more, working at the federal level, gave guidance to the Ministry of Agriculture and Food in promoting new policies.

Information on all the projects completed in 2001 was widely disseminated so that it can be replicated across the region.

In the rest of the Newly Independent States, there were seventeen continuing projects covering all aspects of rural development: improved agriculture production (crops and livestock); agri-processing; marketing/distribution of produce; land privatisation/registration; improved seed production/multiplication; development of agricultural associations and co-operatives; rural credit facilities; food quality/safety; and water use/irrigation for agriculture.

EU-Russia Food Delivery Programme

Council Regulation (EC) 2802/98 of 17 December 1998 mandated the EC to undertake the delivery of food products to the Russian Federation. This programme was the largest ever food delivery undertaken by the EC in the region (about 1.85 million tonnes to over 50 regions) with a budget expenditure of € 400 million.

The delivery of products was completed in April 2000 with almost all products sold at prices reflecting the prevailing market value. The proceeds of these sales were lodged in a special account at the Russian Ministry of Finance. The objective was to use these funds to clear pension arrears (80%) and to support the ministries for Health and Labour (20%). The year 2001 was devoted to the management of the special account. In addition to the complex nature of the food delivery programme, difficulties were encountered regarding the collection and use of co-finance.

As required by the Council Regulation, the Commission commissioned an external audit of the programme. The findings of this audit were to be delivered in early 2002.

**Policy Development, Training and Management Support
to Agricultural Enterprises in Crop Production**

This project ran between February 1999 and November 2001. It was designed to improve crop production in Mongolia through a series of practical demonstrations of, for example, correct use of fertilisers, seed multiplication, improved irrigation techniques, minimum tillage and chemical fallow. This project has shown that significant and quantifiable improvements in both crop quality and quantity were possible with minimal capital outlay. The results of these demonstrations were widely disseminated through a series of open field days and through regular coverage of the project's activities in local and national media. The project established five agricultural advice centres, which provide a wide range of advice and information to the entire agricultural community.

There was active support from the Ministry of Agriculture throughout and the Government has already implemented many of the project's recommendations.

4.3.5. Institution Building

Institution building activities lie at the core of all TACIS support. These activities support the development of transparent, accountable and effective public institutions. TACIS support includes provision of advice on administrative reform to individual ministries, advice on development of modern legislation - where appropriate to be compatible with EU standards - and support for reform of the judiciary.

It is also worth highlighting the newly established TACIS Institution Building Partnership Programme supports three main types of partnership co-operation – between central government ministries and agencies, between municipal and regional governments and amongst NGOs. The partnerships involve officials from EU Member States being seconded to work directly within the beneficiary institution, for example to help prepare new legislation, reform institutional structures, provide training on systems software, provide training on the ground or in the EU Member State.

Thirty institution building projects with an environmental perspective were implemented in 2001. Many of these focussed on institutional development of national and local government. There were also two major co-financing projects, one in St Petersburg, Russia, designed to reduce pollution in the Baltic Sea, and one in the Black Sea region, which aim to improve water quality, tourism and public health in two Ukrainian coastal towns. Further investment support for municipal services was launched during the year.

As to economic development, reform is still needed in some crucial areas including legal frameworks for the private sector, trade and investment policies, taxation and access to finance. TACIS projects and programmes aimed to address these problems both at grass roots level (development of Small and Medium Enterprises - SMEs) and at the institutional level.

Institutional Building – Commitments 2001 (€ million)

Country	Amount
Georgia	3.0
Kazakhstan	9.0
Kyrgyzstan	4.7
Moldova	9.7
Russia	45
Ukraine	20.5
TOTAL	91.9

4.3.6. *Macroeconomic Policies*

Facilitating economic reform and developing the private sector is a central objective of the TACIS programme. In 2001 the EU's strategy remained focused on stimulating business growth whilst continuing to provide support to the new institutions of the market economy. Co-operation with other international bodies has been actively pursued, while strong relationships with local partners continue to be nurtured.

The challenges for TACIS continue to include the current regulatory environment, inadequate access to finance and investment and poor quality of business practices. European projects focussed on these problem areas with nearly 200 projects of a total budget of almost € 300 million. Projects such as Supporting Accounting Reform in Azerbaijan and Supporting WTO Accession - as well as support to the development of a small business culture in Russia - characterised this trend. By addressing legal and political reform while helping business to get on its feet, EU projects remained vitally important principally in the Russian Federation and throughout the Newly Independent States.

Under the first phase of the Managers' Training Programme (MTP), the EU internship programme for Newly Independent States' managers, facilitated some 440 internships during 2001 in EU companies, lasting up to three months. During 2001 an additional € 9.1 million for MTP was contracted.

MERIT 1 – Support to Monoactivity Towns, in particular the Development of Coal Mining Cities Russian Federation

This project aimed to strengthen five selected coal region cities in order to turn them into motors for urban and regional development. It supported the role of newly emerging municipal administrations in coal-mining towns that are affected by industrial re-structuring. Activities included supporting the development of economic strategies, developing the strategies and capabilities for attracting investment into the areas, developing local capacity through training, supporting the SME infrastructure, developing micro-credit funds, and preparing a dissemination strategy to involve all mining towns. A series of Flagship Initiatives were implemented in each town as the focal point for a connected series of economic regeneration activities. The Municipal Development Planning Process was - and will continue to be after TACIS - 'participatory' in all towns i.e. taking into consideration the views of the wider community including representatives of the local authority, business and social sectors.

Macroeconomic Assistance - Commitments in 2001 (€ million)

Country	Amount
Georgia	1.0
Kazakhstan	2.5
Kyrgyzstan	2.8
Moldova	3.0
Russia	22.0
Ukraine	13.0
TOTAL	44.3

4.3.7. Health and Education

4.3.7.1. Health

The decline in health services in Eastern and Central Europe has contributed to a drop in life expectancy, often dramatic. For instance, the life expectancy rate has dropped from 68 to 58 in Russia over the past decade. A large number of illnesses that were under control or had even disappeared have re-emerged, and are on the rise, including diphtheria, cholera and tuberculosis. AIDS is also progressing in an unchecked way.

The European Commission addresses the health issues in particular in its assistance programme for Uzbekistan. The table below gives a summary of TACIS actions in the health sector during the period of 2000-2001.

Projects being prepared include 'Tuberculosis prevention and control (Kiev City) in the Ukraine (€ 2 million), 'Integrated Community Primary Health-support to the Kakheti region' in Georgia (€ 5 –7 million), and 'Regional Health in Uzbekistan' (€ 2 million).

4.3.7.2. Education

The principal instrument for TACIS support in the education sector is the Tempus⁸⁴ programme. The aim of this programme is to support the reform and restructuring of higher education systems in the Newly Independent States and to help adapt them to new socio-economic needs. Tempus has three principal strands: Joint European Projects (JEPs), Networking Projects (NP) and Individual Mobility Grants (IMGs).

⁸⁴ Tempus aims to support the reform of the higher education system in Central and Eastern Europe, covering: Armenia, Azerbaijan, Belarus, Georgia, Mongolia, Russia, Ukraine and Uzbekistan

Social Development - Commitments in 2001 (€ million)

Country	Amount
Kazakhstan	1.0
Kyrgyzstan	0.9
Moldova	6.8
Russia	23.0
Ukraine	13.5
TOTAL	45.2

4.3.8. Cross Cutting Issues

4.3.8.1. European Initiative for Democracy and Human Rights

In 2001, the European Initiative for Democracy and Human Rights (EIDHR) implemented projects in Eastern Europe, the Caucasus and Central Asia to a value of more than € 7.5 million.

The EIDHR committed € 2.6 million to a project aimed at the promotion and defence of Human Rights and fundamental liberties in the Russian Federation. The objective of this project was to reinforce and protect Human Rights as part of a monitoring programme for the 89 regions of Russia, and notably the North Caucasus. In Georgia, the EIDHR has implemented a project on the rehabilitation of survivors of torture and for the prevention of torture in the future.

EIDHR has provided € 3 million for support for the process of democratisation and reinforcement of good governance. In Belarus, a joint project with the Organisation for Security and Co-operation in Europe, started in 1999, has increased knowledge of Human Rights issues amongst young people. In Russia, a joint programme with the Council of Europe (CoE) is reinforcing good governance and the protection of Human Rights. In the Ukraine, a joint programme with the CoE is reinforcing democratic stability and working to prevent conflict. A body of work on European norms of governance, Human Rights and humane treatment of prisoners has also been adopted in Moldova.

Support for conflict prevention and peace promotion is a major priority for EIDHR. In 2001, the EC worked with the Council of Europe on a programme to assist Armenia, Azerbaijan and Georgia with their accession to the Council of Europe; in particular with the creation of democratic societies based on good governance, tolerance and a respect for Human Rights. Another joint project aimed to combat corruption and organised crime, as well as reinforcing measures to reduce conflict and promote good governance. For the first time, 2001 saw the EIDHR involved in conflict prevention and capacity building for Human Rights in the Caucasus.

4.3.8.2. NGOs' Activities

The development of civil society is another core component the TACIS programme, especially as regards support for institutional, legal and administrative reform.

A special Civil Society Development Programme for civil society in Belarus was approved in Minsk in November 1999. Implementation started in early 2001. There are 24 NGO projects, 5 media projects and one institutional twinning project under implementation.

The final proposals for the TACIS Lien programme (which promotes partnerships between NGOs) were submitted in spring 2001. Twenty projects were selected and are now being implemented. The total project value is € 3.2 million. The TACIS City Twinning programme has 35 ongoing projects (total budget € 3.5 million) that will come to an end in 2002.

Lien and City Twinning programmes have been replaced by the Institution Building Partnership Programme / Support to Civil Society and Local Initiatives. The new programme targets NGOs, local and regional authorities and professional associations. It supports an institution-building process through EU / Newly Independent States' partnership co-operation at a grass-roots level. A call for proposals was launched in December 2001 and the project implementation is planned to start in autumn 2002. The total budget for this programme is € 15 million over two years.

**'NGO assistance to disabled people'
and 'Creation of a consultation Centre for Invalid Children'**

This project was developed by Belarussian NGOs to increase their capacity to help disabled people. It aims to develop co-operation between NGOs and the Employment Services for the creation of job opportunities for the disabled, to review existing legislation and propose new regulations to facilitate the employment of disabled people. The premises for the project office have been provided free of charge within the Ministry of Labour. This constitutes a major signal from the national authorities. It is hoped that the project will produce positive and sustainable results as a good example of NGO assistance and co-operation with the government of Belarus.

4.3.9. *Coherence with other policies*

Coherence with other policies takes two forms. Firstly, the European Commission carefully co-ordinates proposed TACIS assistance activities with the Commission Directorates-General responsible for all other relevant EU sectoral policies, including environment, energy, transport, justice and home affairs, competition, trade, employment and regional policy.

For example, as TACIS assistance to the Western Newly Independent States is often part of a broader framework involving Community support to the accession countries through PHARE and Interreg⁸⁵ it is also essential to ensure better co-ordination between TACIS, PHARE and Interreg. In April 2001, the Commission produced a

⁸⁵ Interreg is an EC initiative, financed by the EC's Structural Funds, which promotes Interregional co-operation in EU (internal) cross border areas

'Practical Guide to bringing Interreg and TACIS funding together'⁸⁶ as a first step towards co-ordinating these two instruments.

In addition, the European Commission is endeavouring to ensure that the TACIS programme is complementary to support provided to these countries through other EC instruments; For example, the Moldova and Kyrgyzstan programmes developed during 2001 contain elements linked with projects undertaken through the EC Food Security Programme. Similarly, where appropriate, the TACIS activities in the sphere of private sector and economic development seek to create a favourable climate, compatible with the conditions stipulated in the terms of EC macroeconomic assistance (see chapter 7).

4.3.10. *Co-operation with Other Donors*

Continued coordination and complementarity with the activities of other donors, and in particular with EU Member States, is a key strategic priority for TACIS. Greater coordination at the country level is a direct result of growing relationships between the EC Delegations and Member States' own representations in partner countries. New programmes are prepared in close consultation with other donors and through formal Commission approval processes (such as the TACIS Management Committee). Relationships with non-EU organisations - in particular the World Bank and the International Monetary Fund - are being strengthened by ongoing co-operation, especially in such areas as implementation of the PRSP and, in Kyrgyzstan, of the Comprehensive Development Framework.

4.3.11. *ECHO*

In 2001, the overall humanitarian situation in the **NIS** has not improved significantly. It is evident that the root causes of the difficult humanitarian situation faced by the most vulnerable strata of society in the NIS are of a structural nature. They have to be addressed by a more sustainable, long-term approach – and are therefore beyond ECHO's mandate. However, in the light of certain delays in the taking over of activities by Commission instruments more appropriate than ECHO, the Humanitarian Aid Office continued assistance, albeit to a reduced extent. The aim was to alleviate the precarious situation of the most vulnerable groups, including children in institutions, lonely elderly and disabled people, multi-child families at risk. In 2001, ECHO continued and practically completed its phasing out in **Belarus, Moldova and Ukraine** as well as in the Southern Caucasus (**Azerbaijan, Georgia, Armenia**).

By the same token, in **Tajikistan** overall Global Plan funding was reduced further (to € 10 million), with the food, medical and water and sanitation sectors being given priority. However, in response to the second consecutive severe drought affecting the country, an additional € 2 million emergency decision was taken to fund small-scale food security programs, benefiting the most vulnerable rural population. ECHO is continuing its gradual phasing out from the country (due to be completed by the end of 2003). Close co-operation with other Commission services is continued to bring about a smooth transition from relief (so far funded by ECHO) to rehabilitation and development activities (supported by more appropriate Commission instruments and Member States), catering for the coverage of needs in the longer term. The

⁸⁶

See http://europa.eu.int/comm/regional_policy/Interreg3/doc/docu_en.htm

heightened international attention given to Central Asia in connection with the Afghan crisis appears to be acting as a catalyst in regard to the latter issue.

In the **Russian Federation**, ECHO remained involved in the Northern Caucasus, covering the significant humanitarian needs of the population affected by the – second - Chechnya conflict (€ 40,35 million). The conflict erupted in late 1999, and a political solution is still not in sight. Armed hostilities in Chechnya have entailed large displacements of people in the Northern Caucasus region, notably from Chechnya into neighbouring Ingushetia (accommodating some 150,000 IDPs). However, efforts by the international aid community to help cover those needs have often been thwarted by extremely difficult working conditions, in particularly due to an erratic and opaque access system to Chechnya and the lack of NGO access to VHF radio communication (crucial for the security of humanitarian staff). ECHO funding benefited some 400,000 civilians, victims of the conflict, providing them with basic food aid, enhancing the water and sanitation conditions for both IDPs in camps and spontaneous settlements in Ingushetia and the resident population in the Chechen capital of Grozny. In addition, 40,000 IDPs living in camps both in Ingushetia and Chechnya benefited from primary health care services provided by ECHO partners. IDPs, returnees and residents throughout the Northern Caucasus received ECHO-funded protection activities, notably legal counselling; and the coordination of international humanitarian assistance was supported.

Also in 2001, ECHO allocated € 1.03 million to respond to humanitarian needs created by the disastrous winter, which affected a large part of the rural population in **Mongolia**. Operations were financed to help 40,000 of the most vulnerable people with basic food items and agricultural inputs.

ECHO Financial Decisions 2001 (€ million)

Country/sub-region	Amount
Belarus, Moldova, Ukraine	1.900
Mongolia	1.030
Russian Federation (Chechnya crisis)	40.350
Armenia, Georgia	3.150
Tajikistan	12.000
TOTAL	58.430

4.3.12. Monitoring

All TACIS national and regional projects were subject to regular monitoring missions by external monitors in 2001.

Their performance was on average assessed as between average and good, with some greater tendency to the latter in projects completed in 2001.

TACIS monitoring teams operated from four regional offices in Moscow, Kiev, Almaty and Tbilisi with most of the monitoring work undertaken by long-term resident specialists. At the end of 2001, TACIS monitoring was integrated into the global monitoring system.

4.3.13. *Conclusions and Perspectives*

The TACIS programme is now an established player in Europe, the Caucasus and Central Asia and is gradually adapting to the changing needs of its partners as the transition process comes to an end and is replaced by new challenges. In particular, TACIS is now taking account of growing differences between each partner country, whilst ensuring that regional interventions are appropriately targeted towards genuine regional needs. Under the new TACIS regulation, the programme will continue to be directed in the areas where it has the greatest record of effectiveness. As such, it will focus primarily on support for institutional, legal and administrative reform whilst phasing out activities in rural development. As the enlargement process continues, the EC assistance will focus on cross-border and regional issues between the Western Newly Independent States and those countries on the verge of EU membership.

4.4. Southern Mediterranean and Middle East

The Euro-Mediterranean partnership was launched seven years ago against a background of regional instability and a worsening Middle-East conflict. Today, it is worth reaffirming the strategic importance of that partnership, established in Barcelona in 1995 by the fifteen Member States of the European Union and the twelve Mediterranean partner countries. As a model for co-operation, it now extends far beyond the economic sphere and aims to promote lasting regional stability as an indispensable pre-condition for any attempt to bring shared prosperity to the Mediterranean region.

In 2001, the Euro-Mediterranean partnership has come of age. It is the only regional forum for discussion and stands for a unique comprehensive and evolutionary approach to development, a vehicle for the implementation of common policies and strategies in the region.

At present, the Euro-Mediterranean Association Agreements concluded with or being negotiated with nine partner countries constitute the main framework for bilateral co-operation with the EU. These Agreements also reinforce links between the partner countries at regional level. Another example of these links is provided by the sub-regional free-trade agreements, such as the Agadir process between Morocco, Tunisia, Egypt and Jordan, which demonstrate these four Maghreb and Mashrek countries' willingness to open up their economies to each other.

4.4.1. Introduction

Launched at the Barcelona Conference in 1995, the Euro-Mediterranean partnership is the main vehicle for co-operation between the European Union and its Mediterranean partners. It embraces all joint co-operation projects in an attempt meet the political, economic, social and environmental challenges that will shape the geopolitical future of the entire Mediterranean region.

It is the lack of homogeneity and the fragility of the social fabric in the South Mediterranean countries that is chiefly responsible for social exclusion and poverty. In 2001, average per-capita income in the region was USD 1 512, with very considerable differences between countries, ranging from USD 990 for Syria to over USD 5 000 for Lebanon. Reducing these inequalities will require a special effort in the fields of education, vocational training and health, and more co-operation with the Member States and international organisations. Fighting poverty forms the basis of the Community's new approach to sustainable development and continues to be a major objective behind the European Union's strategy for co-operation with the Mediterranean countries.

Economic and social development in the southern Mediterranean and Middle East is vital to the stability and prosperity of the whole Mediterranean region.

The MEDA programme⁸⁷ is the main financial instrument in the Euro-Mediterranean partnership, accounting for 88% of total funding for co-operation projects in 2001.

⁸⁷ The Meda Programme is governed by Council Regulation (EC) No 1488/96 of 23 July 1996 on financial and technical measures to accompany the reform of economic and social structures in the framework of the Euro-Mediterranean partnership, as amended by Council Regulation (EC) No 2698/2000 of 27 November 2000, commonly referred to as Meda II.

The Union is also involved in special projects to support the Middle-East peace process, to provide Palestinian refugees with aid and to support democracy.

Euro-Mediterranean Association Agreements have already been concluded or are being negotiated with nine Mediterranean partner countries. These Agreements form the strategic framework for Community bilateral-co-operation projects. Significant progress was made in 2001 with Algeria and Lebanon, both of which signed association agreements with the European Union. Priority was given to projects in the national indicative programmes (NIPs) which were drawn up jointly with the nine partner countries and which cover the following areas: economic transition (structural adjustment and development of the private sector), maintenance of social cohesion (education, health and rural development) and promotion of civil society.

Euro-Mediterranean Agreements in 2001	
Agreements already in force	Tunisia, Palestinian Authority(*), Israel, Morocco
Ratification pending	Jordan (**), Egypt (***), Algeria (****), Lebanon (****)
Negotiations underway	Syria

(*) Transitional agreement

(**) The Association Agreement with Jordan should be ratified in March 2002; it is due to enter into force in May 2002

(***) The Association Agreement with Egypt was signed on 26 June 2001

(****) An Association Agreement was signed with Algeria on 19 December 2001 and could be signed with Lebanon on 10 January 2002

For 2001, the Commission committed a total of € 857.8 million in co-operation measures linked to the Euro-Mediterranean partnership, while payments amounted to € 564.6 million. The Meda programme itself received the largest share of commitments in 2001 with € 757.4 million. Meda payments totalled € 403.7 million. Commitments under the specific budget headings (peace process, UNRWA, aid for Palestinian refugees) amounted to € 100.4 million, while payments totalled € 160.9 million.

Euro-Mediterranean partnership: commitments and payments 2001 (€ million)

Programme	Commitments		Payments	
	2001	2000	2001	2000
MEDA				
Algeria	60	30.2	5.4	0.4
West Bank/ Gaza	-	96.7	62	31.2
Egypt	-	12.7	62.5	64.4
Jordan	20	15	10.8	84.5
Lebanon	-	-	2	30.7
Morocco	120	140.6	41.1	39.9
Syria	8	38	1.9	0.3
Tunisia	90	75.7	69	15.9
Turkey (excluding global allocation)	147*	310.4*	86.4	15.2
MEDA bilateral	445	719.3	341.1	282.5
MEDA Regional	312.4	159.8	62.6	48
Total bilateral/regional	<u>757.4</u>	879.1	403.7	330.5
Other budget headings	100.4	122.8	160.9	141.7
TOTAL	857.8	1,002	564.6	472.2

* The funds committed for Turkey under the Meda Programme (budget heading B7-4100) are administered directly by DG Enlargement.

Commitment / Payments 1995-2001 (€ million)

	1995	1996	1997	1998	1999	2000	2001	Total
Commitments	173	404	981	941	937	879.1	757.4	5071.6
Payments	50	155	211	231	243	330.5	403.7	1624
<i>Payments as percentage of commitments</i>	29%	38%	21%	24%	26%	37.6%	53.3%	32.0%

4.4.2. Regional co-operation

Regional co-operation is one of the most original features of the Euro-Mediterranean partnership and can take the form of joint activities, exchanges of experience and information involving the 27 partner countries and territories on both sides of the Mediterranean. A Regional Indicative Programme provides the framework for regional co-operation. This is implemented through individual regional programmes devoted to specific areas.

In 2001, regional co-operation was given a boost when the Commission adopted a financing plan for € 200 million, which was also committed in 2001. The plan relates to seven specific programmes to be implemented over a number of years. The idea behind the plan is to put certain existing activities and projects on a more permanent footing, in fields such as the environment (€ 30 million) or cultural youth exchanges (€ 10 million), but it also provides for new measures in areas such as risk capital (€ 50 million) and transport (€ 20 million).

Under the heading of politics and security, the Commission has pushed ahead with effective implementation of three measures aimed at bringing countries and peoples closer together: two training seminars were held for diplomats from the Meda countries; funding was provided for the EuroMeSCo network bringing together independent specialists from foreign-policy institutes; the national civil-protection agencies from the 27 Euro-Mediterranean partner countries sent people to take part in four training courses as part of a pilot scheme to improve prevention of accidents and natural catastrophes.

Under the heading of economic and financial matters, the Commission has continued to implement ongoing programmes and projects in the fields of energy, the environment, the information society and statistics. Five water-management projects were launched, and five aimed at improving maritime safety. Work on industrial co-operation concentrated on three themes: promoting investment, fostering innovation, technology and quality in business and developing policy instruments for the Euro-Mediterranean market. Four energy projects were launched and sixteen proposals concerning technology for the information society were selected last year under the programme. Five environment projects started in 2001. They cover a wide range of measures from the treatment and management of urban waste to the promotion of organic farming. In the field of statistics, the aim is still to harmonise figures in all fields relating to Euro-Mediterranean co-operation. Two statistical yearbooks have been published, one a yearbook of regional data the other of statistics on tourism.⁸⁸

Under the social, cultural and human heading, there were six regional-co-operation projects under the Euromed Audio-visual Programme, 26 projects under the Youth Programme and, under the Heritage Programme, fifteen projects aimed at preserving the Mediterranean area's common heritage, with a further ten proposals selected for phase II). The promotion of women in economic development and the development of judicial co-operation were identified as two new priority fields. Lastly, the EU decided to start work on a regional programme on information and communication.

Young Moroccan and European volunteers involved in the social project in Tunis

In December 2001, as part of the Euromed Youth Programme, four young European women – two German and two French – and two young Moroccan women jointly ran a number of social-welfare projects in some very deprived areas of Tunis. They helped take care of old people and abandoned children in two social centres in La Maouba. They also helped underprivileged girls from a rural background in the Chebedda district, as well as young women in the Radés welfare centre. The EU provided € 20 000 for the operation, which lasted six months. ATAV, the Tunisian Voluntary Action Association took care of coordination on the ground and accommodation and other arrangements for the young volunteers.

⁸⁸

Euro-Mediterranean statistics - ISSN 1561-4034 –
Tourism trends in Mediterranean countries - ISBN 92-894-0066-8 – Official Publications Office of the
European Communities – L – 2985 – Luxembourg.

Regional co-operation: projects committed in 2001 (€ million)

Regional co-operation	Project title	Amount
	Water management*	40
	Transport policy*	20
	SMAP II (Short and Medium-Term Priority Environmental Action Programme)*	30
	Medstat II*	30
	Eumedis II*	20
	Euromed Youth II*	10
	EIB – Risk Capital*	50
	CGIAR (Consultative Group on International Agricultural Research)	1.5
	Energy Forum	2
	Re-commitments	24.8
	Various regional activities	4.3
SUB-TOTAL		232.4
<u>Global allocation</u>		<u>33</u>
<u>Technical assistance</u>		<u>46.8</u>
TOTAL		312.4

* Projects included in the Meda regional financing plan worth € 200 million in total.

4.4.3. Transport and infrastructure

Measures to develop and consolidate basic infrastructure and transport, energy and telecommunications networks as part of bilateral and regional programmes are in line with the priority objectives of the Euro-Mediterranean partnership. In pursuit of those objectives, 49 projects were implemented in 2001 under bilateral programmes, accounting for commitments of some € 570 million in total.

In 2001, efforts were concentrated on meshing together and coordinating proposed or existing programmes with other Community measures such as those run by the European Investment Bank and the Member States. Protection of the environment and the implications for on sustainable development were systematically taken into account at the preparatory project-evaluation stage.

In operational terms, the main results for 2001 are as follows:

In Morocco, 2001 saw an increase in the rate of Community support for the development of public services responsible for water management, energy and transport. With regard to water and sanitation in rural areas, improvements were made to the water supply to 13 towns and 438 douars, with a combined population of 423 000; work continued on the construction of 65 km of rural tracks in the northern provinces (payments worth € 3.25 million were made); a major decentralised electrification programme was launched, covering 15 000 Moroccan homes, in co-operation with Germany and France and local authorities. In addition, progress has been made in opening up the coastal regions in the north of the country, with

completion of the preparatory stage in the construction of the El Jehba-Ajdair section of the “Mediterranean rocade” link road (109 Km) and the ongoing work on the social infrastructure around Rabat with a view to rehousing 20 000 inhabitants of the shanty town of Salé (€ 1 million paid out in 2001).

In Syria, three new financing agreements worth € 24 million were signed in 2001 covering electricity, telecommunications and cultural tourism. This demonstrates a sustained increase in the rate of co-operation. The programmes are just starting up. It was also decided that a sanitation programme for Palestinian refugee camps in Syria would be given € 8 million in funding.

In Jordan, a technical-assistance team was formed, attached to the Project Management Unit (40 people). The team is responsible for coordinating programmes concerned with the rehabilitation and development of water systems in the Amman region and it is now operational. People in the Karak and Tafilah regions have been provided with access to an essential public service thanks to the water-supply projects begun in 2001. Lastly, the Commission is supporting the development of cultural tourism with improvements to two archaeological sites and technical assistance for the Tourist Council.

In West Bank and the Gaza Strip, in spite of deteriorating situation and the tightening of the blockade around the autonomous Palestinian territories, improving living conditions for the Palestinian populations remains the European Union’s priority objective. Ongoing work on basic infrastructure (such as schools, roads, primary health-care centres, sanitation networks, refuse collection etc.) is an achievement in itself. This infrastructure must be maintained and further extended. It will enable the Palestinian economy to recover more quickly when the right conditions have been restored. One notable success was the Gaza hospital, with 188 beds and serving a population of 350 000. In 2001, all departments became fully operational and are now treating around 2000 patients a month. Lastly, the library of the rehabilitated École Biblique in Jerusalem was inaugurated on 17 November 2001 by Commission President, Romano Prodi.

Construction of schools in West Bank and the Gaza strip

Between 1996 and 2001, 21 schools and educational facilities were built in West Bank and the Gaza Strip. The project, aimed at providing basic infrastructure for primary and secondary education, was made possible by the € 14 million provided by the EC.

The Palestinian municipalities that received the support now have 311 new classrooms with a combined capacity of 14 000 pupils. In addition to the educational benefits, the project has also had a significant effect on the country’s economic and social environment, generating some 100 000 working days for Palestinian labourers, managers, construction experts and suppliers of materials.

Lastly, in Iran, an aid programme provided funds for equipment and additional infrastructure for two existing hospitals in Manjil and Abbar Taroum. The work is now nearing completion.

Transport and infrastructure: Projects committed in 2001 (€ million)

Transport and infrastructure	Country	Project title	Amount
Water	Morocco	Water – sectoral adjustment	120
Water	Syria	Health environment / refugee camps	8
TOTAL			128

4.4.4. Rural development and food security

Some 70% of people classed as poor in the Middle East and North Africa, live in rural areas where living conditions are generally more precarious than in urban centres. While rural under-development in most of the South Mediterranean countries is linked to climate, the upsetting of natural balances by over-exploitation of natural ecosystems is also partly to blame.

In 2001, development activities were primarily concerned with creating permanent productive employment, strengthening fundamental organisations and managing natural resources such as water in a sustainable way, and protecting fertile land from soil erosion. At the operational level, there were 25 projects ongoing in 2001, accounting for € 433 million in commitments and concentrated on three countries: Egypt (seven projects accounting for € 105 million), Morocco (eight projects accounting for € 182 million) and Tunisia (five projects accounting for € 132 million). There were five further projects in other countries in that region, (accounting for € 14 million).

European aid for food security is given in accordance with the Rome Declaration of the World Food Summit of November 1996. The EU's aim is to help the most needy sections of the population in the South Mediterranean get an adequate diet, in quantitative and qualitative terms, and to ensure they enjoy the most basic standards of hygiene.

In Yemen, cereal production is falling sharply and now provides only 25% of the population's total consumption. Through the Yemeni Government's strategic poverty-reduction programme, in 2001 the Commission provided budget support and technical assistance in three areas: (i) institutional support to assist with the task of defining objectives and implement the national food security strategy (together with financial support for the social-security fund); (ii) support for the agricultural-census system, with an additional study on the information system for agricultural markets; (iii) provision of funds to cover 75% of the cost of food-security programming and implementation of support measures (e.g. construction of small dams for irrigation; vocational-training programmes and access to micro-credit).

The main measures – modernisation of productive private businesses, improvement of existing large-scale irrigation schemes and support for initiatives by grassroots rural communities – have all increased food security. Food supplies to towns have also been improved and the growth in imports has been brought under firmer control. Lastly, the need for sustainable management of natural resources and the rural environment has been consistently taken into account in all aspects of every measure.

On the basis of the operational priorities identified in co-operation with the partner countries, the following measures were started or continued with in 2001:

Modernisation of agricultural businesses

Acting through the specialised national and local institutions, this programme aims to provide agricultural entrepreneurs in Egypt and Morocco with the technical and financial support they require to fund and carry out their projects.

In Egypt, some medium-term loans from local banks and advice on financial management funded by the European Commission have enabled some 3000 small private producers to build up their businesses, diversifying in response to the requirements of the market. Thanks to good management, the project has made a very significant impact: there has been a big rise in sales of poultry products, dairy products, farmed fish and vegetables, leading to the creation of some 30000 jobs and raising incomes for almost 50000 people.

The training given to Egyptian and Moroccan farmers is essential if large-scale irrigation is to succeed and water resources better managed. As a result of the reforms, the volume of water required per hectare of land has been cut by 30%.

In Egypt, new, more efficient, water-saving irrigation methods have made it possible to irrigate 20 000 ha of reclaimed floodland, benefiting 8 000 farming families in 33 associations. As a result, production of cereals and forage has risen by 30% and farming revenues by 20%. The projects funded by the EC were concerned with drainage and fencing, support for user associations, technical advice for producers and infrastructure to provide access to production areas.

Support for initiatives by rural grass-roots communities

In Tunisia and Morocco, the Commission helps grass roots communities to plan and implement independently measures that they consider are most pressing in order to improve their living conditions and manage their land in a sustainable way. The Commission supports small-scale agricultural water engineering schemes, rural tracks and conservation of water and soil. By stabilising farming incomes and checking desertification, these projects will act as a brake on migration to towns and other countries.

In Tunisia, work has been done on 480 lakes and 45 000 ha of drainage basin and over 20 000 ha put in cultivation, including 5 000 ha of irrigated farm land. 80 cooperatives responsible for marketing agricultural produce, serve basic units grouped around each lake. Sales of dates and olives have risen significantly. Around a hundred participatory local development plans are currently in operation, benefiting over 6 000 people.

Protection of the coastal environment and biodiversity

If the park and protected areas are to remain viable, it is important that the institutions responsible for local environmental management be strengthened. To enable them to carry out their duties, plans have been made to improve recovery of costs through by developing the system of taxes to be paid by the various businesses in the tourist industry in South Sinai.

In South Sinai in Egypt, a national park and five protected areas covering 12 000 km² have been created, paving the way for the conservation of over 200 km of coral and many fragile coastal ecosystems on the Red Sea. Protecting these unspoilt natural sites is a double challenge with implications for the environment and the tourist industry alike. It will enable protection of the environment to go hand in hand with harmonious and controlled development of tourism, essentially international in character and bringing with it 100 000 jobs in the hotel and leisure industry.

4.4.5. Institutional support

Institutional support is given under the arrangements for bilateral activities within the Euro-Mediterranean Partnership, which means measures are agreed on jointly by the European Commission and the relevant authorities and organisations in each partner country. Thus, for example, the various sectoral measures to promote modernisation and democratisation in the EU's Mediterranean partners go hand in hand with radical reform of public services and the regulatory framework.

In 2001, the Commission funded two new institutional-support projects:

Support for reform of the Algerian police

This project, launched in 2001 for a period of six years with € 8.2 million, committed in 2000, sets out to reinforce good governance and the rule of law in Algeria. In practice, a series of measures are planned to raise professional standards amongst Algerian national-security staff by stressing the importance of Human Rights when they are fulfilling their security functions.

Support for Algerian journalists and the Algerian media. € 1.53 million were allocated to this four-and-a-half-year project in 2000 which began in 2001. The objective is to reinforce the role played by the independent privately owned press in Algeria and to support the much-needed democratisation of Algerian society. In more specific terms, the project involves strengthening journalism as a profession through the adoption of a professional charter for journalists, the drafting and adoption of a collective agreement for the press and the adoption of a code of professional ethics.

Institutional support: projects committed in 2001 (€ million)

Institution building	Country	Project title	Amount
Justice	Jordan	Regulatory reforms / Privatisation	20
Justice	Turkey*	Modernisation of the legal system and penal reform (JMPR)	8
Community acquis	Turkey*	Evaluation of pre-accession projects	5
Community acquis	Turkey*	Administrative co-operation facility II	8
Community acquis	Turkey*	Participation in Community programmes and agencies	11
Community acquis	Turkey*	Civil-service modernisation programme	2.5
Community acquis	Turkey*	Local government reform programme	3.5
Community acquis	Turkey*	Extension of TAIEX to cover Turkey	6
Community acquis	Turkey*	Upgrading statistical system	15.3
TOTAL			79.3

* Commitments for Turkey under the Meda Programme (budget heading B7-4100) are administered directly by DG Enlargement

4.4.6. Macroeconomic policies

The Maghreb and Mashreq economies have no legal or institutional framework capable of fostering private enterprise. They have a tradition of strong state

intervention in the main sectors of the economy and an underdeveloped intermediary financial industry. Furthermore, a major imbalance between urban and rural areas only aggravates social inequalities and has a dramatic effect on the distribution of private incomes. Against this background of economic uncertainty, the reflationary policies of the 1970s and 1980s, characterised by spiralling expenditure, further added to the size of budget deficits. Stabilisation policies were needed to reduce those deficits and to stave off the threat of financial crisis.

In the initial phase, the priority objective of the programmes and projects funded by the Meda Programme was to support the stabilisation process and economic transition of the partner countries. This is in fact a double objective: it involves promoting reform of the tax system and the state's gradual withdrawal from manufacturing activities through extensive privatisation programmes but it also entails modernisation of the legal and regulatory framework, an essential pre-condition for more private investment (e.g. a programme supporting industrial restructuring in Algeria and an industrial modernisation programme in Jordan).

Algeria: Support for modernisation of the financial sector (€ 23.5 million)

This project was launched in September 2001 for four years. Worth € 23.5 million, which was committed in 1999, the project aims to provide the Algerian treasury, the Central Bank of Algeria, public-sector banks, insurance companies and various private-sector financial bodies with technical support. Twinning arrangements are also planned between Algerian financial institutions and their European counterparts. Up to five institutions – three banks and two insurance companies – can take part. The project is a new departure in that it will create the first twinning arrangement in the Maghreb region under the Meda Programme.

Jordan: Support for regulatory reform and privatisation (€ 20 million)

This project is in line with the priorities identified in the National Indicative Plan 2000-02. Its aim is to help ensure that Jordan's economic transition goes smoothly by promoting disengagement by the state and the adoption of a new regulatory framework in the most important sectors of the economy.

Implementation of the project started with the launch of two inter-connected studies. The first will investigate how viable an integration strategy would be and what the effect would be of merging the regulatory authorities. The second study is concerned with the introduction of compensation mechanisms to ensure that the people employed by the regulatory authority are of a high enough calibre. An operational action plan will be drawn up on the basis of the findings from these two studies, and adopted jointly by the Commission and the Jordanian Government. The ultimate objective is to bring about a significant rise in productivity and in the level of services provided. The European Union is contributing € 20 million to this project.

In 2001, a total of € 220 million – € 20 million for Jordan, € 120 million for Morocco and € 80 million for Tunisia – was committed for structural adjustment measures falling within the scope of economic co-operation with the Mediterranean countries.

Implementation of this strategy is supported by Community programmes based on structural adjustment facilities (SAFs). These provide for direct payments to the countries' treasury once a number of structural reforms devised together with the national authorities have been implemented.

Operations to support macro-economic policies have focused on three general objectives:

- improving the legislative and regulatory framework governing private business activity (SAFs for Jordan, Lebanon and Tunisia);
- reforming the tax system, particularly indirect taxes, to reduce the national budget's reliance on revenue from import duties, and thereby make the system more efficient and fairer (SAFs for Lebanon and Jordan);
- increasing the pace of privatisation in the interests of: (i) more efficient allocation of resources and enhanced competitiveness; (ii) increased budget resources; (iii) more dynamic private investment, both domestic and foreign (SAFs for Lebanon, Jordan and Tunisia).

The Commission also wants to promote adjustment in certain sectors by funding measures designed specifically for those sectors but which should also boost GDP and do nothing to undermine the stability of macroeconomic indicators. These sector-based programmes have two concrete objectives: to reform the banking system and to strengthen social-security systems.

Morocco: Structural adjustment programme for the water sector (€ 120 million)

In funding the SAF for the water industry, agreed on with the Moroccan authorities in 2001, the Commission wants to promote more efficient use of the country's water resources through legislative, regulatory, financial and technical measures designed to ensure a reliable, high-quality water supply despite declining reserves. The programme will directly benefit not just the national institutions responsible for water use and purification but also, first and foremost, consumers and all other sectors of the Moroccan economy.

Morocco: Structural adjustment programme for the financial sector (€ 52 million)

Discussions between national authorities and the Commission in the first quarter of 2000 revealed the need to make Morocco's financial sector more competitive and more efficient. The financial-sector structural adjustment programme was approved in November 2000 as part of the reforms of this sector under the Economic and Social Development Plan (2000-04). The SAF also provides for additional institutional and regulatory reforms designed to inject new dynamism into the financial sector and diversify the financing of productive economic activity. The Commission's financial contribution is € 52 million in direct, non-linked budget support. The funds are to be disbursed in three *tranches*. The initial input of € 2 million and the first *tranche* of € 25 million were disbursed in 2001.

Macroeconomic policies: Projects committed in 2001 (€ million)

Macroeconomic policies	Country	Project title	Amount
Structural adjustment	Tunisia	SAF III	80
Private sector	Turkey*	SME	5
Private sector	Turkey*	SME financial facility	4
TOTAL			89

* The funds committed for Turkey under the Meda Programme (budget heading B7-4100) are directly administered by DG Enlargement

4.4.7. Health and education

Social development and, more specifically poverty reduction, are basic priorities for the Euro-Mediterranean Partnership. They form an integral part of the third pillar of the Barcelona Process launched in 1995.

Accordingly, the Commission is implementing complementary sectoral strategies in areas such as health and education.

4.4.7.1. Health

The health-care sector is especially important, not just for the economy but also for reducing poverty and increasing social cohesion. Between 1998 and 2000, € 248 million were allocated to health care. The nature of Community assistance has changed over the last decade: initially, Community projects were exclusively concerned with maternal and child health but they have gradually evolved into a means of supporting overall reform of health-care systems (including health-insurance systems). Improving the way services are funded, and organising them in ways that improve the quality of the service provided, are both priority objectives.

Two new programmes based on this new approach were implemented in 2001, in Egypt and Morocco. Similar programmes are being drawn up for Syria, Tunisia and Yemen.⁸⁹

Egypt – Support for the health care reform programme

With a view to providing high-quality universal health care in the years to come, Egypt has embarked on an ambitious programme to reform public and private health care services. This involves restructuring medical insurance and turning it into a universal system capable of providing a minimum “package” of health care services through family doctors. The Commission is providing € 100 million for this comprehensive, seven-year reform programme (1998-2005), launched by the Egyptian Government in 1995. The World Bank and USAID are also supporting the reforms.

4.4.7.2. Education

The approach towards education is developing along similar lines. The Community has moved from supporting targeted measures (as in Morocco, for example) to pursuing a coherent strategy to complement national reforms, as in Tunisia and soon in Algeria. A total of € 184 million has been committed for 1998-2000.

Priority is given to primary and pre-school education, with support for literacy campaigns. In all projects currently funded, particular attention has been given to access to basic education for the most deprived sections of the population, women in particular.

4.4.7.3. Vocational training, labour market and employment

Developing vocational training is a priority for all Meda countries. Workers need to be ever more highly qualified, which makes a coherent, long-term vocational-training policy absolutely essential. The Commission is paying greater

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Measures in Yemen are not finances from the Meda budget heading.

attention to the promotion of equal opportunities. € 193 million has been invested in the projects currently in progress.

In 2001, € 60 million was committed for a major six-year programme for overall implementation of a national vocational-training system in Algeria. The programme aims to improve strategic management of the system, to upgrade worker's technical skills in line with what companies require, particularly SMEs and public corporations in the run up to privatisation, and to reinforce existing functional links between vocational training and other means of helping people on the labour market. In Morocco, a similar project has now entered its operational phase, which involves supplying equipment and technical assistance for training in fifteen sectors of the Moroccan economy.

Tunisia – Upgrading the vocational-training system

The European Union has been supporting this measure, with a budget of € 45 million, since 1998. This ambitious overhaul of Tunisia's vocational-training system relies on interaction with other measures designed to increase participation in the labour market. In 2001 the project entered a new stage, which involves active restructuring of a large number of public and private training establishments. This work is building on the results of the initial identification stage, concerned with analysing the vocational-training needs and skills requirements of a broad and representative range of businesses.

4.4.7.4. Local development and social funds

Co-operation projects aimed at promoting local development, through social funds for example, are all concerned with finding lasting solutions to the problems of unemployment and poverty. So far, the Commission has invested € 200 million. There are bilateral co-operation projects with Egypt, Jordan, Yemen and Lebanon. These take a multi-sectoral approach and have the following objectives: (i) job creation and the promotion of small businesses, essentially through microcredit; (ii) construction of the economic and social infrastructure needed to deliver better social conditions for the intended beneficiaries; and (iii) improvement in human and institutional capacities.

These measures have gradually developed into an integrated local-development approach, making it possible to carry out projects covering a limited geographical area, such as the one in Algeria described below, in response to the real needs of local communities.

4.4.7.5. Civil society

Support for civil society is a sensitive part of the Community's co-operation policy, as it is concerned with the internal balance within society. The goal is to encourage governments to engage in a more intensive dialogue with all sections in society and to involve civil society in the decision-making process. Accordingly, the Community supports for the setting-up and consolidation of grass-roots associations, funds democracy-building and local-development projects and gives backing to women's associations. In 2001, the Commission pushed ahead with the new approach, launched in Morocco in 2000, implementing a project supporting development associations in Algeria and negotiating a similar project in Tunisia. There are plans to extend the new approach to other countries in the region, including Egypt, Jordan and Yemen. This approach, promoting better governance, consists of establishing an open and ongoing dialogue with those concerned.

Social development: Projects committed in 2001 (€ million)

Social development	Country	Project title	Amount
Voc. training/ employment	Algeria	Vocational training	60
Civil society	Tunisia	Strengthening of civil society	1.5
TOTAL			61.5

4.4.8. *The European Initiative for Democracy and Human Rights (EIDHR)*

In 2001, the EIDHR gave almost € 11 million in support of projects in the southern Mediterranean and the Middle East.

Of this total, € 6 million went on promoting and defending Human Rights and fundamental freedoms. The EIDHR supported two regional projects: regional assistance to NGOs, the media and local government in Lebanon, Syria, Jordan and Egypt (€ 797 000); and the introduction of a masters degree in Human Rights and democratisation in the Mediterranean region. The course, which is part of EU's regional masters programme in Human Rights and democratisation, will be taken by 36 students from Palestine, Lebanon, Malta, Libya, Egypt, Algeria, Tunisia, Morocco, Turkey, Cyprus, Jordan and Israel and will take a regional approach. The Foundation for International Studies at the University of Malta is responsible for the masters (€ 640 000). Projects in a number of countries have also been approved: in Lebanon, protection of migrant workers and asylum seekers' Human Rights (€ 760 000); in Palestine, promotion of a culture of respect for Human Rights amongst school-age children and adolescents in the occupied territories of Hebron, Ramallah, Bethlehem and Jerusalem (€ 303 000); in Israel, the rights of prisoners (€ 714 000), in Palestine and Israel, training of human-rights activists (€ 350 000); in Turkey, raising awareness of Human Rights amongst DISK members (€ 550 000) and promotion of Human Rights and civic values amongst pupils and teachers at primary and secondary-school level (€ 376 000); in Tunisia, restructuring of the Tunisian League for Human Rights (€ 230 000) and in Iran, promotion of Human Rights and abolition of the death penalty (€ 300 000).

The process of democratisation and strengthening of the rule of law received almost € 4.5 million in support, shared between seven projects. A grant worth € 660 000 was given to a project to support independent reporting and improve security for journalists in the southern Mediterranean (Algeria, Egypt, Jordan, Lebanon, West Bank and Gaza, Morocco and Tunisia). In Egypt, an € 800 000 grant will help pay for work to bring prison conditions up to a standard approaching international norms, including 400 visits to prisoners a year and legal aid for prisoners. In Algeria, € 900 000 was allocated to a project aimed at upgrading standards in the prison system to ensure better observance of Human Rights. In Morocco, € 550 000 was allocated to a project to strengthen civil society in rural regions and involve people, especially women, in local decision-making. In Syria, € 513 000 was granted for measures to promote citizens' rights. In Yemen, € 437 000 was allocated to training for the internal-security forces in democratic policing methods that respect Human Rights and individual liberties.

In Jordan, there is a project which aims to increase the involvement of women in decision-making, particularly in Parliament, by supporting election candidates of both sexes and all political parties. The project will focus on two objectives: to give students a better understanding of women's role in the democratic process and to encourage them to vote at the next general election; and to give women a better chance of success in that election.

Supporting conflict-prevention and the restoration of civil peace is one of the EIDHR's main objectives. In 2001, it gave over € 300 000 in support for a project in Palestine aimed at more effective enforcement of international humanitarian law in the occupied territories of West Bank, Gaza et East Jerusalem.

4.4.9. *Consistency with other Community policies*

The need for consistency between the EU's external activities and other Community policies is an operational priority and a legal requirement. 2001 marked a decisive stage in the process of strategic harmonisation: the Commission finalised and approved all strategy documents for Meda partner countries, with the exception of West Bank and the Gaza Strip, for 2002-04, prior to starting implementation.

The strategy papers for individual countries were based on a standard framework in line with the guidelines laid down by the Council in November 2000. The process of drawing up the strategy papers, in close co-operation with partner countries, the EU Member States, the European Investment Bank (EIB) and international financial institutions, focused attention on the task of ensuring that the measures complemented each other as much as possible. Lastly, in a process quite separate from the regular process of internal consultation, the projects were examined by the recently formed quality-support group. The group examined each project to check that it was coherent and that it complemented and was properly coordinated with other planned measures.

4.4.10. *Co-operation with other donors in the region*

Better coordination with other donors and greater synergies with their work is a strategic priority for implementation of the Meda programme. Real progress has been made in achieving these goals.

Coordination on the ground has been improved: representatives of the Member States now cooperate with one another and there is regular joint monitoring of programmes in the partner countries to see that they are being properly implemented.

Coordination with other donors, particularly the World Bank and the International Monetary Fund, has been further improved through regular contact, ongoing exchanges of information and joint analyses of the political, economic and social situation in the partner countries. The introduction of the third Structural Adjustment Facility in Tunisia, undertaken jointly with the World Bank in 2001 and worth € 80 million, is a good example of how such coordination on the ground can work in practice. Preparations are being made for similar joint operations in Morocco and Jordan.

4.4.11. *EIB loans*

In 2001, total EIB loans to Mediterranean partner countries amounted to € 1.5 billion, distributed between Algeria, Cyprus, Egypt, Malta, Morocco, Syria, Tunisia

and Turkey. Most were bilateral loans. However, in 2001, the EIB did loan € 6 million to a Middle-East technological investment fund, comprising all of the Mediterranean partner countries. The EIB's budget for the Mediterranean partner countries for 2001-07 totals € 7.4 billion, in the form of loans. A further € 1 billion has been allocated to regional co-operation projects in the telecommunications, environment and energy sectors.

In 2001, the Commission granted under the Meda Programme € 8.5 million in interest-rate subsidies for a new EIB loan. The loan comes under the programme for the rehabilitation of the Taparura site in Tunisia, which will involve cleaning up and generally improving 445 ha along the Sfax coast, which have been affected by industrial pollution. In Turkey, interest-rate subsidies have also been granted on two new EIB loans in Turkey. Of the € 31 million total, subsidies amounting to € 16.7 have been granted to the Industrial pollution abatement facility and € 14.3 million to the Mersin wastewater project. Both projects are concerned with rehabilitating areas polluted by industry and urbanisation.

The second priority area for the EIB is support for private companies, which, irrespective of size and turnover, have received a quarter of the loans granted in 2001 by the EIB to regional projects in the Mediterranean region.

Lastly, the third EIB priority is developing the energy sector, which received almost a quarter of the loans granted last year.

EIB loans: Projects for which commitments were made in 2001 (€ million)

EIB loans	Country	Project title	Interest-rate subsidy	Loan
EIB	Tunisia	Cleaning up of Taparura	8.5	40
EIB	Turkey*	Industrial pollution	16.7	70
EIB	Turkey*	Clean water in Mersin	14.3	60
TOTAL			39.5	170

* The funds committed for Turkey under the Meda Programme (budget heading B7-4100) are directly administered by DG Enlargement

4.4.12. ECHO

Recipients of humanitarian aid granted to the southern Mediterranean countries through ECHO include: Sahrawi refugees in Algeria (emergency food aid and a global plan worth € 15.57 million in total); Palestinian Refugees in West Bank and Gaza (€ 26.18 million) but also southern Lebanon (€ 2.7 million), Jordan (€ 515 000) and Syria (€ 570 000).

ECHO's activities in 2001

Country	Project title	Amount (€ million)
Algeria	Sahrawi refugees	15.57
Algeria	Back-up for the World Food Programme	11.80
Algeria	Flood victims	0.77
Yemen	Aid for people	1.88
Syria	Vulnerable groups	0.40
Palestine	Palestinian refugees	26.18
Lebanon	Palestinian refugees	2.70
Jordan	Palestinian refugees	0.51
Syria	Palestinian refugees	0.57
TOTAL		60.38

4.4.13. Monitoring

In 2000, the Commission devised a system for monitoring and improving results based on project-cycle management. The system was operated in 2001 on a trial basis in each geographical area (ALA/MED/ACP/Balkans). The system has already produced some data giving useful knowledge about what stage the projects managed by each geographical department have reached and what improvements need to be made. The system will be extended to cover all the Co-operation Office's activities and will become fully operational in 2002.

In 2001, 46 projects (including seven that were double-checked) were monitored in six Mediterranean countries, with a combined value of € 788.9 million. The projects in the Meda countries accounting for the largest share of the budget were those concerned with economic co-operation, institution building, civil society, infrastructure and services (26%), followed by education and social sectors (25%). The average score for projects in the Mediterranean area was 2.24 (compared with 2.5 for all geographical regions together).

The results reveal the poor effectiveness of projects in the Mediterranean region, largely due to shortcomings in the initial design and insufficient institution-building. On the other hand, the Meda projects are noteworthy for their sustainability, unlike projects in other regions. Sectoral analysis of the projects showed that the best results were obtained by projects concerned with agriculture and projects supporting NGOs, while the worst results were obtained in the fields of industry and trade. Lack of efficiency and impact were the critical flaws in the weakest projects. Size is also an important factor: as a rule, small projects do better than bigger ones. The results provide some very useful information but they are still quite raw and great care should be taken when analysing them. The new monitoring system will make it possible to analyse projects in all regions thoroughly and, on that basis, to draw up good guidelines for subsequent projects.

4.4.14. Conclusions and outlook for the future

Strategically speaking, 2001 constituted something of a break with the past for the Mediterranean as a geopolitical entity, and it demonstrated how unstable the balance

was in the region. September 11, though not directly linked to Mediterranean regional issues, nevertheless brought existing tensions concerning the Israeli-Palestinian conflict to the surface, as the second Intifada – an *armed* struggle this time – entered its second year, also in September 2001. The worsening of regional tensions illustrates the need for both sides of the Mediterranean basin to nurture the ambitious partnership forged at Barcelona through to maturity. Today, this seems the only global political project capable of delivering political stability and economic and social development in a region stretching almost 5 000 km from west to east and currently containing ten odd conflicts, some latent, some open. It is against this background that full significance of the objectives spelled out at Barcelona becomes apparent, i.e. to construct a framework for shared peace, security and prosperity. The implementation in 2001 of the EU's common strategy towards the Mediterranean region, adopted the previous year, illustrates the importance the Fifteen attach to process, which, more than ever, provides a much needed forum for discussion. More work needs to be done to make this forum more credible in the eyes of the partner countries, with regard to the selection of priorities and the qualitative results. On this front, the fifth conference of Euro-Mediterranean foreign ministers to be held in Valencia on 22 and 23 April 2002 should look back at the first five years of the Barcelona progress (1995-2002) and adopt an Action Plan for the launch of a series of practical joint measures covering the three sections of Euro-Mediterranean co-operation.

The adoption of the new operational framework should lead in 2002 to a strengthening and intensification of measures concerning the following priorities:

- stronger dialogue on political matters and security, with the ultimate goal of bringing work on the Charter for Peace and Stability to fruition;
- creation of a dynamic and mutually advantageous financial and economic partnership, including the signing of association agreements with Lebanon and Algeria and more speedy negotiations with Syria. Priorities for 2002 are: promotion of European direct investment in the region, consolidation of economic dialogue, development of regional infrastructure strategies, planned launch of a regional programme on internal-market instruments and creation of a Euro-Mediterranean development bank;
- the setting up of a real dialogue between the civilisations, peoples and cultures on both sides of the Mediterranean, reinforcing the existing social, cultural and human partnership. An action plan will be adopted, based around three themes: youth (launch of the second phase of the Euromed Youth Programme), education (extension of the Tempus Programme to cover the Mediterranean partners) and media and public opinion (launch of a regional programme on information and communication). The plan will set out to promote the broadest possible participation in the Euro-Mediterranean process around the core ideas of democracy, culture and tolerance;
- support for the Middle-East peace process, with the EU stepping up its efforts to rebuild the dialogue between the two sides and to stop the violence, as the prelude to resuming negotiations for a fair solution to a conflict that undermines any attempts at lasting co-operation between the various players in the region.

4.5. Africa, Caribbean and Pacific (ACP)

Sub-Saharan Africa faces the most difficult challenges in its fight against poverty. Progress towards achieving the Millennium Development Goals has been modest in 2001 and negative trends have not been consistently reversed. More than three hundred million Africans still live in absolute poverty. HIV/AIDS has emerged as the leading cause of death and is now a fundamental threat to Africa's future. Africa's approach towards poverty reduction has been reinforced through the New Partnership for Africa's Development (NEPAD) concluded by the African Heads of State in July 2001. Progress has also been made in restoring peace and security in some of the most troubled regions such as the Horn of Africa, DRC and Angola.

The Cotonou Agreement concluded in June 2000 provides a new, sound basis for supporting Africa as well as the Caribbean and Pacific countries in meeting their development challenges. 2001 was the first year of its operation. Most country strategies for the coming five years were drafted with wide consultation of society in country. In the context of Cotonou, the political dialogue between Europe and the African, Caribbean and Pacific countries has been intensified.

4.5.1. Introduction

The Cotonou Agreement, signed on 23 June 2000, sets out a new Partnership Agreement with 77 African, Caribbean and Pacific countries until 2020. In order to come into force, it must be ratified by at least two thirds of the ACP States, by all the EU Member States and be approved by the European Community (article 93.2 of the Cotonou Agreement). Thirty-six ACP States and four EU Member States have already completed this process.

In 2001, the framework for co-operation with the ACP States therefore took the form of transitional measures agreed by the ACP-EC Council of Ministers on 27 July 2000. These measures apply most of the provisions of the Cotonou Agreement, with the exception of the release of the financial resources of the 9th European Development Fund.

The legal framework for relations with South Africa was extended in 2001 with the conclusion of the negotiations for the Wine and Spirits Agreements, which were finally adopted by the Council and signed in January 2002. The Trade Development and Co-operation Agreement is still awaiting ratification. By the end of 2001 three EU Member States had ratified. The Agreement applies provisionally and partially from 1 January 2000.

The political dimension of EU relations with ACP countries has been strengthened. An assessment of the political situation has been included in the Country Strategy Papers. The political dialogue within countries has been developed and made more systematic.

In 2001, the EC concluded consultation procedures based on Article 96 of the Cotonou Agreement with the Ivory Coast and Fiji. In addition a Commission proposal to review the Council decision closing consultations with Haiti was

transmitted to the Council. The EC decided to open consultations under article 96 with Zimbabwe and under article 96 and 97 with Liberia⁹⁰.

Co-operation with Cuba continued in 2001 with funds going to emergency aid, co-financing with Non-Governmental Organisations and support for economic co-operation.

In 2001, the main priority has been to establish new improved Country Strategy Papers following the new mechanisms provided for by the Cotonou Agreement. Co-operation strategies are focused on poverty reduction and based on respect for social, economic, political and Human Rights. The effectiveness of partnership should be improved by the new approaches including a reinforced focus on good governance issues, linking allocations to results and rationalising the mechanisms for the disbursement of aid. Most importantly, recipient governments are to play an even greater role in setting priorities and taking forward change on the basis of their own policy agenda. Under the 9th European Development Fund more emphasis will be placed on the role of Commission Delegations and a further effort made to target specific areas of assistance in order to maximise impact.

The new approach strengthens the principle of participatory development. It extends the partnership to a range of non state actors and takes a more integrated approach by linking political, economic, social, cultural and environmental aspects into a coherent framework.

Commitments and Payments in 2001 in the ACP countries

€ million	Commitments		Payments	
Programmes	2001	2000	2001	2000
EDF: Bilateral (countries)	1249	3324	1896	1351
National Indicative Programmes				
EDF: Regional Co-operation	305	433	172	197
Regional Indicative Programmes				
Bilateral/Regional Sub-Total	1554	3757	2068	1548
EC budget lines	502	502	568	357
Total	2056	4259	2636	1905

Overview of Commitments and Payments (EDF) 1995-2001

€ million	1995	1996	1997	1998	1999	2000	2001	Total 1995-2001
Commitments	1 520	965	616	2 296	2 693	3 757	1 554	13 401
Payments	1 564	1 317	1 213	1 440	1 275	1 548	2 068	10 425
<i>Ratio of Commitments to Payments</i>	<i>0.97</i>	<i>0.73</i>	<i>0.51</i>	<i>1.59</i>	<i>2.11</i>	<i>2.43</i>	<i>0.75</i>	1.29

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Consultations are opened under Articles 96 and 97 of the Cotonou Agreement in situations where essential elements of the Agreement are breached (Article 96) or in cases of serious corruption (Article 97). The purpose is to discuss the problems with the ACP partner country, and to find solutions. Options include agreed corrective measures with phased implementation of EU aid and, in the absence of other solutions, the suspension of aid.

4.5.2. *Regional Integration and Co-operation*

Regional integration and co-operation continued to play an important role in the relations between the EC and the ACP countries throughout 2001. Implementation of the Regional Indicative Programmes (RIP) of the 8th European Development Fund (EDF), which were agreed for a five-year period in 1996-97 (concentrating primarily on transport, agricultural research, conservation of natural resources and regional economic integration⁹¹) remained the principal activity. € 304,923,133 was committed in 2001 covering all sectors for the regions' and 'all ACP countries'' programmes. Work on the programming process of the 9th EDF also started. Initial allocations for regional co-operation were: € 700 million for Regional Indicative Programmes, € 300 million for intra-ACP programmes and € 300 million in reserve. During the review process the reserve may be used to provide additional support linked to both performance and needs.

Regional integration and institutional support are key elements of EC support since these are essential for the better integration of ACP countries into both their regional economy and the global economy. Major programmes of technical assistance in trade, customs, statistical and other areas with the Common Market for East and Southern Africa, Economic and Monetary Union for West Africa and the Forum of Caribbean States, continued over the course of 2001. Three new programmes totalling € 13.2 million were approved for the five Portuguese speaking countries covering legal systems, statistics and administration at all levels. These will be implemented in co-operation with the Portuguese Government, which is contributing financial and technical support. Political initiatives were also taken at a regional level, such as contributing to the inter-Congolese dialogue (€ 1.96 million) and to the peace-keeping and conflict prevention activities of the Economic Community of West African States.

The intra-regional dimension has remained important in 2001 with programmes launched, for example, to prepare the ACP countries for the Economic Partnership Agreements (€ 20 million) and to enable them to participate more effectively in the World Trade Organisation negotiations (€ 10 million). In this context, the EC also contributed € 1.45 million towards the establishing of an ACP Delegation to the various international bodies based in Geneva (WTO, UN Conference for Trade and Development etc.), opened in January 2002 by Commissioner Lamy. Following the Cairo EU-Africa summit, contacts with pan-African organisations capable of taking forward specific actions have been intensified.

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(e.g. promoting economic communities, customs unions and free trade areas)

Regional Co-operation Commitments (EDF) in 2001

Region (EDF Regional Indicative Programme)	€ million ⁹²
Caribbean	4.14
Central Africa	8.25
East Africa	3.64
Indian Ocean	- 0.76
Pacific	29.8
Southern Africa	- 0.43
West Africa	63.02
PALOP (Portuguese speaking countries)	8.6
Overseas Countries and Territories	5.71
Sub – Total	121.97
All ACP	182.95
Total	304.92

4.5.3. Overseas countries and territories

Member States' 'overseas countries and territories' have been associated with the EC since its inception in 1957. The purpose of this association, according to Article 182 of the Treaty establishing the European Community, is 'to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Community as a whole.' There are 20 Overseas Countries and Territories (OCTs) scattered around the globe. Relations between the OCTs and the Community are governed by Decisions of the Council of Ministers. The most recent Council Decision of 27 November 2001 breaks new ground by providing for greater partnership in the management of financial resources accorded to the OCTs. The new procedures are based on those in force for the Structural Funds. Under the 9th EDF € 175 million has been earmarked for the OCTs, of which € 145 million in programmable aid for the long-term development of 12 OCTs, € 8 million for regional co-operation, € 20 million for the investment facility and € 2 million for studies and technical assistance. The OCTs may also receive funding from the general budget under budget lines for the developing countries.

Under the three previous Funds mobilisation of the financial aid available (contracts and payments) was slow (especially in the case of the Dutch OCTs). Ninth EDF procedures should facilitate mobilisation and disbursement. Of the some € 268 million made available under the three previous Funds (excluding regional co-operation), 82.5% has been committed and 73.5% disbursed.

Of the € 30 million for regional co-operation, 82% has been committed, largely thanks to excellent OCT-ACP co-operation in the Pacific, which gave rise to a number of cofinanced operations under the 8th EDF (fisheries and agriculture).

4.5.4. Transport and infrastructure

This sector covers transport, water and sanitation, mining, energy and also support for information technologies and telecommunications. Support for the transport sector is recognised as a key element in reducing global poverty, and in promoting sustainable development and enhanced integration of ACP countries. Improving

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Negative figures occur when 'decommitments' (i.e. the freeing up of committed moneys from non-executed projects from previous years) outweigh commitments

access to basic services is also essential for the enhancement of the quality of life for all and, in particular, the poorest.

4.5.4.1. Transport

Out of the 660 programmes/projects currently under execution within this global sector, the EC is currently supporting implementation of 87 major projects (more than € 5 million) in the transport sector focusing on sectoral reforms, capacity building, maintenance and upgrading, and regional integration. This reflects existing deficits in reliable transport services particularly in Africa.

The year 2001 has been characterised by a substantial acceleration of the implementation of existing programmes in this area, particularly in countries that suffered implementation delays at an earlier stage of the programming cycle. New contracts amounting to a total of € 414 million have been concluded in the transport and infrastructure sectors. A handful of countries (Benin, Ethiopia, Guinea Conakry and Mali) share, between them, roughly 50 % of this allocation. Mali ranks first in this group with € 73 million in new secondary commitments, followed by Benin (€ 56 million), Guinea Conakry (€ 44 million) and Ethiopia (€ 41 million). In Mali, new contracts cover the upgrading of 437 km of the main road link to Senegal. This project also opens up access to one of the poorest regions of the country. In Benin, new contracts cover the periodic maintenance over two years of 490 km of principal roads (roughly 25% of the country priority network) and the upgrading of 102 km in the north of the country. In Guinea Conakry, activities covered by the 2001 contracts focus on the upgrading and improvement of the interregional connection with Senegal, where the nearest harbour is located, facilitating better international integration of the country in the medium term. In Ethiopia, the upgrading of the 514 km Addis Ababa – Woldiya road, crossing a region with a population exceeding 2 million, is a major component of the government's Road Sector Development Programme and will substantially improve road access between the capital city and the north of the country. At regional level, the close of 2001 also saw the signature of contracts for two major road links for a cumulative value of € 165 million. One of these links will allow better international integration of Chad via Cameroon (400 km link Moundou –Toubo-ro-N'Gaoundéré) and thereby substantially contribute to the economic integration of the Central Africa region. The other contract covers the 130 km link between Kankan (Guinea Conakry) and Bamako (Mali). Due to its current condition this road limits the development opportunities of the north west of Guinea Conakry and the South West of Mali. These regions, with an estimated population of one million, are currently cut off from the rest of the country for several months a year.

With regards to programming of the 9th EDF, 23 of the 44 ACP Country Strategy Papers presented for consideration in 2001 included transport as a priority sector. Almost all of these 23 countries were in Africa. It is expected that by the end of the programming exercise, approximately 30 ACP countries and 3 regions will have adopted transport as one of their priority sectors, involving the probable allocation of approximately € 2 billion. This is a similar amount to that allocated under the 8th EDF, in recognition of the continuing high priority given to the sector by partner countries, particularly in Africa, and the Commission's recognised expertise in this field.

Transport – Commitments 2001

ACP Country	Project Title	€ million
Aruba	Preparatory study for designing National Park	0.5
Belize	Construction of new bridge over Sibun river	2
Chad	Road Doba Sahr technical study and tender preparation	0.74
	Technical/institutional support to Ministry of Public Works, Transport, Housing and Urbanism	1.90
Congo (Brazzaville)	Technical assistance: implementation of national transport plan	1.95
	Upgrading of rural roads	1.98
Eritrea	Strengthening of the Transport Ministry	0.62
Ethiopia	Pre-feasibility study: Gondar-Huemra & Arba Minch road	0.74
	Upgrading of the Harar Jiga road	0.71
Fiji	New Rewa Bridge	11
Gabon	Increase of funds for the Larara/Mitzic road project	1.99
Guinea Bissau	Joao Landim Bridge – Increased funds	2.65
Guinea Conakry	Environmental impact study	0.2
Kenya	Northern Corridor upgrading programme	79.5
Madagascar	Programme for road maintenance & improvement of access	42
Malawi	Lakeshore road infrastructure support	13.72
Mauritania	Technical Assistance to the Ministry of Public Works	0.55
	Technical Assistance: maintenance of roads	0.75
New Caledonia	Road Hienghene Pouebo	5.6
	Fishing Support	2.8
Niger	Technical Assistance: Transport	0.75
Salomon	Increase of funds for the Malaita rural infrastructure	1.2
Sao Tome	Support to the national road service	0.48
Surinam	Construction of road to the ferry terminal Suriname - Guyana	13.2
Tanzania	Backlog maintenance programme for the central corridor	22
Uganda	Strengthening of northern corridor road	36.6
Wallis & Futuna	Public works equipment	1.93
Regional: Central Africa	Action Plan for regional transport development	1.98
	Barouaboulai-Meiganga Ngaoundere Road: feasibility study	1.9
Regional: East Africa	Backlog maintenance programme for the central corridor	20
	Northern corridor upgrading programme	13.6
Regional: West Africa	Upgrading Kayes-Kidira road	28.99
Total		314.53

4.5.4.2. Water and sanitation

The focus of EC support in the provision of water and sanitation has progressively evolved from a project approach focusing on water supply and addressing mainly technical issues, into a programme approach, featuring stronger social and environmental concerns, and support for improved management of the resource. € 52 million was committed in 2001 to activities related to safer water supply and the improvement of sewerage and sanitation services in urban areas.

The EC is currently supporting government policy in improving water supply and sanitation access in small towns in rural areas in five countries. In Ghana, 30% of the € 32 million allocated to the National Community Water and Sanitation Strategy has

been executed to date as planned. It is expected that at the end of this project more than 560,000 people will have access to safe water and to basic sanitation services.

In Mozambique, the EC is directly supporting integrated water resources management in the Zambesi basin, the second largest water-catchment area in the Southern African Development Community Region, in order to improve the quality of life of the population, especially in rural areas. The EC contribution of € 11,7 million should permit the establishment of the Zambesi Catchment Management Authority and the development of rural water supply and sanitation planning/promotion capacity in the basin. The technical assistance for the project implementation was recruited in 2001. In Uganda, the ‘mid-western towns water supply’ programme also started in 2001. This € 17.5 million programme will benefit an estimated population of 100,000 by reducing the incidence of water-borne diseases. In Samoa, a € 18,7 million rural water supply programme is currently coming to an end. This programme is achieving its objective to improve the existing water supply system in the most populated rural areas of each of Samoa’s two main islands, thereby benefiting about half of the whole rural population i.e. some 55,000 Samoans. In Mauritius, the implementation of the € 16,7 million programme for the St Martin sewerage treatment plant expansion - serving a population of 220,000 - is on schedule. In Ethiopia, 30% of the € 19.5 million allocated to address the inadequate water supply and the poor sanitation situation among low income households has also been implemented as planned.

Transport and Infrastructure (Water and sanitation)– Commitments 2001

ACP Country	Project Title	€ million
Angola	Drinking water supply for the city of Tombwa	7.6
Antilles (Dutch)	Sewage system: Bonaire	0.5
Ethiopia	Addis Ababa water supply project	6
Fiji	Environment programme	8.5
Ghana	Small towns water supply & sanitation in northern region	1.99
Lesotho	Lesotho lowlands water supply: feasibility study	1.75
Mauritius	West coast sewerage study	0.15
	Technical Assistance to sewerage sector	0.11
Nigeria	Small towns water supply and sanitation programme	15
Polynesia (French)	Improving of the sanitation of Bora Bora	9.95
Salomon Islands	Addition to Kombito water supply project	0.15
Total		51.70

4.5.4.3. Mining sector

During 2001, EDF mining support programmes were underway in thirteen countries with a total financing of € 452 million. Eight of these countries (Botswana, Burkina Faso, Dominican Republic, Gabon, Mali, Mauritania, Namibia and New Caledonia) are being supported in their efforts towards sustainable development of their mining sector. In some of these countries institutional support and appropriate basic geological information has been improved, in others efforts have focused on the recovery of main public or private companies and ways of reducing the negative impact of mining activities. In the other five countries diversification programmes are under way mainly focused on the transport sector.

Since 1st January 2001, following the decisions on the transitional measures between Lomé and Cotonou, uncommitted funds allocated to support traditional industries⁹³ (around € 450 million) are being programmed in the framework of the Cotonou Agreement. Priority is given to mineral sector institutional strengthening programmes (which may include a wide spectrum of projects, such as revision of mining and/or environmental codes, development of geological infrastructure, dissemination and communication activities and training), support to small and medium-sized mining enterprises and environmental protection. In 2001, nine appraisal studies were under implementation.

The EC was also active in ACP countries through specific programmes in other fields such as energy and information technologies and telecommunications' systems, in response to the specific regional or local situation.

In the energy sector, different activities covering institutional strengthening, power supply support - including rural electrification and renewable energy - and transport are underway in the Dominican Republic, Eritrea, Ethiopia, Ghana, Kiribati, Mali, Mauritania, Senegal and Sierra Leone. In 2001, efforts have been initiated to mainstream energy, in order that links between energy and development priorities (health, education, enterprise development, gender etc) are recognised in the implementation of the 9th EDF.

Efforts are also being made to provide improved information and telecommunication systems. In the Caribbean region, a € 750,000 project to ensure a regulated and integrated development of the telecommunication has been launched as well as a € 3.5 million project supporting the modernisation of existing broadcasting. In Africa - within the € 11 million Meteorological Transition programme - the tender for replacing equipment for all Meteorological Services in 47 countries was launched in November 2001. When completed, these regional interventions will improve the access of ACP countries to basic reliable information for sustainable development.

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SYSMIN: System for Safeguarding and Developing Mineral Production. This is the 'SYSMIN transfer' from the 8th EDF destined to finance the development programme identified following a request for aid under the Sysmin programme of the Lomé Convention but for which no financing decision could be taken before 31 December 2000

Benin - Support to the transport sector

In October 1993 the Benin Government adopted a transport development strategy. This strategy included limiting investment to a priority network, setting up a road fund to ensure that maintenance could be financed, orienting the role of the state towards policy making and regulation, facilitating private sector participation, supporting the development of transport services and establishing an investment programme.

In the past, € 165 million from various European Development Funds have been granted in support of this strategy mainly for construction and upgrading of 1114 km of priority roads, thereby enabling Benin to strengthen its role as a transit route to neighbouring countries. Community support has also focused on institutional aspects, especially the setting up of the Road Fund. In 2001, the main activity has been the starting of renovation programmes for 600 km of priority roads in the north of the country at a cost of some € 90 million. The other objective of Community aid is to open up the poorest regions by linking them to the priority network. In addition, EC aid in the transport sector takes into account the problem of the marginalisation of an ever increasing part of the urban population. Thus, the improvement of access and traffic within certain areas of Cotonou and Porto Novo is being carried out using labour intensive methods in order to provide income to some of the poorest people. This last project created an estimated 5000 or more jobs over 4 years benefiting over 30,000 people when workers' dependants are taken into account.

It is estimated that the total portion of the priority road network classified as 'poor' reduced from 40 % in 1998 to 10 % in 2000.

Transport and Infrastructure – Other infrastructures - Commitments 2001

ACP Country	Project Title	€ million
Barbados	Expansion of the Barbados language centre	3.95
Comoros	Study for the use of substitute materials for sand	0.10
	Management of solid waste	1.83
Dominican Republic	Pilot project - solid waste in marginal districts	0.84
Ethiopia	Preservation and conservation of the Lalibela churches	9.10
Haiti	Increased funds for satellite imagery project	0.35
Kiribati	Kiribati training programme (infrastructures)	6.40
Montserrat	Design and supervision of the community college	0.15
Namibia	Upgrading maritime & fisheries institute at Walvis	1.90
New Caledonia	New aquarium for Nouméa	0.90
	Cold store of Nouméa	1,00
Saint Vincent	Learning resources centre	1.50
Tonga	Vava'u development programme (infrastructure for fisheries, agriculture and tourism development)	5.20
Regional: Caribbean	Caribbean radar network project	0.20
Regional: Pacific	Fiji school of medicine resource development	7.50
	Reducing vulnerability of Pacific ACP states	7,00
Total		47.92

4.5.5. Sustainable Rural Development and Food Security

Three quarters of the 1.2 billion people living in extreme poverty live in rural areas, and are frequently affected by severe environmental problems. As a result, sustainable rural development and natural resources management - the basis for economic growth in most developing countries – are priorities in the work towards the reduction of rural poverty. Although substantial amounts of resources being programmed for the social and infrastructure sectors will go to rural areas, the Commission has not yet fully succeeded in systematically adopting a strategic approach to rural development.

4.5.5.1. Agricultural Development

The major changes in the international (liberalisation and globalisation of markets at the regional and global level) and national (i.e. less central control of productive sectors) environments necessitate change in the implementation of projects and programmes. The new programmes within a Sector Wide Approach (SWAP) framework support national agricultural sector policies in order to strengthen agricultural producers' organisations, to encourage the participation of the private sector and facilitate access to financial services (microfinance and other credit).

In Burkina Faso the ongoing PAOSA (Plan d'Action pour l'Organisation du Secteur Agricole) programme for € 24,2 million is providing support - within the framework of the Agricultural Structural Adjustment Programme funded by the World Bank - for capacity building in the existing agricultural professional organisations. It also offers access to local finance, institutional support and improvements to the productivity of the rice industry. It plans to train 30,000 farmers and 50,000 families, offer small credit facilities to around 500,000 people and establish new rice schemes (covering 4000 hectares) aiming to increase average annual production by 10%. However, co-operation in the agricultural sector is still very much project based and there has been insufficient progress in increasing EC participation in multi-donor initiatives. With regard to STABEX, and future support in circumstances of short term fluctuations in export receipts provided for under the Cotonou Agreement, the new programmes will not only contribute to institutional reform but also to macroeconomic stability.

During 2001, the Commission continued its support for the 12 traditional ACP suppliers of bananas through special technical and financial assistance⁹⁴. Ten financing proposals were approved for a total amount of € 43 million. Implementation of the two previous years' agreements also continued with support to improve productivity (irrigation and drainage), quality (cold storage) and marketing and to encourage diversification in countries where banana production is not sustainable.

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as specified in Council Regulation 856/1999

Agricultural Research Support in KENYA

The Agriculture/Livestock Research Support Programme (ARSP), Phase II, is a five year support programme for € 8.3 million to the Kenyan National Agricultural Research Project which started in 1998. The overall goal of the ARSP, is to enhance the economic integration of rural communities particularly in Arid and Semi-Arid Lands (ASAL) with the rest of the country's economy. The initiative aims at ensuring that the private & public sector field workers engaged in ASAL, as well as community based organisations, make more effective use of research recommendations in order to offer cattle and other farmers sound and socially acceptable technologies and concepts. EU contributions (as well as other donors) take the form of operational funds for research and capacity building, improved infrastructure, scientific as well as transport equipment and short and long term technical advisory services. This has produced a larger and more efficient agricultural research capacity, particularly in the Kenyan ASAL.

Adaptive and applied research programmes focus on soil and water management, livestock and natural resource management topics in the mostly arid rangelands. The project is aimed at providing sustainable solutions using a community based and gender sensitive approach, with strong collaboration of NGOs and government field workers. Collaborative agreements with community based organisations and NGOs on the promotion of recommended technologies and facilitation / training during their introduction enhance adaptation and adoption on a wider scale. This has for example led to the establishment of three small scale dairy units at strategic centres in the northern Kenyan rangelands supplying about 50,000 people with hygienic fresh and processed cow and camel milk products. At the same time food security and sustainable incomes (particularly for women) have increased for these ASAL communities. With improved tillage and drainage technology about 2.4 million hectares of poorly drained heavy soils (vertisols) can now be used for timely agricultural production. An early planting tool was simultaneously developed to increase farmers' chances of a healthy crop in the semi-arid areas. The project has been able to raise awareness among the pastoral and semi-pastoral communities of Kenya about the strategic importance of preserving Kenya's animal genetic resources, which are highly adapted to the harsh conditions and disease pressure, notably the approximately 5 million East African Shorthorn Zebu cattle.

4.5.5.2. Livestock Development

Two new financing agreements for a total amount of € 12,5 million were approved to support the livestock sector in Madagascar and Guinea in 2001. The projects will focus on institutional support, animal health, privatisation of the veterinarian services and improvement of the animal production commodity services. It is hoped that the sustainability and efficiency of these projects will be substantially enhanced both by the active involvement of the beneficiary small livestock holders in the project design and by the strengthening of the livestock farmers' organisations who are responsible for implementation.

At regional level, two programmes are implemented through the International Bureau for Animal Resources based in Nairobi:

- The 'Farming in Tsetse Controlled Areas' project (€ 20 million) which started with Ethiopia, Kenya and Uganda, but which will be extended to Tanzania, Rwanda and Burundi. The project aims to improve the well being of the rural population through sustainable livestock development in tsetse affected areas. The long-term aim is sustainable tsetse control organised and financed by the livestock owners. In Kenya, for example, an emergency intervention reduced the rate of infection of trypanosomosis from 80% to 20% of the 50 000 cattle in Teso district. 1 400 farmers have been trained in tsetse control techniques. A new approach to manage tsetse-transmitted trypanosomosis has been tested in 60 units. Their

protection with insecticide-impregnated mosquito nets has led to a significant reduction of costs for veterinary inputs and an increase in milk production.

- The Pan African Control of Animal Diseases (Epizootics) programme (€ 72 million) covers 32 sub Saharan African countries. 28 countries had an active national project in 2001. Close coordination between the beneficiary countries, the donor community and other international organisations (International Livestock Research Institute, International Epizootics Office (OIE), UN Food and Agriculture Organisation) has been established in order to set up a global animal health system. The project aims at a re-organisation of the veterinary services enabling them a better control of major animal diseases. This control, if internationally recognised, is a precondition for the countries to participate in the regional and international trade of livestock and animal products. Ten countries have, for instance, prepared their dossiers to be submitted to the OIE to obtain 'rinderpest disease free' status.

4.5.5.3. Research

Agriculture research is contributing to the alleviation of hunger and rural poverty by improving rural productivity and increasing agricultural incomes. With the growing scarcity of land and water, future increases in food supplies have to come from increased productivity. Two major programmes (involving the West and Central African Council for Agricultural Research and Development and the Association for Agricultural Research in Central Africa) amount to € 41,3 million. These started their activities in 2001 with the overall objective of improving the agricultural research capacity and services of more than 20 national agriculture research institutions in the three regions concerned. These programmes are characterised by capacity building of national and regional research institutions, an innovative approach of accessing funds by competitive bidding and co-funding of regional research networks on specific agricultural products.

4.5.5.4. Rural Water Supply

The international community has adopted an international development target for the increase of access (for the population of sub-Saharan Africa) to an improved water source, from 49% to 74%, by 2015⁹⁵. One of the EC's most important projects is the 'Programme Regional Solaire', where 626 solar pumps and 660 solar electrification systems have been installed between 1990 and 1998 in Burkina Faso, Mali, Niger, Senegal, Gambia, Chad, Mauritania, Cape Verde and Guinea Bissau for the benefit of one million rural people. After a positive evaluation in 2001 it has been decided to launch a phase two for € 60 million. The second phase aims to establish a long-term improvement to the availability of drinking quality water for the rural populations of the Sahel. 465 new solar systems will be established in rural villages (with an average population of over 3,000). This will involve the active participation of the beneficiaries and the private and public sectors in exploiting available resources using solar based technology.

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Fisheries

A number of projects - in particular those in the Pacific (ProcFish), Indian Ocean (Monitoring Control and Surveillance) and Lake Victoria (Fisheries Implementation Plan) were launched to build aquatic resource management competence in target ACP countries and to facilitate regional collaboration. Two new important national projects on rural coastal fisheries also started in the Pacific promoting private sector involvement. In co-operation with the Support Unit for International Fisheries and Aquatic Research of the UN's Food and Agriculture Organisation, a number of other fisheries management projects are in preparation. To ensure improvements in production and trading capacity in relation to fishery products, a € 45 million programme on the strengthening of sanitary control aspects was also financed.

Lake Victoria Fisheries Research Project

The fisheries of Lake Victoria have an annual production of 500,000 tons of fish, of which 100,000 tons are exported to western markets. They play an important role in the economic development of the East African region. The second phase of the Lake Victoria Fisheries Research project (started in 1995 with € 9.4 million) has fostered regional co-operation between Kenya, Uganda and Tanzania through the Lake Victoria Fisheries Organisation. The upgrading of facilities and vessels, the training of 150 research staff and the provision of 12 long-term overseas scholarships have all enhanced the research capacity of the three local research institutions. The project has helped improve the sustainable management of the lake's resources, and a Joint Fisheries Management Plan (currently under discussion for implementation by the countries concerned) has been established.

Pacific Fisheries Programme

The Pacific Regional Oceanic and Coastal Fisheries Programme (PROCFISH, € 10.5 million) comprises two components:

- The coastal component involves compiling results from the first major baseline assessment of reef resources covering most of the Pacific area. It stresses reef resources per se as well as human and social aspects.
- The oceanic component will exploit the results of research and assessment work already carried out by the Secretariat of the Pacific Community (SPC) on the major Pacific tuna species. This work, which has received recognition from the international scientific community, was performed by the SPC as part of the previous South Pacific Regional Tuna Research and Assessment Project also funded from EDF resources. The scope of the work will be extended to include more thorough assessment and monitoring of bigeye, yellowfin and by-catch stocks in the region.

Each of the two PROCFISH components includes an 'ACP' component and an 'OCT' component for Overseas Countries and Territories. The SPC is the executing agency for this regional project⁹⁶.

4.5.5.5. Environment

Work on the environmental field has been very intensive in 2001, particularly in the fields of forestry, conservation, wildlife, and sustainable management of natural resources. Seven new programmes/projects have been implemented amounting to € 55.1 million, and four new programmes have been approved totalling € 26 million.

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see: <http://www.spc.int>

The major ongoing programme in this sector is ECOFAC, a regional programme for the conservation and rational use of Central African Forest Ecosystems. A third phase started in 2000 for € 23 million with activities related to the conservation of biodiversity, the sustainable use of the natural resources such as forests for sustainable development and sustainable improvements in people's standard of living. Programme activities, co-ordinated by a recently strengthened environmental unit based in Libreville, are taking place in 6 countries of the Congo forestry basin. The programme has managed to substantially improve the capacity and the awareness of the national authorities in the management of their natural resources. In 2001 the size of the Odzala National Park (Congo Brazzaville) has been increased from 2 800 km² to 13 280 km² i.e. by a multiple of five and the Monte Alen National Park (Equatorial Guinea) has been extended from 1 004 km² to 2000 km². Furthermore, a Network of Protected Area of Central Africa (RAPAC) has been established. The willingness of the five world heritage sites in the Democratic Republic of Congo to join the network and the new membership of the Zakouma National Park in Chad show the positive reception being given to RAPAC. Another important activity is the dialogue with logging companies to improve management plans and to involve local communities both in the control of the illegal bush meat trade and in the establishment of communal forest plots.

Village water supply in Chad

Access to drinking quality water is a crucial issue in Chad. Nearly eight inhabitants out of ten do not have access to clean water and some 33% of the villages (with a population of more than 300 people) do not have a water supply point. Experts estimate that the villages need 15.000 boreholes equipped with hand pumps, and that the nomadic population requires at least 4.000 large wells. A sectoral policy on water has been established in co-operation with other donors. Since the 1980s, the European Union has allocated over € 30 million to this sector. This has permitted the construction of about 2000 water points equipped with pumps, and in addition, the construction of 45 drinking quality water distribution systems in the main villages, as well as the repair of approximately one hundred water points. The area covered has been increased around the capital, Ndjamen, to include six regions in the west of the country. A programme to provide more than 1000 new water access points is currently being implemented. Each day, water is available from new wells. In tandem, the regional solar programme has installed auto-functioning solar pumps in Chad, which have the added advantage of requiring little maintenance. A new programme, co-financed with the German and the French development agencies, will provide - in the near future - access to about 300 new outlets. A study has started to plan the activities in this priority sector under the 9th EDF, including the construction of some 3400 new wells. All activities seek to ensure sustainability and maximise co-operation with other donors.

4.5.5.6. Food Security

The EC is active in the food security via its emergency humanitarian aid office, ECHO and through its overall development assistance strategy. Some examples of activities in ACP countries in this sector are given below.

Africa – Mozambique

Almost two thirds of the population of Mozambique (of which 80% is rural) live below the poverty line and encounter serious problems of food insecurity aggravated by recurrent natural disasters e.g. cyclones, floods or droughts. Community food security programmes come within the framework of the Poverty Reduction Strategy Paper which supports the public service reforms judged essential for food security. This strategy is supplemented by direct support to agricultural producers. Support for administrative reform is carried out via budgetary assistance targeted at the Ministries of Agriculture (via the PROAGRI programme) and Commerce as well as the National Meteorological Institute. Direct support to rural producers aims to improve productivity and agricultural diversification, focussing on the north and the south of the country.

Caribbean – Haiti

In Haiti the local population only receives 80% of the nutritional minimum requirements set by the UN and significant environmental damage contributes to a permanent state of food insecurity. The political instability affecting the country has worsened since the government elections of May 2000 and this in turn has led to a significant slowdown in international aid. Despite the freezing of new commitments through the EDF, the European Commission has continued its assistance to school canteens, ensuring a balanced diet for almost 115 000 schoolchildren. Activities already approved or underway (e.g. renovation of infrastructure, credit assistance) have also been continued.

Rural Development and Food Security: Commitments in 2001

ACP Country	Project Title	€ million
Benin	Programme for the repair and maintenance of minor roads	8.50
Botswana	Wildlife conservation & management programme	14.00
Burkina Faso	Solar Regional Programme phase II	9.96
Cameroon	Institutional support for decentralised road maintenance	23.50
Cayman Islands	Nature tourism development	0.10
Chad	Solar Regional Programme phase II	4.00
Dominican Republic	Dominican eco-tourism development programme	5.99
Ethiopia	Coffee improvement programme (CIP IV)	15.00
Gabon	Improvement of tourism management in la Lopé reserve	0.10
	Technical assistance for forestry and environment	0.08
Guinea Bissau	Feasibility study for the Solar Regional Programme	0.08
Guinea Conakry	Support for the promotion of rural organisations	18.50
Madagascar	Livestock development programme	4.00
Malawi	Evaluation of the social forestry project	0.06
	Technical assistance to programme preparation Natural Resources sector	0.35
Mali	Rice Programme	16.00
	Solar Regional Programme phase II	6.56
	Environmental programme against desertification	14.00
Mauritania	Adrar Rural Oasis	10.00
	Seminar on agricultural diversification	0.02
	Study for the rehabilitation of the PPG dam	0.08
Namibia	Rural infrastructure needs in poor rural areas	0.08
	Rural development	0.20
	Support to agricultural marketing & trade negotiations	0.19
	National agricultural services support programme	6.00
Niger	Solar Regional Programme phase II	2.39
Togo	Agro-forestry programme	1.98
Uganda	Forest resources and management programme	12.00
Zambia	Forestry support programme	1.90
Zimbabwe	Sexually Transmitted Diseases control	0.04
Regional: Central Africa	Anti – poaching initiative	1.60
Regional: Pacific	Assistance to plant protection in the pacific	0.03
	Pacific and regional oceanic and coastal fisheries	10.50
Regional: West Africa	Solar Regional Programme phase II	26.21
	Energy regional programme	5.40
All ACP	Technical centre for development of agriculture	13.31
Total		232.71

4.5.6. Human Rights, Democracy, Good Governance and Capacity Building

Respect for Human Rights - including fundamental social rights, democratic principles, the rule of law and accountable governance - form an integral part of

sustainable development and are fundamental elements of the Cotonou Agreement. These issues are the subject of regular political dialogue between EU and ACP States and are areas for strong Community support. 'Institution building' is one very useful path in this direction. The Commission Communication on Conflict Prevention⁹⁷ calls for more activity relating to peace, democracy, political and social stability being integrated into assistance programmes as a means of conflict prevention. This is therefore an area where EC activities are increasing all the time, in particular, through the relatively new field of institutional support through experience gained from projects and contacts with other donors.

In total, there were 254 new and ongoing projects in this field in 2001 totalling € 727 million. They covered a wide range of 'institution building' activities and can be divided into two broad categories: (1) respect for Human Rights, improvement of legal systems, elections and civic education; (2) good governance through capacity building, civil service reform and decentralisation. In addition there was a total of € 121.5 million of projects covering all aspects of institution building in South Africa. Given the nature of these activities, any assessment of success of these programmes will have to be made in the medium to long term.

4.5.6.1. Human Rights and Justice

The EC's Human Rights' programmes aim at bringing about and maintaining peace, e.g. the € 800,000 allocated from the rehabilitation programme for Burundi to promote national reconciliation through training the 'bashingantahe' (village elders) as para-legals and sending them to "collines" (districts) throughout the country where they are under-represented. The United Nations Development Programme is managing this programme. In Equatorial Guinea, a new pilot programme for € 3 million to support Human Rights, democracy and the rule of law is about to start after several years of suspension of development aid.

A properly functioning system of justice is fundamental to the respect for Human Rights. There are currently EDF financed programmes in eight countries totalling € 48.4 million specifically targeting this area, e.g. a € 16 million programme in Burkina Faso in support of democracy, law and good governance. This project focuses in particular on legal reform working through the University of Ougadougou, and directly links democratic government with sustainable social and economic government. It also has a prison reform component, including assistance with the provision of defence lawyers. Work has also started on the € 7.2 million justice programme for Rwanda. This supports various state institutions, including the 'gacaca' i.e. the traditional system of justice, which, it is hoped, will hear prisoners accused of all but the most serious crimes committed during the 1994 genocide. It also supports projects promoting community service as an alternative to prison and NGO projects linked to justice and national reconciliation.

Elections

Democracy also depends on the environment for free and fair elections. As the number of elections increases in ACP countries, the amount of support from the EDF has also increased from four projects in 2000 to seven in 2001 in Congo, Lesotho, the Solomon Islands, Sierra Leone, Chad, Togo and Zambia. EDF support begins prior

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to the election with activities such as voter education and registration. Support can also take the form of, for example, the printing of ballot papers, as well as longer term civic education programmes. With the exception of Chad and Zambia, all the financial support outlined above (and approved in 2001) is focused on elections to be held in 2002.

The results of both the Chad and Zambia elections have been contested. Reflection is under way within the Commission as to how to make EDF support more effective in this area. In some cases, additional support is provided for international electoral observers from the EC budget (line B7-7). Electoral support is generally provided in consultation with other donors, including the United Nations Development Programme. Once elected, representatives often need help with obtaining the facilities required to carry out their tasks such as staff, libraries and computers. The EC has various projects of this kind, for example, institutional support to the National Assembly in Angola.

Good Governance

Governance issues are being given increased priority within co-operation strategies, on the basis of an analysis of problems and needs for institutional development, often in consultation with other interested donors e.g. Kenya where the EC is a member of the Economic Governance Group. One of the main forms of support in terms of the number of projects - and a support which can have an effect far beyond the financial cost - is the provision of technical assistance to National Authorising Officers. In most ACP countries this support exists in some form, often in the framework of a larger programme of aid to the ministry of finance and/or planning with economic, civil service or other reforms. Assistance is given not only to government ministries but also to other public bodies that play a role in national policy.

Thus, in Ethiopia, the financial institutions are receiving support to modernise and streamline their activities. In the Dominican Republic, a € 25 million programme of state reform and modernisation which was launched in 2001 includes decentralisation to the local, regional and provincial levels. Devolution of certain powers to lower levels is a trend that is likely to continue. The € 1.91 million pilot project for the promotion of second-tier towns in Guinea, which originated from the decentralisation of the 1990s, started in 1998 and aimed at empowering people at the local authority level to play an active role in development. The recent evaluation found that, despite the problems, this experiment should be built upon and should be followed in other parts of the country. With the emphasis in the Cotonou Agreement on greater inclusion of civil society in the development process and thus on capacity building, pilot programmes like this one will be a useful source of experience. Censuses - which are an invaluable tool for macro-economic planning - are also financed from the EDF. A recent example is Niger where a € 1.1 million project started in 2001. By October 2001 the national population and housing census had been completed. All these activities are closely co-ordinated with structural adjustment, debt relief (HIPC) and other relevant EC or other donor programmes.

Zambia Public Welfare Assistance Scheme

An interesting and somewhat unique EDF project is the Zambia Public Welfare Assistance Scheme (PWAS), which was signed in 1999. It takes only a relatively modest amount of resources (€ 1,160,000) and is designed to improve the Zambia government's social safety net through management support, training, and improved co-ordination at all levels. Grass root organisations are directly involved in decisions on the allocation of resources. The PWAS also uses existing social structures as much as possible (committees already in place, community based organisations etc.) rather than creating new ones. The 2001 Zambia Draft Final Poverty Reduction Strategy Paper recognised the value of the re-designed PWAS. Some € 4.13 million will be provided over the next five years along with co-financing from the government of a further € 0.65 million. A recent mid-term review of the project has found that other countries in the region could usefully follow it as a model. The evaluation concluded that the PWAS project should be extended - with an increased budget - into urban areas. Nevertheless, its achievements - whilst impressive - were fragile, and so needed consolidating, with further capacity building, networking with other national partners and more focus on local resources in order to increase sustainability.

Institution Building – Commitments 2001

ACP Country	€ million
Angola	0.40
Antigua & Barbuda	0.02
Bahamas	0.04
Botswana	5.12
Burkina Faso	2.8
Burundi	0.08
Cameroon	2.81
Central African Republic	0.75
Chad	13.89
Congo (Brazzaville)	2.44
Congo (DRC)	0.58
Djibouti	0.11
Dominican Republic	0.02
Equatorial Guinea	3
Eritrea	0.74
Guinea Bissau	0.03
Guinea Conakry	3.07
Guyana	0.2
Haiti	0.15
Ivory Coast	0.23
Kenya	0.54
Kiribati	0.07
Lesotho	0.85
Malawi	1.34
Mali	0.7
Namibia	0.37
Niger	1.99
Rwanda	0.06
Senegal	1.43
Sierra Leone	3.22
Solomon Islands	1.28
Surinam	0.16
Tanzania	0.1
Togo	3.07
Zambia	0.08
Total	51.74

4.5.7. *Macroeconomic Policies and Private Sector Development*

4.5.7.1. Macroeconomic Policies

Providing macro-economic budgetary support has become an integral part of the Community's financial and technical co-operation with ACP countries. Since 1992, the Community has provided budgetary support amounting to about € 2.604 million in 40 ACP countries. Formerly, these funds were mostly used to support economies experiencing 'balance of payments' problems. The current approach is to assist countries in changing the way in which their economies work.

Consequently, in 2001 the Commission continued to implement its approach to link its budgetary support programs to poverty reduction and thus to Poverty Reduction Strategy Papers established by developing countries. Therefore the majority of the budgetary support programmes contained performance indicators relating in particular to health, education and public finance management. On the latter aspect the Commission has concluded an agreement with the World Bank establishing a joint EC/World Bank Trust Fund for Public Expenditure and Accountability Assessments. In addition the Commission is working toward the establishment of joint arrangements with other donors in order to provide more efficient and effective donor assistance to the recipient countries.

During 2001, the Commission committed € 263 million in direct budgetary support programmes in ACP countries. It authorised over € 300 million in payments to 38 ACP countries which have ongoing structural adjustment programmes.

Macroeconomic Support - Structural Adjustment Programmes - Commitments 2001

ACP Country	€ million
Cape Verde	12.1
Gabon	4.9
Ghana	50.8
Guinea	11.1
Ivory Coast	12.8
Jamaica	21.7
Lesotho	18.5
Mali	31.8
Mauritania	18.3
Niger	3.2
Tanzania	76.1
Vanuatu	1.6
Total	262.90

Burkina Faso and the New Budgetary Support Approach

From 1997 to 2000 the Strategic Partnership for Africa (an informal group of donors, under the leadership of the World Bank) carried out an exercise in Burkina Faso to study the issue of setting conditions for recipient country for the release of aid (known as 'conditionality'). The study has been executed under the auspices of the Burkina Faso government. The new approach means entrusting the partner government with the leading role in the reform process, while donors limit their role to assessing results in the field of economic growth and poverty reduction. The results of the 'Conditionality Test' have been largely used in the reform of the Bretton Woods Institution's instruments related to Structural Adjustment. One of the major achievements of this reform has been, in the case of HIPC countries, the design of an overall development strategy reflected in the Poverty Reduction Strategy Paper.

In the case of Burkina Faso several donors (the Commission, the Netherlands, Denmark, Sweden and Switzerland), agreed to operate their budgetary support in a complementary manner using the same disbursing mechanisms tailored on the PRSP. The idea is to reduce government transaction costs in dealing with different donors, and to provide financial visibility in the medium term. The 2001 Budgetary Support for Poverty Reduction Programme included two elements of direct budgetary support. The first of € 15 million was linked to the macro-economic framework, and has been disbursed according to the IMF review of its programme with Burkina Faso. The second € 10 million component has been disbursed based on performance on a number of indicators contained within the PRSP. In this way the final disbursement is linked to the effort invested and to the policy implementation and poverty reduction results in key areas of the PRSP. Achievements thus far are modest, but the process has been launched and the stakeholders and their responsibilities are now clearly defined.

4.5.7.2. HIPC initiative

Two joint ACP-EC Council decisions were adopted in December 1999 on the Community's participation in the Highly Indebted Poor Countries (HIPC) Initiative⁹⁸. As a creditor, the European Commission contributes € 360 million to the EIB administered HIPC Trust Fund, and as a donor, will contribute a maximum of € 680 million to the World Bank administered HIPC Trust Fund.

Framework agreements between the EC and the World Bank and the European Investment Bank set out the legal and practical basis for the provision of the EU's debt relief. Following the signature of those agreements, a first payment of € 250 million was released to the World Bank Trust Fund (July 2000) and a first payment of € 100 million was made to the European Investment Bank Trust Fund (December 2000).

To date, 24 out of 41 HIPC countries (of which 34 are ACP countries) have reached their 'decision point'⁹⁹ and are therefore entitled to receive interim debt relief through the World Bank Trust Fund. The World Bank and the African Development Bank (ADB) make the evaluation of needs.

With regard to the EC's role as a creditor, the needs analysis is carried out by the EC services. As countries reach their decision point, the Commission, in close co-operation with the European Investment Bank, establishes the total outstanding debt to the EC on a country by country basis (including special loans and risk capital operations). It then identifies loans to be considered for debt relief and agrees with the countries concerned which loans will be finally selected.

By the close of 2001, the Commission had sent proposals for debt relief to almost all eligible countries. A second payment of € 250 million was transferred in December 2001 to the HIPC Trust Fund administered by the World Bank and a second payment of € 100 million was made to the HIPC Trust Fund administered by the European Investment Bank. As at 31 December 2001, only Uganda, Mozambique and Tanzania had reached their 'completion point' under the enhanced HIPC initiative.

Funds freed up by the cancellation of debt servicing obligations are then used to finance poverty reduction initiatives, in particular for the social sector.

⁹⁸ Decision No 1/1999 and No 2/1999 of 8.12.1999, OJ L 103, 28/04/2000 p. 0073 - 0075
⁹⁹ see <http://www.worldbank.org/hipc/about/FLOWCHRT4.pdf>

4.5.7.3. Private Sector Development (PSD)

The EC's objective is to ensure long-term and sustainable economic development. The private sector is perceived as an engine of economic growth, and thereby an important source of employment in the ACP countries.

Private sector development is a crosscutting issue and as such is incorporated in the programming of other sectors like health, education and infrastructure. The European Commission's strategy combines support at the macro level (the business environment and investment climate) the meso (financial and non-financial) intermediary level and the micro level (enterprise competitiveness).

At the macro and meso level, ACP national and regional authorities can benefit from DIAGNOS, a programme which provides assistance in analysis of the private sector environment in order to identify the main constraints that impede economic growth in the ACP countries. Diagnostic studies were undertaken in more than 20 ACP countries in 2001 to help design strategies to provide an 'enabling' business environment for the private sector. At the meso and micro level ACP private enterprises and service providers can benefit from the EU-ACP Business Assistance Scheme (EBAS) which aims to provide effective business development services. EBAS is under full implementation and by the end of 2001 more than 700 projects had been approved, supporting enterprises, service providers and intermediary organisations in more than 60 ACP countries. Out of a total of € 20 million grant funds available, € 17 million had already been committed one year before the programme end.

The objective of PROINVEST is to promote investment and North-South and South-South partnership agreements, and it aims primarily to improve investment services. The total budget is estimated at € 110 million over seven years. The PROINVEST programme was set up in December 2001.

In addition, many ACP countries and regions have allocations for private sector development included in their national or regional indicative programmes. In South Africa, for example, PSD is one of the key areas of support and an excellent example where economic development contributes directly to poverty alleviation. A Risk Capital Facility Programme for € 59 million was decided in 2001 that will provide access to credit and non-financial support to the previously disadvantaged economy. Another programme for € 34 million will strengthen local economic development in the South African Northern Province.

With regards to regional initiatives resulting from the Cotonou Agreement, a € 70 million programme to support the Caribbean rum sector was approved in 2001. The programme assists local rum producers to compete in a fully liberalised spirits market by modernising their plants, improving their capacity to deal with any possible environmental impact, increasing their competitiveness and identifying new markets. The programme will play a fundamental role in strengthening a key sector within local economies, thereby contributing to job creation and export and tax earnings on the basis of strong local ownership.

The Pesticides Initiative Programme (PIP) is an 'all ACP' country programme, which was drafted at the request of the ACP/EU Council of Ministers meeting in Cotonou in July 2000. The overall cost of the PIP is € 40.1 million, of which € 29.1

million will be paid by the EDF. It is a response to the need for ACP horticultural sector operators to raise standards, to meet EU regulations, which set stringent maximum pesticide residue levels. The objective is to help to create a sustainable and competitive private horticultural sector in ACP countries.

Macroeconomic Support – Private Sector Development - Commitments 2001

ACP Country	Project Title	€ million
Cuba	Support Programme to enterprises and investment promotion	2.80
	Havana Trade Fair	0.19
	Training Programme for heads of companies/business leaders	1.94
Ethiopia	Micro & Small Business Enterprise Development Programme	7.00
South Africa	Support to Department of Trade and Industry	0.40
	Risk Capital	58.90
	Local economic development: Northern Province	34.00
Trinidad & Tobago	Caribbean Business Services Ltd	0.90
All ACP	Rum	70.00
	Public Expenditure and Financial Accountability Trust Fund	1.90
	Commodity Risk	1.78
	Centre for the Development of Enterprise	20.38
Total		200.19

4.5.8. Social sectors : Health and Education

4.5.8.1. Health sector

ACP countries differ widely in terms of their political stability and their governmental capacity and commitment to deliver results in the health sector. EC responses have been tailored to the country specific situation leading to a mix of interventions under the EDF and other EU instruments (thematic budget lines, NGO co-financing, etc.).

Wherever possible, on-going projects have been re-orientated towards sector dialogue, the launching of sector-wide approaches and support to sector programming and finance management. Substantial efforts have been made to improve the quality of projects implemented. Project management has focused on speeding up implementation and reducing the time necessary to deliver aid at beneficiary level.

The 2001 health portfolio for ACP countries was estimated at € 960 million (€ 854 million under the EDF and € 107 million under the EC budget's South Africa budget line). There were 139 projects in 47 countries with 94 % under National Indicative Programmes and 6 % under regional or intra-ACP EDF.

At the time of identification of EC intervention, special consideration was given to the specific needs and situations of individual countries with emphasis on access to basic health services and capacity building. At the same time, special attention was given to the reduction of ad-hoc projects, the merging of requests covering different sub-sectors into larger global interventions to reach a critical mass for impact.

National projects range from post-crisis situations (Angola), resuming of co-operation through a key sub-sector (e.g. support to immunisation in Nigeria), nascent SWAPs (Mozambique) to 'sector accompanying measures' within poverty reduction budgetary support projects (Ghana). The regional projects focus on continuation of

the fight against onchocercosis in western Africa through the co-financing of a donor trust fund managed by the World Bank and implemented by the WHO.

A contribution was made to the setting-up of a Global Fund for the fight against communicable diseases such as HIV/AIDS, tuberculosis and malaria. Special attention was given to the complementarity and coherence of the Global Fund in relation to country level support through other funding mechanisms.

The EC has also taken part in discussions of ways of joint working on projects at country level with UN agencies (such as the World Health Organisation, the UN's Children's Fund (UNICEF) and Population Fund (UNFPA)) and set-up a health issues network to bring the sector together, exchange experience and develop good practice.

Social development - Health - Commitments 2001

ACP Country	Project Title	€ million
Angola	Health sector support programme	25.00
Guinea	Complementary support to the health sector	5.00
Lesotho	Support to health sector reform	1.80
Mozambique	Health sector support programme	30.00
Nigeria	Prime – Partnership to reinforce immunisation efficiency	64.50
South Africa	Partnership for delivery of primary health care including HIV/AIDS	25.00
Swaziland	HIV/AIDS prevention and care programme	1.96
Zimbabwe	Health sector support programme – phase II	33.00
Regional: West Africa	Fight against onchocercosis	4.50
Total		190.76

Support to the health sector in Ghana

In 1995 the Ministry of Health, unhappy with results from multiple vertical projects each with its own plans and procedures, embarked on a Sectoral Wide Approach. Through a participatory process, a medium term health strategy was adopted in 1996 and translated into a five-year work programme - agreed with partners - setting out policy, implementation strategies and resources. The EC joined this process in 1998 with a contribution to the multi-donor fund and an active participation in the policy dialogue with the government, civil society and donors. Common management arrangements, monitoring, etc were agreed. In 2001, it became obvious that despite a budget limited to only US\$ 7 per capita, and continuing severe conditions, the health of the population was improving with, for example, the lowest infant mortality rate in West Africa and 72,2 % of DPT3 (diphtheria, polio and tetanus) immunisation coverage. At such a speed of change, Ghana is one of the best performers in the ACP region. Results are very encouraging. This type of collaboration may prove one of the most efficient in delivering health outcomes for the benefit of the population.

4.5.8.2. Education, Training and Culture Sector

In 2001, the Commission approved 8 new projects in ACP countries, representing € 98.7 million of aid to the education and training sector. This involved 7 commitments under National Indicative Programmes and one regional project. The financial support to the ACP countries in this sector increased by 38 % compared to the year 2000, with larger projects and a more 'sector-wide' approach.

The focus during this period was on improving national capacity in education (Ethiopia, Uganda, Pacific region) and support for basic education (Gabon, Haiti,

Niger). Both sub-sectors are directly linked to poverty alleviation and contribute to economic growth, greater democracy and the rule of law.

The global education and training portfolio in 2001 is estimated at € 540 million, involving 111 projects. Small projects accounted for a larger share of the portfolio. However it is expected that, in countries where conditions are favourable, the average size of commitments will increase, and improve the level of impact.

Social development - Education - Commitments 2001

ACP Country	Project Title	€ million
Ethiopia	Capacity building	0.74
	Education sector development programme	23.00
Gabon	Basic education	5.00
Haiti	Basic education	28.00
Kiribati	Training	6.40
Niger	Basic education	8.70
Uganda	Human resources for health	17.00
Regional: Pacific	University of the South Pacific / Human resources development programme	5.00
Total		93.84

Human resource development programme (HRDP) in Papua New Guinea

The Government of Papua New Guinea prepared in the 1990s important education reforms, addressing the country's main problems in the human resources' sector. Under the 7th EDF, human resources constituted a target sector for EC support i.e. university upgrading, secondary school extensions, in-country training and overseas scholarships.

Under the 8th EDF, human resources are again a priority, with € 24 million allocated for five years (until March 2004). The programme ensures a continuity of the EC contribution in this field in order to increase the quality of teaching, the number the students (particularly girls) and to develop vocational training.

The investment in facilities is aimed principally at new buildings and the renovation of existing ones. The programme will also provide equipment and training materials to seven vocational centres, teacher training colleges and universities. Training is provided for both public and private institutions as well as for new teachers. In addition to in-country training about 120 overseas scholarships have been granted.

The EU-Vanuatu Education Development Programme

Vanuatu is a Pacific island state with some 200,000 inhabitants. Since independence in 1980, the Government has made education its first priority, allocating 26% of the total state budget to it in 2001.

The Commission has increasingly dovetailed with this government priority under successive Lomé Conventions. The current EU-Vanuatu Education Development Programme is financed under the 8th EDF and started in September 1999. The project finances both improvements to the school infrastructure and to the learning process. 18 Junior Secondary Schools (8 francophone and 10 anglophone) - to serve an estimated 2,500 pupils - will be rebuilt and/or refurbished. At the Vanuatu Teachers College a library, teaching facilities and student accommodation will be provided. To ensure that the new facilities are put to optimal use capacity building; the strengthening of secondary school management; in-service training for teacher/advisers/inspectors and provision of new teaching materials are also being funded. The project will be completed by August 2002.

In addition, the Commission approved € 9.5 million for a set of cultural projects to support creative capacity and promote cultural identity among ACP countries.

Social development - Culture - Commitments 2001

ACP Country	Project Title	€ million
Angola	Film: Na cidade vazia	0.30
Cameroon	Decentralised cultural initiatives	0.25
Central African Republic	Film: Le silence de la forêt	0.40
Chad	Film: Abouna	0.30
Guinea Conakry	Decentralised cultural initiatives	1.60
	Film: Circus Baobab	0.10
	Film: Paris selon Moussa	0.30
	Film: Le fleuve comme une fracture	0.30
Ivory Coast	Decentralised cultural initiatives	1.90
	Film: Independence Chacha	0.16
Mali	Film: Kabala	0.18
Regional: West Africa	French language radio and television training	0.64
	Film: Vie de femmes	0.10
	4 th meeting of photography – Bamako	0.15
All ACP	Youth Festival: Mandingue	0.12
	Choreography days: Madagascar	0.21
	International Film Festival: Abidjan	0.05
	Film: The wooden camera	0.30
	Financial support to 11 films	2.10
Total		9.46

Co-operation with South Africa

Support to Education and Training in South Africa is provided as part of the European Reconstruction and Development Programme (ERDP) and financed from the South Africa budget line from the EC budget.

Between 1995 and 1999, 12 education and training projects were approved representing a financial commitment of approximately € 180 million. Of this amount, an estimated 40% is for skills development and adult education, 10% for primary education and early childhood development, 20% for higher education and the remainder mainly for policy support, reflecting South African needs and preferences during the early post-Apartheid years. During 2001 the EC disbursed € 27 million towards these projects, increasing their overall disbursement rate to 60%.

Micro-projects and refugees

In order to respond to the needs of local communities, the EC has continued to participate in the financing of micro-projects at local level. In 2001 particular attention was given to projects with active local participation that have a positive economic and social impact on the life of local communities. Countries with refugee problems were prioritised. Whenever possible, the EC has tried to facilitate self-sufficiency, integration or reintegration of refugees.

Social development - Micro projects and refugees - Commitments 2001

Instrument: Microprojects (commitments 2001)

ACP Country	Project Title	€ million
Central African Republic	Micro-projects programme	2.00
Congo (Brazzaville)	Micro-projects programme	1.84
Mozambique	Support to the micro-projects co-ordination	0.36
Niger	Food security and consolidation of the peace-process	0.77
Total		4.97

Target Group: Refugees (commitments 2001)

ACP Country	Project Title	€ million
Angola	Technical Assistance programming of art 255	0.03
Congo (Brazzaville)	Support to the economic and social integration of refugees	1.50
	Reintegration of young displaced and ex-combatants	0.75
	Scholastic reintegration & fight against HIV/AIDS & drugs	0.75
	Reintegration and auto-sufficiency for the displaced – Kinsangani	4.40
Congo (DRC)	Reintegration of war displaced	0.74
	Reintegration and auto-sufficiency for displaced	8.30
	Reintegration programme for returnees and displaced	25.00
Liberia	Reintegration programme for returnees and displaced	25.00
Total		41.47

4.5.9. Cross cutting issues

4.5.9.1. European Initiative for Democracy and Human Rights (EIDHR)

In 2001, EIDHR has supported projects in ACP countries amounting to € 19 million of which € 6.5 million was allocated to 9 projects for the promotion and protection of Human Rights. € 925,000 went towards a project covering Benin, Gambia, Burkina Faso, Nigeria, Mali, Ethiopia, Tanzania and Egypt to support a campaign to eradicate female genital mutilation. Another project for € 867,000 aims to promote women's rights in West Africa (Togo, Senegal, Nigeria, Mali, Ghana, Burkina Faso and Benin).

Support to the African University (Masters Degree) Programme in Human Rights and Democratisation

This masters programme educates young professionals at post graduate level, providing both a firm academic training in standards, institutions and mechanisms for the protection and promotion of Human Rights and democracy, and the research skills and operational tools necessary to prepare graduates for work. It emphasises a regional approach to Human Rights education. Thirty students from a large number of African countries will take part in the programme, spending the first six months of the year as a group at the Centre for Human Rights in Pretoria, where they attend advanced lectures on Human Rights. Thereafter they are split up into four groups that are placed with the participating universities for the last six months of the year. The participating universities are: the Centre for Human Rights at Pretoria University; Makerere University in Uganda; the University of the Western Cape (South Africa); the University of Ghana and the Catholic University of Central Africa (Cameroon). €1.3 million has been allocated to the project.

Other initiatives include a project in Benin and Mozambique to improve living conditions for children and enhance respect for their rights (€ 797,000 and € 300,000

respectively) and a € 704,000 media support programme to promote Human Rights in the peace process in Sierra Leone.

Support to the democratic process and the rule of law has been allocated around € 6 million e.g. support to staff of Transparency International to develop techniques to fight corruption and support independent media. In the Democratic Republic of Congo a € 1.2 million project has been set up to promote the rule of law by enhancing dialogue between government and civil society. € 440,000 has been provided to support the international tribunal in Tanzania which is addressing the issue of those accountable for the 1994 genocide in the Great Lakes region.

In Cuba, a € 500,000 project seeks to contribute to the development of more plural, democratic and open society, encouraging in particular the free flow of information and exchange of ideas between Cuban intellectuals on the island and the Cuban diaspora around the world.

The support for conflict prevention assistance and the restoration of civil peace is one of the main priorities of the EIDHR. In 2001, it supported 5 projects in Africa to a sum of nearly € 3 million. These projects will be developed in:

- Sudan to support the peace process by promoting dialogue between the Sudanese parties on concrete subjects of negotiation outside the formal mediation framework (€ 500 000).
- Somalia, where € 600,000 has been allocated to establish a consensus-based process for identification and prioritisation of reconstruction and development needs, and recommendations for improved policy & practice.
- the Democratic Republic of Congo to reinforce the dialogue between the local communities in the provinces of Kivu (€ 500,000)
- Rwanda where a project aims to facilitate legal proceedings following the genocide in order to ensure a return to a peaceful society (€ 670,000)
- Sierra Leone to assisting with the reintegration of displaced young people and women into their own communities.

EIDHR has supported the democratic transition and observation of electoral processes in several African countries e.g. Zambia (presidential, parliamentary and local elections in 2001 - € 570,000) and in Togo (parliamentary elections expected in spring 2002 - € 527,000) (see also Section 4.5.6. Human Rights, Democracy, Good Governance and Capacity Building / Elections of this chapter).

4.5.9.2. Non State actors and NGO activities

The involvement of non state actors in the partnership

The Cotonou Agreement includes innovative provisions to promote participatory approaches to ensure the involvement of civil society and economic and social actors. This entails the provision of information on the partnership and consultations with civil society on the economic, social and institutional reforms and policies which the EU proposes supporting. In addition, there is a new focus on facilitating non-state actors' involvement in the implementation of programmes and projects,

and providing them with the necessary financial resources and support for capacity building.

A preliminary assessment of progress made in implementing those provisions in the programming process shows that in 42 countries out of the 50 for which draft Country Strategy Papers were available, a process of consultation was conducted with non state actors (NSA). In 25 of those 42 countries the draft Country Strategy Paper was modified following the consultation process.

Different types of strategies have been followed to involve NSAs in future co-operation. In a number of countries the response strategy is geared at enhancing NSA participation in all sectors of EC co-operation and by different means (mainstreaming). In others, NSA involvement is mainly planned for in the priority sectors. A third type of strategy provides support to NSAs in non-priority sectors, either as a means for targeting poor population groups or as a contribution to good governance and conflict prevention.

Regarding funding, in 26 country programs the provision of direct funding for NSA capacity building or other support is proposed. In total the proposed funds allocated directly to NSAs in those countries amount to approximately € 130 million out of a total programming envelope of approximately € 3 billion. However only in 12 countries (Gambia, Gabon, Kiribati, Jamaica, St. Lucia, Chad, Vanuatu, Zimbabwe, Burkina Faso, Guyana, Sao Tome and Botswana) has the eligibility criteria for NSA funding been discussed with the National Authorising Officer.

Finally out of the 50 Country Strategy Papers surveyed, 31 mention follow up arrangements for future consultation and monitoring.

Support to the municipal development programme in West and Central Africa

The 'West and Central Africa Management Association for the Municipal Development Programme' (PDM) brings together national associations with local responsibilities, municipalities and community and non-governmental organisations involved in local and municipal development initiatives in West and Central Africa. This is particularly aimed at allowing large urban conurbations to increase their implementation capacity. Two main activities have been undertaken – the strengthening of local implementation capacity and the training of around 60 municipal staff (1998 to 2001). Training activities have gone ahead very successfully, as has the setting up of a programme to strengthen the capacities of national associations of locally elected people and support the setting up of an African municipal movement at the sub-regional and continent wide level. This is being taken forward on the ground in the training cycle of local authority staff. The Canadian International Development Agency (CIDA), the World Bank, the French Foreign Ministry, the French 'Ile-de-France' region and the Canadian Municipalities' Federation are participating in this project.

4.5.9.3. Gender Issues

As in all regions, gender considerations are one of the driving forces behind EC interventions in the ACP countries. Where appropriate i.e. in the vast majority of cases, programmes and projects specifically identify the role of women, female adolescents and children within the process. This includes targeting women as beneficiaries, consulting the female population in the preparation of the project, analysing to what extent women are active participants in implementation, as well as proposing remedies to any possible obstacles to women's access to the resultant benefits. Gender considerations are examined in the planning of all EC support.

4.5.10. Trade and Development

For ACP countries, non-reciprocal trade preferences have been in place since 1975. Preparations are also under way for the negotiations of Economic Partnership Agreements (EPAs) with ACP sub-regions. To achieve the objectives of EPAs, the ACP countries have to fully integrate EPAs within their development strategies. The EC, in turn, will support policies complementary to EPAs through development support as set out in the Cotonou Agreement.

4.5.10.1. Development support and Economic Partnership Agreements

The link to development co-operation will be a key aspect for the negotiations on Economic Partnership Agreements both in a narrow sense, regarding the capacities to manage negotiations, and, in a broader sense, regarding the ability to implement the emerging agreements and thereby to increase trade flows.

Capacity needs for negotiations

Many ACP countries and regions do not have the capacity to enter into comprehensive trade negotiations. However, independently of EPAs, they are faced with the challenge of following multilateral, regional and bilateral negotiations at the same time. Instead of exacerbating this situation, the EPA process can help to tackle this by providing substantial support for ACP countries and regions. In line with the Cotonou Agreement, substantial funds are foreseen in the regional support programmes, to strengthen analytical and negotiating capacities of both the regional organisations and their member states.

Development support for trade

In a more comprehensive sense, it is necessary to effectively 'mainstream' trade into development co-operation, an important element of the Cotonou Agreement. Development co-operation programmes in areas such as macroeconomic support, transport, private sector support, etc. need to take the trade dimension better into account. First steps into this direction have been taken by mainstreaming trade concerns in the national and regional strategy papers for the 9th EDF. In addition, a number of 'all ACP' programmes have been or will be initiated to address trade bottlenecks in ACP countries. EPAs will enhance this process by linking trade negotiations closely to development support programmes.

EC Support for ACP Trade policy

- | |
|---|
| <ul style="list-style-type: none">– Strengthening the negotiating capacity of the ACP in the WTO and on EPAs.– ACP WTO and EPA support programmes of € 10 and € 20 million have so far has been offered on an ad hoc basis for studies and co-ordination meetings. However, from July 2002 onwards, programmes will co-ordinated in Brussels though a steering committee and will be initiated by ACP countries coming forward with requests for assistance.– Supporting ACP countries' presence in Geneva where WTO activities take place.– € 1.4 million has been spent on the new ACP Antenna (will be opened in January 2002) in Geneva, and will serve as a focal point.– Helping ACP partners fulfil EC sanitary and phyto-sanitary standards. |
|---|

- A € 29 million 5 year Pesticide Programme for the ACP countries was established in July 2001. The project includes information/communication; regulation; good practice (working on the implementation of adequate quality control systems) and capacity building¹⁰⁰.
- Assisting ACP integration into world trade.
- At the ACP Ministers of Trade meeting in November 2001, the Commission proposed a € 50 million facility to support ACP integration in world trade once the 9th EDF becomes available. In addition, some € 350 million have been earmarked for regional integration and trade related technical assistance / trade capacity building in the next five year programming period. Allocations for trade related support can also be included as non priority sectors of the national indicative programmes, depending on requests made by ACP authorities.

4.5.11. *Coherence with other policies*

Trade and investment liberalisation can play an important role in economic growth. The EC is seeking to integrate developing countries into the world economy on the basis of the Doha Development Agenda, linking trade and development in the multilateral trading system. The EC is in addition providing considerable Trade related Technical Assistance to strengthen partner countries judicial, regulatory and institutional capacities in this field.

In the context of the WTO, the EC has been a strong advocate of multilateral trade negotiations centred on the needs and interests of developing countries.

Under Cotonou, assistance in trade related issues will be provided at national, regional and horizontal (available to all ACP countries) levels. €10 billion is earmarked for the former along with around €260 million for regional interventions. Horizontal programmes include a €10 million WTO support initiative and a €20 million support programme to allow ACP countries to effectively enter into negotiations for Economic Partnership Agreements.

4.5.12. *Co-operation with other donors in the region*

The sector wide approach means that donors are increasingly pooling resources rather than undertaking individual actions. The Cotonou Agreement further stresses the need for co-operation between donors and this is being reflected by increased coordination, particularly within partner countries themselves. The EC has various Framework Agreements with bilateral and multilateral donors such as the agreement signed with Italy in 1985 which has been renewed up to March 2003 to which the EC has made a commitment of € 140 million. Specific examples are as follows:

- Joint Programme for Public Expenditure and Financial Accountability Assessments.

A € 2 million programme, financed through a trust fund, has been put in place with the World Bank and opened for contributions from other donors. It is designed to improve good governance, fight corruption and make public expenditure in ACP countries more effective in pursuing development objectives, particularly as regards poverty reduction. Methodological studies to identify

¹⁰⁰

see <http://www.coleacp.org>

appropriate performance indicators and joint public expenditure reviews should contribute to a significant improvement in the management of public funds.

- **Test Cases on Commodity Risk Management: World Bank Trust Fund.** A financing agreement was signed in July 2001 to provide financing for the development of eight prototype test cases of commodities price risk management instruments in ACP countries. The aim of the initiative is to extend price insurance mechanisms which exist in the developed countries to developing countries so as to reduce the risk of sharp falls in the prices of major commodities (coffee, cocoa, cotton, sugar, etc.) in particular for the benefit of poor farmers.

The total grant amount to be provided by the Community for the ACP/EU Commodities Risk Management Trust Fund is € 1,737,600 to be administered by the World Bank with the objective of developing prototype test cases.

The list below provides summarised examples of co-financed activities.

List of Co-financing Arrangements completed during 2001

ACP Country or Region	Project Title	Co-financing Partner	Type of Co-financing	€ million
Sierra Leone	Rehabilitation and Resettlement Programme	Germany; Sweden; UK; Italy; the Netherlands; USA; Switzerland; Canada; Norway; World Bank	Two Instalments made to a multi-donor trust fund managed by the World Bank	EC: 10 Others: 35
West Africa	Agricultural Research Programme	France; UK; Belgium; the Netherlands; USA,	Parallel	EC: 12 Others: 10.36
Somalia	Pan African control of animal diseases	Italy	Joint	EC: 72 Italy: 1
Chad	Rural water supply 'Ouadai Biltine'	Germany & France	Joint	EC: 2 Germany: 5 France: 5
All-ACP	Trust Fund for Public Expenditure and Financial Accountability	World Bank	Instalment made to a single- donor trust fund managed by the World Bank	EC: 1.95 World Bank: 2
All-ACP	ACP/EU Commodity Risk Management	World Bank	Instalment made to a multi- donor trust fund managed by the World Bank	EC: 1.74

4.5.13. EIB loans

The European Investment Bank (EIB) aims to promote economic growth and the integration of ACP countries into the world economy¹⁰¹. The focus under the Cotonou Agreement is on the private sector as the main engine of economic growth. However, viable revenue generating projects in all economic sectors are eligible.

The Investment Facility (IF) is a new instrument that will replace 'risk capital' and provide increased financial resources from the 9th EDF. The IF will:

- be managed along commercial principles to be financially sustainable;
- be a revolving fund i.e. re-flows will be invested in new projects; and

¹⁰¹

see <http://www.eib.org/lending/acp/index.htm>

- assure ACP countries of future availability of resources.

Other EIB financed loans will continue to be available alongside the Investment Facility.

Some project highlights for 2001

€ 144 million was spent on the Chad-Cameroon Pipeline Project¹⁰² in a combination of € 88 million of EIB resources and € 56 million of (EDF) risk capital resources. The Chad-Cameroon Pipeline is part of a broader integrated oil development and pipeline project, supported by the World Bank and international oil companies. The environmental and social aspects of the project were scrutinised in close co-operation with the World Bank.

€ 50 million was spent on the N4 Toll Road Project in South Africa¹⁰³. The project is a key element in the toll road network to the North and West of Pretoria. The EIB helped provide Rand funding that enabled the promoter to avoid foreign exchange risk in this important South African PPP project.

€ 15 million was spent on micro-finance ventures channelled through micro-finance specialist funds. The objective of the bank is to help these funds develop and reach commercial maturity and financial self-sustainability. Ventures will be co-financed with other donors and, where necessary, combined with grants from other sources for institution building measures.

EIB loans to ACP and the Republic of South Africa 1997-2001

Sector (€ million)	ACP (1997-2001)	ACP 2001	South Africa (1997-2001)	South Africa 2001
Energy	655	260	102	-
Transport & Telecommunications	191	16	145	50
Environment	159	69	45	-
Industry, Services	307	48	25	-
SMEs (Global loans)	584	127	459*	100*
Total	1 896	520	776	150

* Also includes support for smaller scale municipal infrastructure schemes.

4.5.14. ECHO

In 2001, the ACP countries were the biggest recipients of humanitarian aid from ECHO with a total amount of € 173.32 million. Within Africa, the biggest crisis remained in the Great Lakes with € 35 million allocated for the Democratic Republic of Congo, € 32 million for Burundian refugees in Tanzania and € 20 million for Burundi itself. In addition, hundreds of thousands of refugees, internally displaced people and other local vulnerable populations all over the continent benefited from life-saving emergency aid delivered by European Community Humanitarian Office's partners under very difficult circumstances.

¹⁰² Classed as 'Oil and Gas deal of the Year' by Project Finance International magazine and 'Project Finance Loan of the Year 2001' by the International Financing Review

¹⁰³ Infrastructure Deal of the Year' by Project Finance International magazine

Although the political developments in many of the beneficiary countries leave some serious doubts as to whether a long-term improvement of the humanitarian situation is likely, there are nevertheless some positive signs (e.g. a stabilisation in West Africa).

ECHO managed to improve the delivery of its aid to ACP countries by making the bulk of funding available at the very beginning of 2001, allowing for quick responses and fine-tuning of the strategy in the course of the year.

European Community Humanitarian Office's (ECHO) Financing Decisions in 2001

ACP Country	€ million
Angola	9
Burundi	20
Burkina Faso & Chad	2.55
Caribbean/Pacific (including 'disaster preparedness')	3.88
Central African Republic	1
Congo (DRC)	35
Eritrea	7
Ethiopia	9.2
Kenya	4.6
Madagascar	0.9
Mozambique	2.84
Sierra Leone, Guinea Conakry & Liberia	20.6
Somalia	1.7
Sudan	17
Tanzania	32.15
Zimbabwe	0.5
ECHO flights (based in Africa, for aid distribution)	8.4
Total	176.32

4.5.15. Monitoring in ACP countries

The Commission, during 2000, established an improved results-oriented monitoring system for the ALA¹⁰⁴/MED/ACP and the Balkans, rooted in the Commission's Project Cycle Management mechanisms. The system was tested in 2001. Now that the testing-phase is at an end, the Commission is in a position to offer some initial insights on what has worked well and what needs substantial improvement in this region. Further information on the results-oriented monitoring system can be found in Chapter 1 (section 1.4). This new monitoring system will be fully operational as from 2002).

During 2001, 173 projects (of which 18 have been revisited) have been visited in the ACP region, in 23 countries. The total volume of EC financing thus covered is €1902.9 million of which the most important (DAC) sectors were infrastructure and economic services (36%) and economic and institution building, civil society and social infrastructure and services (15%). The overall rating for projects in the region was slightly above average i.e. 2.55, compared to an average rating of 2.5.

Effectiveness and impact seem to be, relatively, the most successful aspects. Environmental and technical aspects also came out well, while weaknesses included economic and financial factors and efficiency, especially relating to 'timeliness'.

Nevertheless, the regional analysis level of project performance should be treated with some caution (see Section 1.4).

4.5.16. *Conclusions and Perspectives*

EC development assistance will continue to strive towards the attainment of Millennium Development Goals (in the ACP, as in other regions). This will require quality dialogue with national authorities on the development of sector wide approaches and close co-operation with EU Member States and other partners. The Cotonou agreement and the Reform of the management of the EC external aid provide the framework for this.

For beneficiaries and representatives of civil society in the ACP partner countries, the new programming approach - characterised by the rationalisation of co-operation instruments and the introduction of a 'rolling programme' - represents a unique opportunity to assume a more 'hands-on' approach to and transparent control of valuable development assistance resources. Nevertheless, there is a 'price to pay' of increased discipline and an undeniable need to assign scarce skilled human resources to management tasks.

As far as EU Member States are concerned, the new approach represents a golden opportunity to make real progress with the search for complementarity, which until now has been more evident in theory than in practice. The corollary is that they too must accept radical changes in working practices, in information sharing and in consultation requirements if the mutually accepted deadlines of the new Agreement are to be achieved. The outcome of the negotiations for a new Internal Agreement will indicate the extent to which these required changes in practice are going to be achieved in reality.

It cannot be stressed too much that if the new approach to 'rolling programming' is to be cost-effective in the long run for all concerned, it will inevitably demand a considerable extra effort 'up front' to ensure the quality and viability of the initial programming exercise. Once this is achieved, and the implementation process is seamlessly linked with the initial programming of the Country Strategy Papers, the ongoing management process will become less burdensome and hopefully more flexible and effective for all concerned.

4.6. ASIA

4.6.1. Introduction

In early September 2001, and prior to the cataclysmic events of 11th September 2001, the Commission underlined that “Asia’s importance for the EU is beyond question whether economically, politically or culturally, or in relation to regional and global challenges, such as poverty, environment or democracy and Human Rights”. This analysis has become even more relevant in the light of the challenges that have become evident as a consequence for everyone of the terrible attacks on the World Trade Centre in New York, and Washington. Many of these concern EU relations with Asia, particularly in relation to the fight against terrorism, the effects of religious fundamentalism and, as a result, the new challenges of reconstruction faced in Afghanistan.

On 4th September 2001, the EC adopted a new strategic framework in the EU relations with Asia and its sub-regions in the coming decade. The main thrust of the new approach is based on the core objectives of strengthening the EU political and economic presence across the region, and raising this to a level commensurate with the growing global weight of an enlarged EU.¹⁰⁵

Asia accounts for 56% of the world’s population (and 66% of the world’s poor), for 25% of world GNP, and for a gradually increasing 27.5% of EU imports (up from 26.9% in 1997) and relatively constant 17.6% of EU exports between 1997 and 2000. This has resulted in a significant growth in Asia’s trade surplus with EU from € 33.1 billion in 1997 to € 118.1 billion in 2000. Asia is the EU largest trade partner in terms of imports and second largest market for exports. With regard to Foreign Direct Investment (FDI), however, Asia has not regained its market share of EU FDI since the Asian economic crisis, receiving only an average 6.6% of EU FDI between 1997 and 2000¹⁰⁶.

4.6.1.1. An evolving regional dialogue

Since 1994, the European Commission’s political dialogue with the region has evolved considerably, with new Summit dialogues with the Asian partners in the Asia-Europe meeting (ASEM), and with China, India, Japan and (soon) Korea. The Ministerial dialogue with ASEAN continues, and now includes active EU participation in the ASEAN Regional Forum (ARF). High-level contacts with Australia and New Zealand have likewise been strengthened. In addition in 2001, the EU has continued to make an active contribution to peace and security issues in the region, for example in its assistance for the establishment of democratic government in Cambodia and East Timor, support for refugees in and from Afghanistan, and in the contribution to KEDO¹⁰⁷.

¹⁰⁵ Viz. Details in section 4.6.14. Conclusions and Perspectives

¹⁰⁶ Trade figures include Japan, China, Hong Kong, South Korea, as well as countries of ASEAN and South Asia

¹⁰⁷ KEDO: Korean Peninsula Energy Development Organisation

4.6.1.2. Bilateral relationships and Co-operation Agreements

EU external co-operation policies are legally formulated and administered through co-operation agreements, protocols, administrative arrangements and memorandums of understanding. These provide the basis for the implementation of programmes and incurring budgetary expenditures.

Trade and Co-operation Agreements for Asia

COUNTRY	TYPE OF CO-OPERATION AGREEMENT	DATE OF SIGNATURE
ASEAN ¹⁰⁸	Co-operation Agreement ¹⁰⁹	7 th March 1980
China	Trade and Economic Co-operation Agreement	21 st May 1985
Macao	Agreement for Trade and Co-operation	5 th June 1992
India	Co-operation Agreement on Partnership & Development	20 th Dec. 1993
Sri Lanka	Co-operation Agreement on Partnership & Development	18 th July 1994
Vietnam	Co-operation Agreement	17 th July 1995
Nepal	Co-operation Agreement	20 th Nov. 1995
Cambodia	Co-operation Agreement	29 th Apr. 1996
Korea	Framework Agreement for Trade & Co-operation	28 th Oct. 1996
Lao PDR	Co-operation Agreement	19 th April 1997
Bangladesh	Co-operation Agreement on Partnership & Development	22 nd May 2000
Pakistan	Co-operation Agreement on Partnership & Development	24 th Nov. 2001

EC Co-operation with countries in Asia largely takes place under the 443/92 ALA Regulation which was adopted in 1992. This Regulation encompasses a complete strategic framework¹¹⁰ which covers development assistance, economic co-operation, environment, as well as a strong reference to need for promoting democracy and Human Rights. Priority fields for EC Co-operation activities in Asia have continued to focus on institutional capacity building, and promotion of primary health care and education as a means to fight poverty.

Commitments and Payments in Asia 2000/2001 (€ million)

Programmes	Commitments		Payments	
	2001	2000	2001	2000
Countries Bilateral	225.0	283.0	264.6	240.2
Regional	64.5	96.6	41.2	36.6
Sub Total Bilateral/Regional	289.5	379.6	305.8	276.8
Other Budget lines	88.8	67.4	72.1	41.7
Grand Total	378.3	447.0	377.9	318.5

¹⁰⁸ Association of South East Asian Nations

¹⁰⁹ Protocol extending the agreement to the Socialist Republic of Vietnam signed on 14th February 1997. Protocols extending the Agreement to the Kingdom of Cambodia and the Lao People's Democratic Republic signed on 28th July 2000

¹¹⁰ Council Regulation (EC) No.443/92 of 25 February 1992 on financial and technical assistance to, and co-operation with, the developing countries in Asia and Latin America published in OJ L52, 27th February 1992.

4.6.1.3. Highlights of our co-operation in Asia in 2001

Two major events, one natural and the other man-made, feature significantly in the 2001 report on EC-Asia co-operation. These were the Gujarat Earthquake and the 11th September aftermath in Afghanistan.

India - Gujarat Earthquake

When the earthquake struck Gujarat on Republic Day (January 26th 2001), Chris Patten, Commissioner for External Relations, was in New Delhi on an official visit. He immediately conveyed the condolence message of President Prodi to the President of India, Mr. K. R. Narayanan, underlining that: "The European Union is with the people of India during this hour of tragedy and we are ready to help in every possible way.

ECHO responded very swiftly to the disaster providing € 3 million on January 27th, and a further 10 million four days after the quake. These funds were allocated to European NGOs to provide emergency aid in the most affected areas. The newly created Europe Aid Co-operation Office of the EC immediately sent an identification mission to the affected areas to produce a viable and sustainable aid package to facilitate social and economic recovery in the state. Based on its conclusions the EC provided a support package of around € 80 million, confirming EU solidarity with Gujarat, and which included a Health (€ 40 million Rehabilitation (€ 15 million) and Natural Resources component (€ 25 million).

Afghanistan - Starting a Recovery Programme

Following the events of the 11th September 2001, the Heads of State and Governments declared on October 20th that the EU would join the international community in a "far reaching and ambitious programme of political and humanitarian aid for the reconstruction of Afghanistan". In 2001, the Commission committed almost € 103 million for assistance to Afghanistan, half of which was channelled through ECHO. Even prior to 11th September, assistance had been provided to displaced persons and food-related assistance was being delivered to rural areas. The Commission subsequently made a proposal for a further € 57.5 million for support to a reconstruction programme in Afghanistan to be decided in early 2002. The overall objective of this Programme is to support the stabilisation of the country by contributing to basic governance and to meet basic needs.

Overview of Commitments/Payments 1995-2001 (€ million)

	1995	1996	1997	1998	1999	2000	2001	Total
Commitments	457.3	405.7	435.3	423.3	342.7	447.0	378.3	2900.5
Payments	219.3	279.1	301.9	262.1	289.2	318.5	377.9	2048.0

4.6.2. *Regional co-operation*

The EU has a longstanding relationship with SouthEast Asia, which operates through a number of partnerships.

4.6.2.1. The EU-ASEAN partnership

Relations between the EU and the Association of South East Asian Nations (ASEAN) are based on a Co-operation Agreement (1980) between the EC and member countries of ASEAN¹¹¹.

¹¹¹ ASEAN Countries: Brunei, Burma/Myanmar, Cambodia, Indonesia, Lao PDR, Malaysia, Philippines, Singapore, Thailand, Vietnam

4.6.2.2. EU-SAARC

The EU has consistently affirmed its interest in strengthening links with the South Asian Association for Regional Co-operation (SAARC¹¹²) as a regional organisation. With 1.3 billion inhabitants in 1999, SAARC member countries represent almost 22% of the world population, but only 1.97 % of world GNP (575 billion US \$ in 1999) Average per capita income is US\$ 441 (World Bank, 1999). Indeed poverty is one fundamental element characterising the situation in South Asia.

4.6.2.3. ASEM

ASEM (the Asia-Europe Meeting) is an informal process of dialogue and co-operation bringing together the EU Member States and the European Commission, with ten Asian countries (Brunei, China, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Thailand, and Vietnam). The ASEM dialogue addresses political, economic and cultural issues, with the objective of strengthening the relationship between our two regions, in a spirit of mutual respect and equal partnership. In 2001, the Commission committed a grant of € 20 million for a second phase of the ASEM Trust Fund, thereby lending continuing support to reforms in the financial and social sectors particularly in Asian ASEM partners directly affected by the 1997 Asian crisis.

4.6.2.4. Specific programmes include:

- the **Asia-Link programme** which will provide € 40 million over five years to promote regional and multilateral networking between higher education institutions in EU Member States and South Asia, South East Asia and China and
- the **Asia Urbs Programme** which aims to strengthen the capacity of local governments in urban management, with an emphasis on alleviating poverty in the local communities.

In 2001, this **Asia Urbs** co-funded Project ‘Asia Rehab: Improving Daily Life for Residents by Preserving and Restoring the Historic Centre of Hanoi’ completed its first year. Residents are being encouraged to improve their own properties and, where possible, to remain in their homes during the improvements. About 50 residents from just two buildings – one straddling two streets and housing five families, the other including a jewellery shop and housing four families – participated in a pilot restoration scheme in the first year. The experience and achievements will provide an example for other householders to follow in the future. Establishing a credit system for financing these activities proved one of the more tricky areas to initiate as raising enthusiasm in the Banking sector has not been easy. But providing technical assistance and techniques for improving buildings and associated living space, and intervention of legal and regulatory experts to address obstacles in landlord/tenant relationships, and guidance in planning have all proceeded well.

Under the **Asia-Urbs** programme, funds are provided for local government partnerships to jointly undertake feasibility studies and/or two-year pilot projects addressing certain key areas of co-operation– urban management, urban

¹¹² SAARC Countries: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka

environment, socio-economic development and urban social infrastructure. The main areas of co-operation for the 28 projects approved (totalling € 11 million) for funding in 2001 were, Waste management (7), Entrepreneurship/economic development (5), Urban management (3), Cultural heritage (3), Education/training (3), Water management (2), Pollution control (2), Innovative technologies (1).

Regional Co-operation Commitments 2001 (€ million)

Regional Co-operation	Project Title	Amount
ASEM	Asia Trust Fund	20.0
Asia	ProEco (ex-Ecobest)	31.5
Asia	ARCBC rider (biodiversity)	0.9
SUB-TOTAL		52.4

4.6.3. Transport

Air transport and maritime transport are the main components of EC assistance in the transport sector for Asian countries. These areas will play an important role, as efficient transport systems are essential in the economic development of Asian countries. The implementation of co-operation projects will demonstrate the benefits of European practices in the region.

4.6.3.1. Maritime transport

EU-India Maritime Project: The project aims to improve the efficiency of two ports in India, and also to support the Government of India to introduce electronic data interchange in the sector. The EC contribution to this project is € 8 million (total project budget: € 10 million). This project has already started to improve the conditions for trade and investment in the port sector. During 2001, various activities have been completed at Jawaharlal Nehru Port and Chennai Port, including the restructuring of the port community and feasibility studies in the area of electronic data interchange. Also port maintenance, traffic forecasting and planning capabilities have been enhanced.

4.6.3.2. Air transport

Priority was given to enhance air safety and to increase EU–Asian co-operation in the aerospace sector through:

EU-India Civil Aviation Project, EC contribution € 18 million (total budget € 28 million)

During 2001, European experts have visited 6 Indian airports. Workshops have been organised concerning such themes as ‘Airspace Management’, ‘Regional Co-operation’ and ‘Certification of Large Aircraft’. A top-level executive seminar was also organised on the theme of ‘Airline Management’.

EU-China Civil Aviation Project, EC contribution € 7 million (total budget € 15 million)

In 2001 activities on ‘Regulatory Harmonisation’ raised a considerable interest from Chinese counterparts. In addition training activities on the ‘Airworthiness’ have

already resulted in the full qualification of 14 Chinese training organisations. Likewise the implementation of 'Production Management' activities has already resulted in the setting up of two production lines in Xi'An, and Chendu in Sechuan Province.

In summary the two civil aviation projects have already:

- increased the awareness of the EU industry practices including airworthiness and safety regulations and standards.
- assisted the development of the future air traffic management environment as well as the development of airport infrastructure.
- developed knowledge and practice of modern product support, maintenance and overhaul techniques.

During 2001, the Commission has also been involved in negotiations concerning the proposed the EU-Asian Civil Aviation Co-operation Project covering 15 other countries from South and South East Asia. The EC contribution for this project is foreseen at € 15 million (total project budget: € 30 million).

4.6.4. *Food Security and Rural Development*

Sustainable rural development and food security are important components of the anti-poverty strategies of the Community. In 2001, € 20 million was allocated for direct food aid to **North Korea** with additionally € 4.5 million allocated for indirect assistance via World Food Programme, mainly for purchases of agricultural implements and fertilisers. **Bangladesh** was allocated € 24.5 million for food security (of which € 3 million was set aside for food aid).

Afghanistan was allocated €16 million (via WFP) as well as € 4 million for food aid via Euronaid. **Cambodia** € 5.7 million and **Lao PDR** €1.1 million were beneficiaries of food security projects delivered via NGOs. Finally, India received almost € 1.0 million in the form of food aid via Euronaid.

Rural Development, Food Security – Commitments 2001 (€ million)

Country	Project Title	Amount
Pakistan	Veterinary Support	22.9
Asia	CGIAR Agri-Research	7.5
Indonesia	Development of irrigated agriculture in Bululeng Karang Asem	6.1
Cambodia	Northern Province (Study)	0.6
TOTAL		37.1

4.6.5. *Institutional Building*

Institutional capacity building has been defined as one of the focal areas of the Community's development co-operation.

Specific goals in the area of Institutional Strengthening for 2001 include:

- The development of transparent, accountable and effective governance and administration in all public and semi-public institutions;

- The strengthening of the rule of law and improved access to justice while guaranteeing the professionalism and independence of judicial systems;
- The fight against bribery, corruption and nepotism.

In **Cambodia**, assistance was provided for the communal elections which took place early in 2002 including technical assistance to the National Election Committee as well as financial support through the UNDP.

Implementation continued on institutional support projects in **China**, such as the EU China Legal and Judicial co-operation programme, the EU-China Statistical Co-operation Programme and the EU-China Village Governance Programme (launched in Beijing by Chris Patten in May 2001).

Development co-operation was for the first time initiated in **North Korea** (DPRK). Preparatory work in 2001 allowed identification of two pilot projects for assistance. These projects will provide training for the economic reform programme and support increased efficiency in the energy sector.

A new livestock services programme was approved for **Pakistan**, which involves the strengthening and restructuring of public livestock service delivery.

Amongst new development initiatives for **Vietnam** a programme in support of the Ministry of Labour to improve the supply of skilled labour to key sectors was identified (€ 10 million). Another project will focus on institutional support for the development of small and medium sized enterprises.

Institutional Building – Commitments 2001 (€ million)

Institutional Reinforcement	Country	Project Title	Amount
Good Governance	Indonesia	Good Governance Partnership	13.30
Democratisation	Cambodia	Elections/UN Trust Fund	2.95
Institution Building	North Korea (DPRK)*	Pilot Project in institutional support /training	0.97
Institution Building	North Korea (DPRK)*	Pilot Project in the Energy Sector	0.93
Institutional Support	Nepal	Census	0.40
TOTAL			18.55

* DPRK: Democratic People's Republic of Korea

4.6.6. Private Sector Development

Economic co-operation with Asia continues to focus primarily on the promotion of mutually beneficial business-to-business co-operation, enhancing Europe's profile in Asia and that of Asia in Europe, increasing Europe's economic presence in Asia and assisting countries to define and implement policies to improve their economic situation and performance.

– Business to Business

The **Asia-Invest Programme** started as a cross-sector economic co-operation programme with Asia, to promote business co-operation through mutually beneficial partnerships between Asia and the European Union. The Programme provides a range of grants, support instruments and access to an extensive network and partner search database to representatives of companies, including Chambers of Commerce, sector and industry organisations, professional associations, industrial federations and business development agencies, with particular emphasis on SMEs.

Over the course of the Programme to December 2001, 143 Projects were co-financed. In 2001 alone 85 projects were approved, totalling an EC contribution of € 7.98 million.

The EC underpins the capacity of Asian businesses to engage in mutually beneficial linkages with EU business through its support to **European Business Information Centres** (EBICs) throughout the region (i.e. in Sri Lanka, India, Malaysia, and the Philippines). In 2001, a new EBIC was opened in **Hanoi**, Vietnam. EBIC's offer a range of information to Asian businesses or associations. In 2001 around € 805,000 was spent in support of activities of EBIC's in Sri Lanka, India, Malaysia and Vietnam.

- In **Bhutan**, the focus in 2001 was consolidation and preparation of the second phase (€ 4.2 million) of the EC-supported "Medicinal Plants" project. This phase will target the full sustainability of the Institute of Traditional Medicines Services (ITMS) as a component of the long-term development of the medicinal plants sector for the country.
- Programmes in the field of Business Training

The **China-Europe International Business School** (CEIBS) in Shanghai was established in 1994 as a result of phase I of an EC financed project. The objective of the CEIBS is to enhance China's commercial and industrial links with the EU by providing management training and by facilitating the transfer of international management expertise to managers in China. EC support to the CEIBS entered its second phase in 2001 with a EC commitment of € 10.95 million. In 2001, CEIBS reaffirmed its position as the best business school in the Chinese mainland by breaking into the world top 100 MBA list. In 2001, around 600 students enrolled for the MBA and EMBA courses. In addition, CEIBS received some 4300 short-term students.

In 2001, the **EU-China Junior Managers Programme** (€ 11.64 million) awarded diplomas to 24 young EU managers in 2001. The **EU-China Programme for the Development of Industrial Vocational Training** trained, 408 employee trainees and 25 trainer-trainees.

Other programmes include a Scholarship Programme in **Hong Kong - Special Administrative Region of China** - for a Master of Law in Human Rights at the University of Hong Kong, three Co-operation Programmes ongoing in **Macau - Special Administrative Region of China**, and a new programme on co-operation in the legal sector launched at the end of 2001, with a total EC contribution of € 990.000.

- Programme in the field of Information Technologies

The **Asia IT&C Programme** commenced in October 1999. The aim of the Programme is to increase co-operation in information technology and communications between Europe and participating Asian countries/territories. China became a participating country in 2001. In 2001, 23 projects were approved (€ 5.98 million) for projects that search for compatible IT&C solutions between Asian and European IT&C environments, improve the transfer of IT&C know-how, and strengthen the mutual understanding of IT&C regulatory and/or legislative structures between the regions.

Private Sector and Economic Development Commitments 2001 (€ million)

Country	Project Title	Amount
India	Small Projects Facility	4.04
Vietnam	EBIC	0.99
China	Intellectual Property Rights (Addendum)	0.80
Vietnam	Human Resources/Tourism	10.80
Vietnam	Audio-visual	0.95
Macao	Co-operation in the legal field	0.99
China	WTO (Addendum)	0.60
China	Interpreter training	0.40
Asia	Extension to IT&C Program	5.00
TOTAL		24.57

4.6.7. Social Services : Health and Education

4.6.7.1. Health

There are a number of social and economic challenges that stem from poverty, social change, economic growth and crisis, and under-funding of the health sector. There is also a health challenge in Asia, which is characterised by a rapid “Health transition”: demographic transition, changing risks of environment and lifestyle, epidemiological transition and a widening gap of health status between social and economic classes. Furthermore, the region is prone to natural and man-made disasters.

The EC response to these challenges under the health sector development programme in 2001 has focused mainly on the following priorities:

- In **Thailand**, the Health Reform Project (€ 2 million) which was completed in 2001, assisted the Government of Thailand to achieve universal coverage, decentralisation and Civil Society involvement to improve responsiveness and quality of care. Following this positive experience of European support to the health sector reform in Thailand, a second programme (€ 5 million) is due to be committed in 2002. In **Vietnam**, the on-going Health Systems Development Programme in Vietnam (1998-2003, € 34 million) aims at improving the quality of and access to primary health care.
- **Even larger EC interventions respond to a variety of sector challenges. They are increasingly implemented through sector wide approaches and budget support.** In **Bangladesh**, the Health and Population Sector Programme

1998-2003 (€ 70 million) responds to a large reform agenda unifying health and family planning services. The programme has been agreed between EC, World Bank and other donors. The sector programme has made good progress in its first two and a half years. Significant improvement in most health indicators continued to be made (e.g. infant mortality down to 62 (2000) from 92 per thousand (1992-6), and Maternal Mortality Ratio (MMR) down below 400 (estimate 2001) from 485 (1991)). On the reform agenda, progress has been more mixed and efforts to push through unification were hampered in the context of national elections and transition to a new government.

- In **India**, EC support to the Health and Family Welfare Sector Reform Programme (€ 200 million) aims to improve the quality and accessibility of health services, with particular focus on the status of women's and children's health. Currently 22 states have adhered to the process of reform (from 11 originally participating) and close to 40 NGOs and institutions are assisting in the implementation of the reform. After the January 2001 earthquake in Gujarat, the EC increased its contribution by € 40 million to support reconstruction and rehabilitation efforts, and maintain the momentum of sector reforms.
- **Strengthening Social Security Systems and Social Health Insurance.** European experience in Social Security and Social health Insurance can be of particular value for countries aiming to reduce the vulnerability of people who are close to the poverty line. In **China** in 2001 the EC started the preparation of a major programme (€ 20 million) for Social Security that is expected to be committed in 2002. In **Indonesia** a small programme for policy advice on Social Health Insurance was financed from the **2001** budget.
- **Addressing the unfinished agenda of epidemiological and demographic transition in terms of poverty-related burden of disease: maternal mortality, communicable diseases.**

The **Asia Initiative for Reproductive Health**, implemented by UNFPA, aims at implementing the recommendations of the Cairo Conference on Population and Development 1994. Operating in Pakistan, Nepal, Sri Lanka, Bangladesh, Vietnam, Lao PDR and Cambodia through 42 NGO projects (including 3 regional dimension projects) the AIRH offers a variety of services in sexual and reproductive health, with emphasis on women and adolescents. In Vietnam, for example, the implementing NGOs were trained in "Reproductive Health for All: taking account of Power Dynamics between Men and Women".

In 2001, the Commission extended the programme to 31 December 2002. Progress and results achieved for each of the 42 projects are provided in detail in the Annual Report 2001¹¹³.

Programme activity in Cambodia, include: upgrading 4 conventional reproductive health clinic facilities; workshops for more than 145,000 adolescents; more than 38,000 visits were made to youth centres and libraries; and youth friendly services in clinics for 30,000 youths. This is the first time in Cambodia that a project has been

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http://www.asia-initiative.org/annual_report_2001.html

able to gather together parents, teachers, community leaders and the young at the same table to break the silence surrounding adolescent sexuality.

The regional Malaria Control Programme for **Lao PDR¹¹⁴, Cambodia and Vietnam** aims to decrease malaria incidence, morbidity and mortality. The programme has been particularly successful in promoting impregnated bed nets in these three countries, and in improving immediate treatment of cases through an effective pre-packed combination of anti-malarial drugs. In 2001, the EC agreed to an extension of the programme until December 2002

In 2001, the EC also pledged €60 million for the newly created Global Fund to Fight AIDS, TB and Malaria and endorsed a Communication¹¹⁵ on the Implementation of the Action Programme against these three major communicable diseases.

– **Responding to natural and man-made disasters, post-conflict rehabilitation and transition to development.**

As already indicated, the Commission has reacted quickly to the earthquake in Gujarat by increasing its budget support in the India health sector programme by € 40 million. Although physical rehabilitation of infrastructure will form an important part of the aid package, assistance to Gujarat will also focus on improving quality of reproductive health services through reform, in line with the sector reform programme so far implemented in India.

The Commission also believes in a *continuum* of post-conflict rehabilitation towards development and has pioneered an innovative sector-wide approach in **East Timor** together with other donors (i.e. World Bank, Portugal, AusAid, Brazil, JICA). Since its establishment in early 2000, the multi-donor co-operation programme channelled through the Trust Fund for East Timor (TFET) has helped achieve fast social and economic recovery in East Timor.

TFET will help support the implementation of the plan by: (i) continuing to focus on completing basic capital reconstruction needs in the economic and social sectors in the first year after independence as Government faces the difficult tasks of assuming functions previously held by UNTAET (United Nations Transitional Authority for East Timor), providing continued service delivery, and addressing urgent legal and institutional actions; (ii) helping to build capacity in development project design and management, in order to assist Government in executing a larger development programme through its central budget after the TFET winds down.

4.6.7.2. Education

The year 2001 has been important for EC support to education development in Asia, with two significant features. Firstly, the EC's commitment to support countries, particularly the least developed countries, in fulfilling the **Education for All** agenda and goals, has been sustained. Secondly, the shift from individual, output-oriented projects to more strategic interventions that help to pave the way to sector approaches in education has gained further momentum.

¹¹⁴ People's Democratic Republic of Lao
¹¹⁵ COM (2000) 585 Final

In **Bangladesh** the following new commitments were made:

- **IDEAL** (€ 20.3 million): the key objectives are to improve access to and quality of education in over 10,000 primary schools in 10 of Bangladesh's 64 districts. Approximately 2.5 million children and 40,000 teachers will benefit from support to improve their classroom environment, the quality of teaching and learning, learning assessment. The project also provides support to school mapping and planning as well as to school management committees.
- **BRAC Non Formal Education** (€ 23 million): the aim is to contribute to poverty alleviation through providing access to non-formal primary education for approximately 1.6 million children traditionally outside formal schooling (especially girls; 60% of enrolment), and to contribute to the strengthening of the national education system. The project supports staff and teacher training, improvement of curricula and learning materials as well as classroom processes. EC support also enables BRAC to expand its services to improve literacy and other basic life-improvement skills among particularly poor adults.

In **India** the EC signed a financing agreement to support the **Sarva Shiksha Abhiyan**, the national sector-wide programme of the Government of India aimed at promoting a people's movement for universal elementary education. EC sector-based support will enable Central and State Governments to intensify their efforts to provide access to basic education (formal or non-formal) to all children between 6-14 years by 2003; ensure that all children complete 5 years of primary schooling by 2007 and 8 years of elementary schooling by 2010; improve quality of elementary education to a satisfactory level by 2010 for all children; close gender and other social category gaps impeding access to primary education by 2007 and to elementary education by 2010.

**Evaluation results of project in India -
EC Support to District Primary Education Development (€ 150 million)**

Principal achievements

- Quantitative targets¹¹⁶ were all met and in some cases exceeded, while additional activities have taken place and achieved excellent tangible results
- In the two states that have benefited most from the EC grant (Madhya Pradesh and Chhattisgarh), DPEP objectives were almost completely achieved in terms of increased access and enrolment, reduction of drop-out and gender/social disparities, improved learning outcomes, and enhanced planning and management capacity¹¹⁷. Adult literacy rates also showed substantial improvement over the period of the programme.¹¹⁸
- The impact of the programme on the wider education system has been satisfactory. Some improvements have been brought about in classroom practice; and management processes across the states in the education sector, and in other sectors, are becoming more output-oriented and participative.
- The programme has proved overall to be both technically and financially sustainable.

Key lessons for future EC support to elementary education in India

- The funding arrangement whereby the Government deploys the EC grant not merely to support, but to add ambition and resources to sector interventions in elementary education at State level, has proved effective.
- Release of EC funds in advance, rather than as reimbursement of expenditure, has brought benefits in terms of financial security, flexibility in expenditure and opportunities for innovation.
- More attention was given to improving access rather than access and quality.
- The impact of support to capacity building, technical assistance, monitoring and evaluation can be significantly enhanced with better planning and consensus building.

Some important policy issues facing the development of elementary education

¹¹⁶ The principal targets of DPEP were: (i) to reduce differences in enrolment, dropout and learning achievement among gender and social groups to less than 5%; (ii) to reduce overall primary school dropout rates to less than 10%; (iii) to raise average achievement levels by at least 25% over measured baseline levels; (iv) to provide 100% access to primary education; (v) to strengthen national, state and district level capacity in the planning, management and evaluation of primary education.

¹¹⁷ The gross access ratio for primary schooling rose from an average of 77.4% in 1996 to 100% in 1999 in Madhya Pradesh and from 86.4% in 1996 to 98% in 2001 in Chhattisgarh. The gross enrolment ratio (GER) of 6-11 year olds in Classes 1-5 increased from 76.7% to 96.5% in Madhya Pradesh and from 88% to 101.5% in Chhattisgarh. The dropout rate in primary schools has been reduced to less than 10%, with the reduction in dropout being higher among girls. Gender and social disparities in primary education enrolment have been reduced to less than 5% in DPEP-I districts in both states. The equity index in Madhya Pradesh primary school GER has risen for girls, scheduled caste (SC) and scheduled tribe (ST) children to 97.3, 98.2 and 99.8 respectively. In Chhattisgarh the social disparities, in terms of enrolment, have been reduced from 12.7% in 1996 to 1.2% in 2000 between the STs and other groups, and from 7.3% to 1.5% between the SCs and other groups. The gender enrolment disparity has been reduced from 7.8% in 1996 to 2.7% in 2000. In the baseline, mid-term and terminal achievement studies tests district-wise improvements in Madhya Pradesh ranged from 5.8% to 51.8% in Class 1 language and from 12.5% to 54.3% in Class 1 mathematics, with similar ranges in Class 4. Similar improvements in achievement have been noted in Chhattisgarh.

¹¹⁸ Adult (15+ years) literacy rates in Madhya Pradesh are estimated to have increased over the last decade from 44.2% in 1991 to 64.1% in 2001 – a rate of increase which is over 50% higher than the national rate.

- **Financial ceilings for expenditure on teachers' salaries.**
- **Measures at state level to rationalise the teaching force.**
- **Medium to long term implications of differential teacher salaries in terms of cost-effectiveness and equity.**
- **The costs and professional linkages between pre-service and in-service training of primary and upper primary teachers.**
- **The issue of school contingency funds and expenditure on quality inputs.**

In **China**, the EC launched a € 15 million basic education project to support the **Gansu Provincial Government** in modernising and improving teacher training, in strengthening management and institutional capacity for basic education in poor rural counties of Gansu Province, as well as with research and dissemination of promising innovative approaches and methods in basic education.

EC co-operation with Asia in education : driving principles

EC co-operation in education in Asia has continued to build on the following key principles during 2001 :

- **Concentration and pooling of resources:** Sector- and policy-driven interventions in the education sector, like in most other social sectors, generally require a critical mass of resources. EC co-operation resources being limited, the risk of spreading resources too thinly is significant. Beneficiary countries are therefore asked to establish clear priorities – see table Co-operation with other Donors in the Region.
- **Promoting universal access to basic education as a means of maximising impact on poverty reduction and closing gender gaps. Formal versus non-formal education.** Sector wide approaches focus attention on the important role which public-private partnerships can play in promoting access to basic quality education for all. Where formal provision of basic education services remain weak, the strategy should be to sustain both formal and non-formal education and, at the same time, to develop productive linkages between them. This strategy is being pursued in Country Strategy Papers (CSPs) and National Indicative Programmes (NIPs) as well as in the pipeline of new and ongoing programmes. There is a strong link between basic education and improvement in levels of human wellbeing, especially with regard to life expectancy, infant mortality, nutritional status of children, and also the fostering of gender equity and equality of opportunity. As enrolment and completion figures for girls in primary education generally lag behind those of boys, promoting EFA goals often requires special efforts towards girls. Development of human resources through universal basic education also contributes significantly to economic progress.
- **Sustaining service delivery and reform.** The policy environment and conditions for sector-based interventions in basic education may be more advanced in some countries (India) than in others (Bangladesh, Cambodia, Lao PDR).

Helping Pakistan cope with the effects of the Afghan conflict

As a contribution to the support given to Pakistan by the international community during the Afghan crisis, the Commission undertook to examine ways of further assisting the reform efforts of the Pakistani Government. This was achieved in part by modifying the procedures of the Social Action Programme Project (SAPP II) in order to grant direct budget support to the Government against reform process indicators in the Education and Health sectors. The Commission had made a first payment instalment of € 15.5 million by the end of 2001 under this new Project mechanism, and the last disbursement, for the same amount, is anticipated by mid-2002, bringing EC intervention in SAPP II to a close.

Moreover, needs and the policy environment may change, due to factors beyond the control of the Government (e.g. Pakistan). EC support must therefore be tailored to the education situation in each country and remain sufficiently flexible to enable countries to face new challenges.

4.6.7.3. Programmes in the Field of Higher Education

EC programmes and projects in the higher education sector pursue the objective of developing high quality human resources in the partner countries and the EC. In addition, they help promote Europe as a world -wide centre of excellence for study and training. These objectives follow the priorities outlined in the Commission Communication on higher education co-operation with third countries¹¹⁹, that draws upon the positive experience gained in the framework of intra-Community exchanges under the SOCRATES/ERASMUS programme.

In 2001, the EC continued to support bilateral **European Studies Programmes** in India, Malaysia, China, Pakistan and Vietnam (around € 2 million). In addition, the EC prepared a large-scale second phase of the European Studies Centres Programme China.

The regional **Postgraduate Technological Studies Programme** (PTS) implemented at the Asian Institute of Technology (AIT) in Bangkok continued to receive EC support. The project was increased to around € 2.7 million and extended to December 2002. This allowed the PTS to reach the five-year target of recruiting 90 Asian and 90 European postgraduate exchange students.

In addition, the Commission has made preparations for the launch of the € 7 million **ASEAN-EU University Network Programme** (AUNP).

4.6.7.4. Culture

The **Asia-Europe Foundation** (ASEF) established in 1997 in Singapore in the ASEM framework, continued to receive EC support in 2001. EC support has contributed in establishing the reputation of the Foundation as an effective and highly reputable organisation and in enhancing its role in strengthening mutual awareness including cultural activities in the two regions. Since its inception in 1997, ASEF has set up some 80 separate projects with approximately 4500 participants. The EC has been financially involved in close to half of these projects.

The **EU-India Economic Cross Cultural Programme** (EIECP) underwent a mid-term evaluation in 2001. The evaluation confirmed the relevance of the programme

¹¹⁹ COM (2001) 385 final 18 July 2001

and the overall project design. In addition, the evaluation proposed a number of measures in order to improve the management of the programme. On this basis, the Commission decided to propose to extend the existing Memorandum of Understanding and to re-launch the programme in 2002 in the framework of a de-concentrated management model.

Social development – Commitments 2001 (€ million)

Sector	Country	Title	Amount
Health	India	Health support	40.0
Health	India	SCALE	25.8
Education	India	EU Studies (Nehru University)	0.60
Health	Indonesia	Health Insurance	0.5
Education	Bangladesh	BRAC/NFPE III	23.0
Education	Bangladesh	IDEAL	23.3
Education	Bangladesh	IDEAL	20.3
Health	Bangladesh	BRAC	28.7
Health	Asia	Malaria	3.2
Education	Asia	PTS Addendum (Post Graduate Technical Studies)	0.30
TOTAL			165.7

4.6.8. Cross-Cutting Issues

4.6.8.1. European Initiative for Democracy and Human Rights

In 2001 the European Initiative for Democracy and Human Rights committed € 10.81 million for projects in Asia and the ASEAN region. This support was principally for :

- Promotion and defence of Human Rights and fundamental freedoms;
- Democratisation process and strengthening of the rule of Law;
- Conflict prevention and restoration of law and order;
- Transition to democracy and electoral observation.

4.6.8.2. NGOs Activities

The EC co-financed 51 projects with NGOs in Asia amounting € 36.74 million, which represents about 22% of the budgetary line available for co-financing with NGOs (B7-600). The bulk of projects co-financed capacity building, health and sanitation as well as rural development.

4.6.8.3. Tropical Forests & Environment

Tropical Forest

The cost of forest fires

In Indonesia forests are disappearing at an alarming rate as a result of more than three decades of uncontrolled exploitation. Recent studies indicate that the remaining forests will disappear within 10 to 15 years if the current rate of deforestation is not halted. The main reasons for deforestation are unsustainable logging practices, including illegal logging, and the large scale conversion of forest to plantations, which is often at the origin of uncontrolled, devastating fires.

The fire disaster that took place in Indonesia in 1997 attracted much international attention. Economists estimated that the smoke haze alone cost at least € 1.5 billion in health treatment and lost tourism revenues. Furthermore, the 1997 fires (total area affected calculated at 9.7 million hectares) were estimated to have resulted in over € 3 billion of additional damage from losses in timber, agriculture, non-timber forest products, hydrological and soil conservation services, etc. These are conservative estimates, since the indirect costs of carbon release into the atmosphere and additional long-term health costs of the smoke haze are not included.

The EC has recognised the role of tropical forests in global environment and the importance of their preservation for long term sustainable development. In Asia, forests are important economically, socially and environmentally. Further, they are of global importance in relation to environmental stability, atmospheric carbon sequestration, biodiversity conservation, climate regulation and the preservation of indigenous peoples' rights and cultures. In particular, Asian forests are considered to be amongst the richest in biodiversity and yet are possibly amongst the most threatened.

The ALA Regulation¹²⁰ includes environment and natural resources preservation among its long term priorities. Under the ALA financial instrument some new projects aimed at the conservation and sustainable management of forests in Asia were started during 2001.

As part of the **EC-Indonesia Forest Programme**, comprised of six on-going projects, the new **South Sumatra Forest Fire Management Project** (€ 8.5 million) was committed in 2001, to address the specific issue of forest and land fires. Its objective is to facilitate the establishment of fire management systems at provincial, district, sub-district and village levels throughout South Sumatra. A Financing Agreement for € 2 million was signed in 2001 for an **Illegal Logging Response Centre** the aim of which is to support the Ministry of Forestry to combat illegal logging. The EC-Indonesia Forest Programme is comprised of ongoing projects for a total EC commitment of over € 100 million and is addressing the key issues of conservation, sustainable management and institutional strengthening. These projects contribute to the conservation and sustainable management of over 2 million hectares of tropical forests in various parts of Indonesia and provide training for several hundred people in various sectors spanning from sustainable forest management and mapping to fire prevention and satellite imagery interpretation. Thanks to the achievements of these projects the EC is now firmly established as the major donor

¹²⁰

Council Regulation (EC) No. 443/92 of 25 February 1992 on financial and technical assistance to, and co-operation with, the developing countries in Asia and Latin America published in OJ L52, 27th February 1992.

in the forest sector in Indonesia and is regarded as an essential key player in the political dialogue taking place in the country's forestry sector.

The EC committed € 16.9 million in 2001 for the "Natural Forest Management Project" in **China** to assist the Government's Natural Forest Protection Programme (NFPP) which introduced a ban on logging in natural forests. This is EC's first major project in this field in China. The project was prepared together with the World Bank as a part of a **Sustainable Forestry Development Programme**, funded also by the Global Environment Facility and the World Bank.

Environment

ASIA-EcoBest and EU-Asia Pro-ECO Programmes

Since 1997, Asia-EcoBest (AEB) has promoted European environmental best practices and business in Asia, operating through the autonomous Singapore-based Regional Institute of Environmental Technology (RIET). The Asia EcoBest project (which ended in March 2002) planned to spend around € 1.4 million under the work programme 2001.

Around € 0.7 million were disbursed on supporting 18 external project proposals from a total of 40 applications received. In particular ten seminars, training courses and roundtables took place in China, India, Nepal, Philippines and Vietnam. These had around 650 participants, 7 studies undertaken (including 2 public presentations of project results) and 1 facility development project.

RIET spent in addition around € 0.7 million for 3 conferences in China, Singapore and Thailand (400 European and Regional Participants); exhibition pavilions and business to business meetings in India, Malaysia, Singapore and Thailand with participation of 50 European companies; preparing and marketing comprehensive reports on Asia EcoBest projects 1998-2002.

AEB was instrumental in raising awareness of Asian environmental issues among business representatives, in particular from SMEs, in Asia. It is expected that AEB support from EC will trigger additional trade with, and investment from, Europe in the medium term.

A new programme for environmental economic co-operation **EU-Asia Pro-Eco** was approved in December 2001. The overall objectives of this new programme are: (i) improved environmental quality including a positive influence on global climate change with the view to 'a cleaner Asia', and health conditions (ii) long term sustainable investment and trade between EU and Asia and (iii) an improved environmental performance in economic sectors. The purpose of EU-Asia Pro Eco is to foster the adoption of policies, technologies, and practices that promote cleaner, more resource-efficient, sustainable solutions to environmental problems in Asia.

EU-Asia Pro Eco comprises an enabling operational and practical dialogue, and provides support through grants for *Policy reinforcement*; *Diagnostic studies*; *Technology Partnership*, and *Demonstration* activities. The first Call for Proposals is expected in January 2003, with wide interest expected. The total EC budget is € 35 million.

In the field of **biodiversity conservation**, apart from the direct impact of the individual forestry projects, the Commission has promoted the creation of the **ASEAN Regional Centre for Biodiversity Conservation**. This project, to which the Commission is contributing € 8.5 million, started in 1999 and is based in Manila, Philippines, and is matched with a network of national Biodiversity Units in the Asean Countries. It aims at intensifying biodiversity conservation in the Asean Region through improved co-operation. This project thus contributes not only to biodiversity conservation but also to regional integration.

Environment, Energy, Forestry - Commitments 2001 (€ million)

Country	Title	Amount
China	Energy/Environment	20.0
China	Natural Forestry	16.9
Indonesia	Forest Fire Protection - phase 2	8.5
TOTAL		45.4

4.6.9. Coherence with other policies

The EuropeAid Co-operation Office ensures coherence with other EC policies to a high degree and this is particularly evident in the trade field, as well as in relation to EU policies on the environment and poverty alleviation.

The Framework Programme for EU support to China's accession to the WTO was extended and funding was increased in 2001 - while in Vietnam, the Multilateral Trade Policy Assistance Programme is under implementation. The assistance of the EC enables developing countries to better participate in the multilateral trade system and thereby improve its functioning, which in turn benefits the EU and its citizens. The related Intellectual Property Rights (IPR) programmes are managed in line with the EC policies, too. In the environmental economic co-operation, the Asia-EcoBest programme was implemented by the Regional Institute of Environmental Technologies (RIET) based in Singapore. Relevant services of the Commission were systematically consulted to ensure full consistency of RIET action with other EC policies.

The concepts of the various projects and regional programmes in the Asia region are consistent with the Communication from the Commission "Strategic Framework for Enhanced Partnerships"¹²¹, prepared in April 2001. It is clear that the range of projects implemented should strengthen the political and economic presence of the EU across the region

4.6.10. Co-operation with Other Donors in the Region

In the context of Donor Co-operation, the table below lists the countries in Asia that have identified education as a priority for co-operation. Furthermore, to help build the critical mass of resources and the policy dialogue and coherence that are required for sector approaches in education, a systematic effort is made to pool EC and other donor resources, particularly with Member States.

¹²¹ "Europe and Asia - A Strategic Framework for Enhanced Partnership" doc. COM(2001) 469 adopted by the Commission on September 4th, 2001, subsequently adopted by the Council of Ministers by written procedure on 27th, December 2001.

Country Priority	List of countries	Pooling of EC resources in the education sector
Countries where basic education is a priority for EC	Bangladesh	AsDB, UNICEF, DFID, NL, CIDA
	Cambodia	
	China	WB, DFID, NL
	India	
	Indonesia	
	Laos	WB, DANIDA, NORAD, FINIDA
	Nepal	AsDB, WB, SIDA
	Pakistan	WB, AsDB, DFID, NL
	Vietnam	

4.6.11. EIB Loans – 2001

The European Investment Bank (EIB) participates actively in EU co-operation policies in Asia. Through its lending policies it supports projects of mutual economic interest. Funding is provided by the budget of the European Union and/or the Member States, and its aim is to optimise the benefits accruing to beneficiary populations.

EIB Loans 2001 (€ million)

Loan Type	Country	Project Title	Amount of loan
Manufacturing Industry	Philippines	Philips Semiconductor	93.3
Transport / Communications	China	Guangxi roads development	56.1
Global loan	Indonesia	Rabobank Indonesia GL	28.1
TOTAL			177.5

4.6.12. ECHO

In 2001, ECHO reacted and responded quickly to two major disasters in India as well as the significant humanitarian and reconstruction challenges following the liberation of Afghanistan¹²². Total ECHO assistance to countries in Asia in 2001 reached € 104.3 million.

In **India**, emergency assistance was provided for the victims of the Gujarat earthquake in January for temporary shelters such as tents, with a mobile field hospital also being provided. In July, ECHO provided emergency food and non-food aid for those affected by the floods in Orissa (total: € 14.602 million).

In **Afghanistan** major operations (€ 54.7 million) were addressed towards drought affected population and IDPs through food security, health activities and provision of shelters mainly supporting the most vulnerable people affected by the post 11 September reaction.

In **Nepal** an important action of food relief (€ 2 million) was addressed to 100.000 Buthanese refugees, and in **Burma** ECHO continued to support the most vulnerable population and ethnic minorities affected by political isolation and discrimination.

ECHO continued to be deeply involved in reconstruction in **East Timor** (€ 11.274 million), mainly for projects to improve water, sanitation and healthcare services. By virtue of relative stability in the country, confirmed by National Independence in

¹²²

Viz. Afghanistan - Starting a Recovery Programme page

May 2002, the focus is shifting from relief operations towards rehabilitation and development. ECHO is expected to phase out its operations there in the end of 2002.

In addition, in the framework of its regional Disaster Preparedness Programme (DIPECHO), ECHO has approved a first Action Plan for South Asia amounting € 3.2 million. This Plan aims at addressing local communities' vulnerability to flooding. In 2001 as well, the projects totalling € 4 million approved the year before within the second DIPECHO action Plan for Southeast Asia were under implementation.

The table below indicates the decisions taken in 2001 by ECHO as a humanitarian response to the specific needs of each of these countries in Asia.

ECHO Financial Decisions 2001 (€ million)

ECHO Humanitarian Aid		
Country	Project Title	Amount
Afghanistan and neighbouring countries	- Food aid - Assistance to IDPs and returnees - Air transportation for access	54.680
India	Emergency relief, temporary shelter and medical care to the victims of the Gujarat earthquake and the floods in Orissa	14.602
East Timor	Improvement of water sanitation systems and health services	11.274
Cambodia	- Basic medical health, water and sanitation, and small-scale mine clearance; - Emergency assistance to 25,000 families affected by drought	4.900
Thailand	Improving conditions of Burmese Refugees living in camps on the Thai-Burmese border	4.500
North Korea	- Assistance to the Primary Health Care System - Supply children's clothes - Supply of relief items to flood victims	3.365
Indonesia	Assistance to victims of local ethnic conflicts in the Moluccas and East Timor	2.200
China	Assistance to the victims of natural disasters in the Guangxi province and in Inner Mongolia	2.150
Nepal	Provision of basic food to Bhutanese Refugees	2.000
Myanmar/Burma	Assistance to IDP's* (Sanitation and Health) and Prisoners protection	1.990
Philippines	- Assistance to the victims of conflict in Mindanao - Assistance to the victims of the storm "Lingling"	1.460
Sri Lanka	Assistance to the victims of the civil war in Jaffna	0.700
Vietnam	Emergency Assistance to the victims of the floods	0.533
SUB-TOTAL		104.354
DIPECHO Programme (Disaster Preparedness Programme)		
South Asia	First DIPECHO Action Plan for South Asia	3.200
TOTAL		107.554

*IDP's: Internally Displaced Persons.

4.6.13. Monitoring

The Commission, in the course of 2000, conceived an improved results-oriented monitoring system for the ALA/MED/ACP and Balkan regions, which is rooted in the Commission's Project Cycle Management method. The system was tested during 2001. The conception and test-phase have been completed and the paragraph below describes the first tentative but interesting insights on what works and what can be improved in Asia. Additional information on the results-oriented monitoring system

can be found in Chapter Monitoring. The system will be applied for all EC projects as of 2002.

During 2001, 78 projects (of which 9 have been re-monitored) have been visited in this region, in 12 countries. The total volume of EC financing thus covered is € 1,006.4 million of which the most important sector were health (31%) and education (8%). The overall rating for projects in the region was 2.77, compared to an average note of 2.5.

Effectiveness and impact are the relatively most successful aspects. The highest ratings at sub-criteria level are attributed to environmental and technical adequacy, secondary effects of results, and wider unplanned effects. The weakest areas are input timeliness and economic adequacy.

As explained in the chapter on monitoring, the results of the regional analysis of levels of project performance should be treated with great prudence. At best, it may provide orientation for the preparation of further, more in-depth investigations into the nature of project performance in specific regions.

4.6.14. *Conclusions and Perspectives*

The European Commission (EC) first set out an overall framework for EC relations with Asian countries in its 1994 Communication "Towards a New Asia Strategy". In September 2001, the EC adopted a new Communication¹²³ updating that strategy, taking account of key developments in the intervening years, and establishing a comprehensive strategic framework for EC relations with Asia, and its sub-regions, in the coming decade.

In particular, the EU should strive to :

- contribute to peace and security in the region and globally, through a broadening of our engagement with the region;
- further strengthen our mutual trade and investment flows with the region;
- promote the development of the less prosperous countries of the region, addressing the root causes of poverty;
- contribute to the protection of Human Rights and to the spreading of democracy, good governance and the rule of law;
- build global partnerships and alliances with Asian countries, in appropriate international fora, to help address both the challenges and the opportunities offered by globalisation and to strengthen our joint efforts on global environmental and security issues;
- and help strengthen the awareness of Europe in Asia (and vice versa).

¹²³

"Europe and Asia - A Strategic Framework for Enhanced Partnership" doc. COM(2001) 469 adopted by the Commission on September 4th, 2001, subsequently adopted by the Council of Ministers by written procedure on 27th, December 2001.

In conclusion, the Communication stresses that Asia is a crucial economic and political partner for Europe. More than ever before, the EU and its Asian partners should work together in addressing the global challenges which we both face, and the global opportunities which we should all be able to share.

4.7. Latin America

The key to the Community's approach to Latin America is its recognition of Latin America's diversity and the need to tailor dialogue and co-operation to regional and national circumstances. In recent years both the European Union and Latin America have tried to develop a more comprehensive relationship through a strategic partnership to achieve common political, economic and social objectives and acquiring more weight in matters of mutual interest in the globalisation process, while maintaining their specific character.¹²⁴ Development co-operation is an essential dimension of this strategic partnership, as shown by the ever greater number of regional initiatives in 2001.

4.7.1. Introduction

Co-operation Agreements and Memoranda of Understanding

Latin America: subregions and countries ¹²⁵			
Central America (A)	Andean Community (C)	Mercosur (A) (C)	Others
Costa Rica (A)	Colombia	Argentina (A)	Chile (A) (C)
El Salvador (A)	Ecuador (A)	Brazil (B)	Mexico (B) (C)
Guatemala (A)	Peru (B)	Paraguay (A)	
Honduras (A)	Bolivia (A)	Uruguay (A)	
Nicaragua (A)	Venezuela (A)		
Panama (A)			

(A) Memorandum of understanding signed in 2001.

(B) Memorandum of understanding in negotiation.

(C) Agreements on frameworks of co-operation inter regional signed up to 2001

The countries of Latin America are broadly faced with three major challenges: dealing with poverty and inequality, notably by increasing social solidarity; consolidating the rule of law and ensuring the irreversibility of the democratic process; integrating into the world economy by pursuing economic reform and increasing international competitiveness.

Efforts to reduce poverty in Latin America are affected by the region's tremendous geographical and demographic contrasts. The urbanisation rate is expected to rise from 75% to 79% by 2020 (highest rates in Argentina, Brazil, Chile, Colombia, Peru and Uruguay), a factor that the EU takes into account in its co-operation programmes.

The bulk of EU financing for Latin American countries is governed by Council Regulation (EEC) No 443/92 of 25 February 1992 on financial and technical assistance to, and economic co-operation with, the developing countries in Asia and

¹²⁴ COM(2000) 670 "Follow-up to the First Summit organised between Latin America, the Caribbean and the European Union".

¹²⁵ Latin America has distinct subregions: Central America, the Andean Community and Mercosur, to which Chile and Mexico are attached.

Latin America.¹²⁶ There is also financing for aid to uprooted people in Latin America and for rehabilitation and reconstruction operations under Regulation (EC) No 2130/2001 of the Council and Parliament and Council Regulation (EC) No 2258/1996 respectively.

Despite its immense economic potential, Latin America still faces important challenges. The average per capita GDP of the region was USD 3800 in 1999; the difference between the countries is on a scale of 1 to 15 (USD 430 for Nicaragua and USD 6180 for Uruguay). Wealth is unequally distributed, which makes for difficult access to healthcare, education and social security.

A variety of regional integration processes are under way in Latin America. They have gone hand in hand with the increase in the number of free trade agreements, which has boosted trade between the countries in the region, so contributing to economic growth and development.

The European Union and its Member States are the leading source of grant aid to Latin America.

Commitments and Payments in 2000 and 2001 (except the BA* and Cuba lines)

PROGRAMMES	COMMITMENTS		PAYMENTS	
LINES B7-310 /311	2001	2000	2001	2000
COUNTRY/ BILATERAL				
Argentina		9.910.000	7.207.145	5.674.145
Bolivia		25.000.000	4.069.269	11.069.999
Brazil	2.350.000	10.304.190	5.354.877	3.565.615
Chile		9.000.000	5.791.622	1.795.894
Colombia	34.800.000		4.891.196	2.841.411
Costa Rica	9.600.000		575.777	589.328
Ecuador	11.000.000		2.465.667	3.457.072
Guatemala	16.150.000		14.101.002	16.365.748
Honduras			5.023.666	9.035.130
Mexico			764.630	1.480.430
Nicaragua	10.900.000	5.000.000	11.760.063	15.985.406
Panama	8.650.000		2.933.167	3.278.359
Peru			6.575.250	10.963.918
Paraguay			7.642.593	4.423.313
El Salvador	28.942.500		5.976.710	9.367.046
Uruguay	900.000	1.320.000	1.626.845	2.150.271
Venezuela	10.000.000		2.298.333	3.697.053
BILATERAL SUBTOTAL	133.292.500	60.534.190	84.647.812	
REGIONAL SUBTOTAL	84.373.500	163.310.000		
Other (mainly for regional programmes)			35.394.789	72.260.228
TOTAL BILATERAL/ REGIONAL	217.666.000	223.844.190	124.452.601	178.000.366

¹²⁶

There was no change in the legal framework for co-operation with Latin America in 2001. The Commission has drawn up a new draft Regulation for Latin America, which will be presented to the College for approval in 2002.

*The BA line covers expenditure on administration, especially concerning the devolution of programme management to the Delegations.

The EU co-operation budget for this region has stood at approximately € 500 million a year since 1996. This figure includes commitments under budget lines B7-310 (financial and technical co-operation), B7-311 (economic co-operation), B7-312 (refugees and uprooted people) and B7-313 (rehabilitation), which are specific to Latin America, plus other important non-geographical budget lines, such as Human Rights, food security and NGO cofinancing.

€ 96.6 million was decommitted in 2001 as part of the effort to reduce the backlog of outstanding commitments (RAL); this affected 143 commitments.

Budget lines B7-310 (financial and technical co-operation) and B7-311 (economic co-operation) in € million

	1995	1996	1997	1998	1999	2000 *	2001**	Total
Commitments	287.6	262.8	254.1	240.9	104.4	229.7	231.6	1611.1
Payments	145.7	151.9	148.8	142.8	158.7	179.5	126.3	1053.7

* Including Cuba

** Including line BA

In 2001 the Commission's taking-over of administrative and monitoring activities previously carried out by Technical Assistance Offices (TAOs) did affect operations. The process of devolving staff from headquarters to the Delegations somewhat slowed the payments rate compared with commitments.

4.7.2. Regional co-operation

Regional co-operation has been stepped up in recent years to implement the development agenda of the bi-regional strategic partnership decided by EU, Caribbean and Latin American heads of state and government at the Rio Summit in 1999 and to support by appropriate measures the process of regional integration.

4.7.2.1. Horizontal programmes

Regional co-operation has been much developed under "horizontal" programmes. Such programmes in areas of mutual interest, which are financed in the framework of economic co-operation, promote partnerships between networks in the two regions (towns, companies, universities, etc.).

Major horizontal programmes, such as: ALFA, Al-Invest, Atlas, Urb-Al, Alure, @LIS, were financed in 2001.

ALFA - Latin America Academic Training. This programme promotes co-operation between Latin American and European higher education institutions and ongoing inter-regional and regional exchanges (whether EU-LA, LA-EU or LA-LA), especially in engineering, medical sciences, social sciences and economics.¹²⁷ The second phase started up in 2000 and will run until 2005: ALFA II is currently running 54 projects for a total cost of € 12.45 million - the Community contributing €

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http://www.europa.eu.int/comm/europeaid/projects/alfa/index_en.htm

8.89 million, while 104 ALFA I projects are continuing or on the point of completion.

RESCE: Network of Social Studies - Central America - Caribbean - Europe

This network is coordinated by the University of Costa Rica and embraces the Universities of the Sorbonne, the Hague, Salamanca, Nicaragua, El Salvador, Havana and Centroamericana de Mexico. It has set up a "Maestria Centroamericana" (master's degree) on the basis of a sociology research programme with a specialisation in social policy, which includes a project to offer training to teachers and graduates of the institutions and university departments in the network. The teaching materials produced for the training have been used for the master's programme. Electronic mail has improved communication between network members. ALFA sponsored the organisation of an international conference on social policy and a book has since been published (*Politica social: vinculo entre estado y sociedad*).

AL-Invest. Commission-financed programme of decentralised co-operation to promote meetings and partnerships between small and medium-sized enterprises (SMEs) in both continents with the aim of boosting trade and technological transfers. Since its launch in 1996, 250 events have been organised with the participation of 330 operators (chambers of commerce, industry associations and European consultants) and 25 000 SMEs from both regions.¹²⁸ In 2001, 50 sectoral meetings were selected for Community support, plus five ARIEL operations (Active Research In Europe and Latin America, an instrument of the AL-Invest programme). Three of the programme's many successes are worth citing:

Furniture'00

At this meeting in Uberlandia (Brazil) a European consortium was set up to enter into a joint venture with Brazilian partners. This involves an investment of € 12 million for the building of a factory in the Uberlandia industrial zone.

Exhimoda'99

At this meeting in Mexico a Mexican firm and a Spanish firm signed a € 18 million contract to set up a joint enterprise and manufacture clothing for the European market.

FITUR'98

At this meeting in Spain a French and a Paraguayan firm signed a € 6 million contract to set up a waste-processing plant in Paraguay; total investment of over € 20 million.

ATLAS is a programme to support relations between European and Latin American Chambers of Commerce; the aim is to facilitate transfers of know-how. Some 200 chambers are involved in this € 2.4 million programme running over the period 2001-2003.¹²⁹

Urb-AL This programme aims to establish direct and lasting relations between European and Latin-American local authorities by promoting exchanges of experience.¹³⁰ Eight thematic networks were set up initially. They have produced 65 joint projects involving about 750 local authorities (from large cities to small towns) and a hundred other local actors (NGOs, universities, companies, etc). Urb-Al enables them to share their resources and experiences and better respond to the

¹²⁸ http://www.europa.eu.int/comm/europeaid/projects/al-invest/index_en.htm
¹²⁹ <http://www.eurochambres.be/whatwedo/atlas.htm>
¹³⁰ http://www.europa.eu.int/comm/europeaid/projects/urbal/index_en.htm

problems caused by urban development (i.e. monitoring urban mobility, local democracy, the urban environment, etc).

As a result of the success of the first phase, which had a budget of € 14 million, the Commission allocated € 50 million to the second phase (i.e. triple the budget of the first phase). This extra financing will make it possible to launch six new thematic networks (local financing and participatory budgets, reducing urban poverty, housing in towns, promotion of women in the local decision-making bodies, towns and the information society, safety in towns).

Equitable exchanges of know-how

The Intendencia Municipal of Montevideo (Uruguay), which coordinates an Urb-AL network made up of 150 European and Latin-American local authorities, has developed a new approach to urban social policy based on sharing the experiences of each participant and exchanging know-how.

This has led to 14 projects to improve the formulation and conduct of public policy in key social sectors such as education, health, aid to disadvantaged or marginalised groups, urban migration, domestic violence and policies to promote and defend women.

All these projects serve the same objective: an integrated approach to urban living that treats citizens as members of interacting families, groups and communities, not isolated individuals.

The economic solidarity project, coordinated by the town of Rio Claro (Brazil) is designed to promote job-creating economic solidarity projects that are tailored to local social conditions.

ALURE. This EU-Latin American economic co-operation programme in the energy sector, which started up in 1996, will come to an end in 2003.¹³¹ The € 26 million programme has promoted 25 gas and electricity projects involving a hundred odd participants from private companies, public administrations, NGOs and others. This programme has helped meet the energy requirements of the Latin-American countries, both quantitatively and qualitatively, while promoting the access of disadvantaged groups to these services and safeguarding the environment. The projects generated substantial value added for the recipients, primarily through the transfer of proven solutions and instruments of the European energy sector, which were adapted to the Latin-American context.

CLIOPE: effectiveness and environmental protection in running power stations

In recent years several Latin America countries have suffered from electricity shortages, mainly as a result of a big increase in demand and insufficient investment in energy production. Furthermore, there are many power stations in the region which are highly pollutant, inefficient and of limited availability. The CLIOPE regional project tackles this by training about a hundred Latin American managers and technicians and setting up an internet network for the exchange of information and know-how between the two regions. To date the project has created three centres for further training (in Colombia, Argentina and Mexico) and forged links between professionals in the sector, which will facilitate the preparation of projects to convert power stations, the acquisition of modern equipment and open up new commercial opportunities for both regions.

¹³¹

http://www.europa.eu.int/comm/europeaid/projects/alure/index_en.htm

@LIS, the Alliance for the Information Society, was adopted by the European Commission on 6 December 2001.¹³² The programme aims to promote the information society in Latin America and overcome the digital divide by stimulating co-operation with European partners and helping to provide solutions to the needs of the local communities and citizens with a view to sustainable development.

With a budget of € 85 million, including € 63.5 million financed by the European Community, @LIS is addressed to all members of civil society, especially non-profit making associations.

Most horizontal programmes were reviewed in 1999 and evaluated in 2000/2001. Results are very encouraging overall; the programmes have created economic, academic, cultural and technological links between the two regions, boosted European representation in the region and established ongoing relations with governments, local authorities, the private sector and civil society.

4.7.2.2. Co-operation with regional bodies and bilateral co-operation

At subregional and bilateral levels, co-operation continued in 2001 in pursuit of specific priorities set out in existing institutional agreements, tailored to the specific circumstances of each country or region.

Subregional projects were committed under budget lines B7-310 (financial and technical co-operation) and B7-311 (economic co-operation) in Central America, the Andean Community and Mercosur.

a) Central America

Co-operation with Central America is carried out under a Co-operation Agreement that entered into force in 1999.

In 2001 the Commission allocated € 8 million to a customs union project in the context of economic co-operation with Central America.

Bilateral co-operation: the Commission allocated € 29 million to El Salvador, € 16 million to Guatemala, € 9 million to Panama, € 10 million to Costa Rica and € 11 million to Nicaragua. The amount allocated reflects the Commission's determination to actively support projects that reinforce and consolidate democratic institutions and the rule of law, that promote the regional integration process, that encourage economic development and help insert Central America into the world economy.

There was aid from other budget lines as well as financial and technical co-operation and economic co-operation in 2001. In response to natural disasters, the Commission allocated the region € 68 million for rehabilitation and reconstruction projects in Central America (Nicaragua, Guatemala and El Salvador) and Venezuela.

The Regional Programme for the Reconstruction of Central America (**PRRAC**) is a large-scale project. Set up after Hurricane Mitch to run over seven years, its remit is to rebuild and strengthen health and education services, which were hard hit in most

countries of the region, and to make an assessment of the environmental degradation caused by bad weather conditions.

The PRRAC is implemented through 16 major projects, the budget for which is shared between Nicaragua, El Salvador, Guatemala and Honduras.

PRRAC - Honduras

In addition to these large-scale projects, there are smaller projects that have already given concrete results, such as the water and sanitation project under way in Honduras. About 70% of the objectives have been achieved: 24 culverts built and another 16 near completion; 52 water wells sunk, 106 trained local promoters and 1.081 families trained in hygiene and diseases transmitted by contaminated water. The other 30% are being implemented.

b) Andean Community

Co-operation with the Andean Community countries aims to the strengthen democratic institutions and the rule of law, promote regional integration and socio-economic development, and enhance co-operation in combating drugs and preventing natural disasters. Support for the difficult peace process in Colombia is also one of the specific EU priorities in the region.

The "peace laboratory in the Magdalena Medio" is the first major action in the EU's programme to support the peace process in Colombia. It will be implemented in 13 localities of the Magdalena Medio, a region hard hit by the armed conflict, including the region's capital, Barrancabermeja. There is Community financing of € 35 million for this eight-year programme drawn up in 2001, which is scheduled to start up in 2002. The EU has also committed € 11 million in Ecuador for the development of the Rio Paute basin and € 10 million in Venezuela for reconstruction in the flood-affected state of Vargas. The Commission has committed a total of € 500 000 for a subregional project (68% of the total), which consists of a study on the state of and prospects for economic and trade relations between the EU and the Andean Community. Its finding should be available in 2002.

Study on the state of and prospects for economic and trade relations between the Andean Community and the European Union

Part of 2001 programming, this project will take stock of economic and trade relations between the EU and the Andean Community of Nations (CAN). The need for such a report was stressed by the ministers of both regions at the IXth Ministerial meeting between the EU and the Rio Group (Vilamoura, 24 February 2000).

The study's terms of reference were drafted in 2001 and the study itself will be carried out over six months by a group of European and Andean consultants. They will analyse five aspects: foreign trade, public procurement, services, foreign direct investment and intellectual property.

c) Mercosur

The guidelines for co-operation with Mercosur are laid down in the 1995 Framework Agreement, which in the longer term is likely to be replaced by a more ambitious association agreement.

Co-operation with Mercosur focuses on the process of regional integration and on negotiations on a future association agreement between the two.¹³³ In 2001 € 5.3 million was allocated to a customs co-operation project that will continue the integration of the customs administrations of the four Mercosur countries, so laying a basis for the region's economic and commercial development and its relations with the EU.

Under financial and technical co-operation € 2 million was committed to projects to modernise the Brazilian tax system and € 900 000 to improve the quality of the environment in Uruguay.

Mercosur – technical standards	
The Community supports Mercosur's integration by helping to create the technical framework essential for an internal market. Since 1999 the Commission has been implementing a € 3.95 million project on Mercosur technical standards.	
Given developments in the intervention sectors during the programme's implementation, the actions have had to be regularly adjusted to new national and regional circumstances.	
This support for technical standards (mainly institutional support for national and regional standards agencies and structures for notification, information, certification and accreditation) creates more favourable conditions for intra-regional and international trade. Measures in the field of metrology (legal and industrial) pave the way for future specific mutual recognition agreements. The project takes the form of general actions and eight subprojects in the Mercosur countries that transfer European experts' know-how about technical standards to local technical staff.	

Regional Co-operation - 2001 commitments (budget lines B7-310 and B7-311)

Region	Project title	Amount €
Regional - Latin America	– Support for agronomic research via the CGIAR	6,000,000
	– EU-Latin American network of experts for macroeconomic coordination.	200,000
	– Alliance for the information society @lis.	63,500,000
	– WALCUE-S&T thematic workshops ALCUE 2001/2002	639,000
	– Networking Central and Eastern Europe and Latin America	234,500
Andean Community	– Study on EU-CAN economic and trade relations	500,000
Mercosur	– EU-Mercosur customs co-operation	5,300,000
Central America	– Central American customs union	8,000,000
TOTAL		84,373,500

4.7.3. transport and infrastructure

A key element in past development, infrastructure remains an important part of co-operation with Latin America. This is especially true when it is part of a general framework of regional integration and of efforts to improve living conditions and health and to mitigate the risks connected with natural disasters. This sector accounts for some 10% of Community aid.

¹³³

Trade negotiations with Mercosur continued in 2001 in a difficult context of growing economic problems in the region, especially the deepening recession in Argentina.

4.7.3.1. Road transport

Nicaragua. In 2001, the Commission committed € 11 million for the El Guayacan-Jinoteca road project.

Ecuador and Peru: integration by the Piura-Guayaquil road

Physical communications between Ecuador and Peru will be improved by a project to rehabilitate the Piura-Guayaquil road link. Feasibility studies of the road, the bridges and infrastructure at the border between the two countries costing € 2.8 million are currently under way. The will then be followed by works for which the Community contribution is estimated at € 40 million (2002 –2006). The project will help improve relations between the two countries under a bilateral development plan drawn up following the signing of the peace agreements in 1998.

4.7.3.2. Water and Sanitation

The need for drinking water and sanitation systems has led to vast programmes in various Latin-American countries. Such projects help prevent epidemics, reduce infantile mortality and improve living conditions and hygiene. In **Bolivia** the authorities are particularly sensitive to these problems and they have developed the *Agua para todos* programme in rural and urban areas.

Bolivia: drinking water in the Beni department

This project for the 125 000 inhabitants of this sparsely populated department has been running since January 1998. It focuses primarily on urban centres with 5 000 odd inhabitants but does not neglect low density areas. By the year 2002, 50 water collection and distribution systems will have been set up in the centres and 400 in low-population areas. This is an innovatory project implemented by microenterprises and encouraging the participation of users.. The same formula has been used to build 3000 latrines with family-type septic tanks, of which 750 collectively on the urban sewage network, plus a waste water treatment station in the town of Santa Ana. Training programmes on the management and maintenance of the infrastructure, plus education in hygiene and health complement the project and ensure its viability. This pilot project, financed to the tune of € 6 million by the EC and € 2.1 million by the government, has been reproduced in other departments of the country.

4.7.3.3. Other infrastructure

El Salvador and Venezuela. Two programmes to rebuild infrastructure following natural disasters were prepared in 2001: one in **El Salvador** allocating € 25 million for housing and social and economic infrastructure damaged by the earthquakes of January and February 2001.

The reconstruction and rehabilitation programme for the state of Vargas in **Venezuela** received a Community contribution of € 35 million, of which € 10 million came from financial and technical co-operation line.

Ecuador. Steps have been taken towards integrated water basin management: this is a very complex problem since the imperatives of protecting and conserving natural resources have to be reconciled with local people's need for agricultural land, especially since many of them are indigenous peoples hard hit by poverty. A project to manage the basin of the Paute river - which recently caused destructive flooding – has been drawn up. Costing € 11 million it will improve the state of these resources and stabilise the environmental and social framework of the basin.

Transport, infrastructures and environment: 2001 commitments

Sector	Country	Project title	Amount €
Infrastructure	El Salvador	Support programme for the reconstruction of El Salvador	25 000 000
Infrastructure	Uruguay	Improvements: environment/urban development, western zone of Montevideo	900 000
Infrastructure	Venezuela	Programme of social reconstruction in the state of Vargas	10 000 000
Infrastructure	Panama	Rehabilitation of the historical centre of Panama City	950 000
Infrastructure	Nicaragua	El Guayacan-Jinoteca road project	10 900 000
Environment	Ecuador	Development project in the Paute basin	11 000 000
TOTAL			58 750 000

4.7.4. Food security and rural development

In 2001 a special effort was made to achieve the environmental priorities agreed with the Latin American countries concerning better management of natural resources and efficient use of factors of production in rural areas (water management, legality of acquisition of land/land dispute settlement, etc.). To this end, the projects implemented in this region do not aim merely to satisfy short-term food needs but also take account of long-term sustainable development.

Ecuador - food security

With the collapse of the financial sector and the devastating effects of El Niño and the proportion of the Ecuadorians living in poverty rose from 49% to 65% between 1995 and 2001. To reduce the vulnerability of the poorest sections of the population a direct food security programme costing € 6 million was launched in 2001. The programme will both support production and promote nutritional awareness in health centres. The support for rural production is implemented in liaison with the World Bank, civil society and central and local government. This will increase the intervention capacity of local organisations and so bring about a structural improvement in production capacity in less advantaged parts of the country. The EU is giving substantial financial support to two key instruments in the process, namely a local investment fund and a rural finance system.

Argentina – integrated project in the Ramón Lista region

The indigenous Wichi community lives in the region of Ramón Lista in Formosa province in north-western Argentina. The population is concentrated in an area of 3 500 km² along the Pilcomayo river.

Community aid finances actions covering education, training, nutrition, the construction of infrastructure (roads, houses, health posts, schools, harvest basins, water supplies, etc), reforestation, and environmental protection. The € 8.6 million project, 5.5 million of which comes from the EU, has been running since 1995 (EU funds implemented: € 3.5 million). The project benefits 6000 people living in 20 communes.

The most significant results were obtained with infrastructure, 64 houses with access roads were built in 2001. The project has also developed a large-scale training programme and provided communications and transport equipment; side by side there is also the promotion of craft activities and small businesses. All activities, from programming to the implementation, have been carried out with the direct participation of the beneficiaries and local organisations.

Rural development/food security - 2001 commitments

Sector	Country	Project/programme title	Amount €
Rural development	Regional L. America	Support for agronomic research via the CGIAR	6 000 000
Food security	Peru	Food security - European Commission	5 000 000
Food security	Honduras	Several operations	6 696 996
Food security	Ecuador	PROLOCAL (Programa de Alivio de la Pobreza y Desarrollo Local Sostenible)	6 000 000
Food security	Bolivia	Programa de Apoyo a la Seguridad Alimentaria (PASA)	2 145 901
Food security	El Salvador	Several operations	690.010
Food security	Nicaragua	Several operations	891 312
Food security	Guatemala	Several operations	447 350
TOTAL			27 871 569

4.7.4.1. Local and regional development

Chile. A project to draw up a master plan for the coastal area of the Coquimbo region illustrates how environmental concerns can be taken on board in the context of good governance and decentralisation of government. The € 21.5 million project will help mitigate the negative impact of tourism and fishing on natural resources. The project will also deal with the problems of managing natural resources, above all water, in the arid ecosystems of the interior.

Programa Integrado de Gobernabilidad y Descentralización

This four-year project in the Coquimbo region in Chile is in its second year of implementation. The total budget is € 21 million.

It provides support for decentralisation and institutional development and all the activities take account of the environmental dimension.

The fields of intervention are: local/municipal development in nine of the 15 communes of the region, economic development in all 15 communes of the region, and regional development and regional planning in eight communes. In the latter case, the project activities include basin management and planning/management of the coastal area (400 km of coast).

The participation of the people affected is systematically encouraged. In the Río Choapa basin project the users of the water (farmers mainly) act as the equivalent of a basin management agency. For the planning and management of the coastal area, it is the inhabitants of the "Choros" and "Punta de Choros" districts of La Higuera who have drawn up their development project in conjunction with the municipality.

4.7.4.2. Alternative development

In addition to the rural development projects promoted by the EU, another concept has emerged, that of alternative development. Through a package of measures, it aims to effect a switch in production from illegal to legal crops. It entails taking account not only of economic considerations but also the whole way of life in the

intervention area. The choice of measures is arrived at through democratic consultation with the interested parties.

Bolivia and Peru. In these countries alternative development concerns for the most part illegal coca production. The Andean countries see the EU programmes as strategic support in the fight against the production and processing of drugs. The programmes provide support for alternative crops, livestock production, infrastructure, support for the democratic process, and management of the environment and forests.

PRAEDAC (Programme of support for the alternative development strategy in Chapare)

In partnership with the peasant organisations and local authorities of Chapare, this programme has supported projects costing more than € 3 million. The local authorities have carried out infrastructure works for sewage, education and health and built roads. All works have been proposed and carried out on a participatory basis. The population of Chapare chose the projects and implemented them in association with the local authorities, contributing 30% of the financing themselves. The production of fish, bananas and pineapples for the local and subregional markets has been a big success.

A credit programme promoted by PRAEDAC via a local financial institution has benefited 400 families.. The borrowers have invested a capital of € 1.2 million in handicraft projects, improvements in the marketing of livestock, agricultural produce and eco-tourism.

4.7.5. institutional support

The Commission efforts here are aimed at institutional capacity building, good governance and rule of law.¹³⁴ Policy is set out in the communication from the Commission to the Council, Parliament and the Economic and Social Committee on a "new EU-Latin-American partnership on the eve of the 21st century."¹³⁵

4.7.5.1. Institutional support at national level

This involves two types of action. One underpins the efforts of Latin American governments to consolidate the rule of law by helping to improve the working of the public administration and promote good governance (also at local and municipal levels). A second consists of support for government reform programmes and decentralisation in the form of modernisation of the central and local administrations, tax reform, pruning and modernising public services and training of civil servants. In 2001 three projects were approved for a total of € 22.1 million.

Institution building - 2001 commitments

Institution building	Country	Project title	Amount €
Justice	Guatemala	Support programme for reform of the justice system	10 150 000
Tax system	Brazil	Support for the modernisation of the Brazilian fiscal system	2 350 000
Decentralisation	Costa Rica	Municipal reinforcement and decentralisation	9 600 000
TOTAL			22 100 000

¹³⁴ COM(2000)212 final of 26.4.2000 and Declaration of the Council and the Commission of 10 November 2000.

¹³⁵ COM(1999)105 final of 9.3.1999 and Country Strategy Papers.

4.7.5.2. Regional integration

The European Union attaches great importance to regional integration. In this sector the Commission has implemented co-operation projects to support the regional integration process and enable the countries concerned to endow themselves with the capacity and institutions necessary for integration into the international system. In 2001 three projects were approved, for Central America, Mercosur and the Andean Community, for a total of € 13.8 million.

4.7.6. *Macroeconomic policies*

In 1999-2000 the Commission used macroeconomic aid as an instrument of co-operation with Latin America by giving financial support to Bolivia, Honduras and Nicaragua in the framework of the World Bank's HIPC initiative (Highly Indebted Poor Countries). The Commission has allocated € 45 million to the initiative. It also collaborates with other donors in financing programmes of studies on macroeconomic policies. In 2001 the Commission supported a programme of studies coordinated by CEPA on the analysis of macroeconomic conditions and public finances.

4.7.7. *Social services: health and education*

4.7.7.1. Health

Two quite different mortality and morbidity profiles coexist in Latin America, reflecting poverty or, in contrast, the typical health problems of more developed societies. The proportion of public spending allocated to health is clearly insufficient, management of services is poor and the services are not very accessible. What is more, less than a third of the population has social security cover. There is also a tendency to concentrate financial and human resources in urban areas but, even where services are available, access is confined to the more affluent sections of the population.

There are 11 health projects under way in Latin America, primarily support for institutional infrastructure.

In Venezuela, there are two projects totalling € 13.5 million to support the hospital sector and the health system.

In Peru, two projects totalling € 3.5 million support reform of the health sector.

Five projects to strengthen the healthcare system are under way in the Central American countries for a total € 29.6 million.

In Bolivia € 25 million was allocated in 2000 to a health sector project, which is now starting up.

In Brazil € 900 000 have been allocated to the São Rafael Biotechnology Centre, which is now in its second year of implementation.

Guatemala – Apoyo a la reforma del sector salud

The APRESAL project, to which the Community contributes € 11.3 million, has become an invaluable partner of the Ministry of Health. Its main activities, concentrated in the Alta Verapaz department where there is a large indigenous population, are designed to improve infrastructures and equipment, access to water and to health services, the availability and proper use of essential medicines and traditional medicine.

The project has developed original and effective working methods, better management of services and better training of human resources in the sector. To achieve its goals and carry out its activities, APRESAL liaises with the Ministry of Health, NGOs and grassroots communities.

Its principal concern is to make these results sustainable and capitalise on this experience in order to improve the quality of future interventions. It is difficult to measure the direct benefits of the project but APRESAL's work has clearly contributed to the establishment of a vaccination system providing suitable cover. Furthermore, after the passage of health professionals in the project area, maternal mortality in the Alta Verapaz region was reduced by half. Other results include improved access to secondary healthcare, sanitation systems and drinking water. Health education has also been introduced in schools.

Nicaragua - Decentralised healthcare

The overall objective of the € 14 million project "Fortalecimiento del Sistema de Salud de Nicaragua" is to make the public health system more effective. The activities financed by the project are concentrated in the north and cover approximately one million people.

The project is based on an integrated intervention strategy using criteria of quality, accessibility and social participation. The use of health resources is optimised through a decentralised organisation of health services centred on primary care, which are organised by levels of service provision. The project is currently being implemented; the expected results are a functional organisation of decentralised services, developed in an integrated and gradual manner with a suitable geographical distribution and population cover.

4.7.7.2. Education

EU-Latin America co-operation on education is designed to ensure that activities on the ground are implemented for and with the local beneficiaries, taking into account identified priorities. This facilitates the "ownership" of the results and adaptation of the practices and methodologies developed, so ensuring a multiplier effect.

The European Commission's social development projects that have a preponderantly educational/vocational training component are designed to reduce inequalities of access to compulsory schooling and to nurture the capacity to join society thanks to work and personal development and attenuation of the conditions which can lead to failure.

There are 14 education/vocational training projects under way in Latin America. Some support key aspects of educational reform, others are structural, including the insertion of young people into the world of work, others are specific to vocational training.

El Salvador - Apoyo al proceso de reforma de la educación media en el área técnica
EC contribution : € 14.2 million

This project aims to improve the quality of lower secondary education, in particular technical schools, and promote equal opportunities, including gender equality, through provision of support for national educational reform. The project will transform 22 lower secondary technical institutes in 14 departments of the country into "model centres".

APREMAT has become an invaluable partner of the Ministry of Education and plays a leading role in the reform of technical education.

After a participatory development phase to look at new teaching methods, the project is working closely with the principal actors for the implementation of model teaching approaches. As well as the Ministry of Education, the educational institutions throughout the country, industry, governmental and non-governmental organisations, the Chamber of Commerce, and so on are involved in this decision-making process.

The qualitative improvement of technical education, including gender equality and environmental education, should make a decisive contribution to the cultural, social and economic development of the country.

Peru - Progamma marco de formación profesional tecnológica y pedagógica
EC contribution: € 9 million

This project comprises two components: PROTEC (technical training) and PROEBI (bilingual teacher training). The PROTEC component is designed to remedy the shortcomings of an unclear policy on technical education, alleviate the lack of economic and human resources and improve the quality of the training given. Almost 9000 people were trained in 2001. A network of 13 HTI's (higher technical institutes) in the main regions of Peru has been set up.

The PROEBI component is intended to train bilingual instructors in Peruvian Amazon. The indigenous peoples of Amazonia took an active part in the identification, formulation and implementation of the project. There has been extensive interdisciplinary work by anthropologists, linguists, educationalists and indigenous specialists.

4.7.7.3. Support for disadvantaged groups

Assistance for disadvantaged groups, especially in an urban environment, requires a multidisciplinary approach and active solidarity between the participants. The aim is to bring together expertise and commitment in the service of integrated development that would restore human dignity and cultural pride, as well as reduce economic poverty.

El Salvador. In December 2001 a € 9.2 million project was approved for the "social prevention of violence and juvenile delinquency in El Salvador". It has as objectives the reduction of juvenile delinquency and the social integration of 50 000 young people at risk (aged 10 to 25) in the San Salvador metropolitan area.

In Latin America 16 co-operation projects for a total of € 116.7 million are being carried out in this sector.

Brazil - Support for disadvantaged groups in Rio de Janeiro and São Paulo
EC contribution: € 12 611 792

In Brazil 70% of the population lives in urban areas. For three years the European Commission has been making a significant contribution to the fight against exclusion in urban areas by playing an active part in an urban and social development project carried out in partnership with the municipalities of Rio de Janeiro and Santo André (state of São Paulo).

The work of Santo André has been recognised and lauded by the Brazilian authorities, notably at the last "Istanbul + 5" world summit held in New York in June 2001.

More than 60% of the infrastructure started in 1999 in the favelas of Sacadura Cabral and Tamarutaca has been completed.

In the period 2000/2001 more than 3 000 people received vocational training that would help them enter the labour market. More than 1 100 children and adolescents took part in educational and leisure activities (crafts, music, dancing, sport) to underpin the school syllabus. Some 250 women take part annually in activities relating to equality and domestic violence, and 370 disabled people take part in specific projects to integrate them better into the community.

Argentina - Acción de Apoyo integral a la socialización de menores marginados en El Gran Buenos Aires
EC contribution: € 9 million

This project operates a shared management model, supported by a mixed institutional platform which combines the efforts of the EU, the Argentinian public services at national, provincial and local levels, and organisations of civil society.

The principal merit of the project is to forge links between the state and representatives of civil society working with children and adolescents. A major contribution has been made by the following activities: the building and/or equipping of 58 buildings for non-governmental organisations; 40 training courses attended by 3 600 professionals of the public services and civil society; direct care in the form of socio-health prevention for more than 3000 children; the reinforcement and development of five new NGO networks with a total of 300 participating organisations; raising public awareness by placing information about the situation of children in the media (publication of the magazine *Foro de Proamba* magazine, radio time of 6200 minutes, 16 TV appearances, 30 filmed news items, 6 books about the project, etc.).

Paraguay - AMAR: integral assistance to high-risk minors
EC contribution: € 10 030 000

In 1996 41% of the 4.1 million inhabitants of Paraguay were under 15, and 130 000 annual births meant a doubling of the population in 22 years. Migration from the countryside to the cities was enormous and shanty towns proliferated. Projects aimed at poor families were few and far between, and not very effective. Faced with this situation, the Commission decided to support Paraguay's Secretaría de Acción Social with a € 10 million grant to cover 79% of the AMAR project's budget. the aim of this project is to minimise the social risks to which young people are exposed by promoting their personal development, improving the families' living conditions and stepping up institutional support of the community.

This five-year project, which started in February 1999 has established coordination with all the actors on the ground so as to make the best use of resources and ensure complementarity. Close co-operation between the government, the local church and AMAR has produced some initial results, one being the entering of thousands of minors without identity documents in the civil register. There was an eighteen-month pilot phase, at the end of which the initial approach based on simple assistance was followed by activities to generate income for the families.

Social development - 2001 commitments

Sector	Country	Project title	Amount €
Health	El Salvador	Rehabilitation of Sonsonate hospital	700 000
Education	El Salvador	Strengthening the multidisciplinary faculty at the University of El Salvador	129 500
TOTAL			829.500

4.7.8. Thematic policies

4.7.8.1. European Initiative for Democracy and Human Rights (EIDHR)

In 2001 more than € 15 million went to projects in Latin America under the EIDHR. Two multiannual regional programmes (2001-2004) also started up in 2001 (€ 17.5 million from the 2000 budget); they will promote Human Rights and fundamental freedoms in the Andean Community and Central America. Activities under these programmes are carried out by non-governmental organisations, independent universities and institutions. Microprojects for a total of € 1.1 million will be implemented in Colombia and Mexico.

The EIDHR allocated almost € 3.7 million to five projects to **promote and defend of Human Rights and fundamental freedoms**. In Ecuador, nearly € 1 million for a programme to protect the Human Rights of migrants and of their families, particularly women and children who became victims of trafficking following the severe difficulties in the country since 1998; a project to improve the legal framework of children in El Salvador, Costa Rica, Guatemala, Nicaragua and Honduras and to monitor the recent research on trafficking in children and their commercial exploitation received € 450 000; € 230 000 went to the organisation of a conference, the publication of best practices, the appointment of mediators and exchanges of experiences on the work of the institutions and enhancing co-operation between Latin America, the Caribbean and the EU. The aim of this project is to help strengthen mediation machinery and national arrangements to protect Human Rights in Latin America and the Caribbean, in accordance with democratic tradition. Five rehabilitation centres for the victims of torture in Latin America were allocated € 2.2 million.

Support for the democratisation process and strengthening the rule of law took the form of almost € 3.6 million for six projects. € 848,000 for a project to develop the activities of the ANDI network (Children's Rights News Agency), which embraces five press agencies acting to defend the rights of the child in Brazil; the project will directly benefit the member organisations, students, companies, media professionals and organisations working with children and adolescents. In Argentina, a project was accorded € 400 000 to promote the participation of citizens in the decision-making process and to encourage the dialogue between organisations of civil society and the state in five regions of the country. It also aims to strengthen equal opportunities and promote the defence of Human Rights in the context of democratisation.

Support for the **prevention of the conflict** and the **restoration of peace** is one of the main priorities of the EIDHR. In 2001 it financed four projects in Latin America for over € 3.6 million. In Colombia, € 1.3 million for a project to safeguard the basic rights of the Uraba communities, which are threatened by displacement as a result of the conflict currently tearing apart the country. Two other projects in Colombia will

(i) underpin and develop the work of 900 municipal mediators for the protection and promotion of Human Rights (€ 560 000) and (ii) strengthen civil society as a key actor in resolving the armed conflict in Colombia - the project aims to transform the town of Barrancabermeja into an area of peace (€ 984 000). Lastly, a project in Guatemala is designed to promote peace and reconciliation between communities in three municipalities of the Alta Verapaz department that have been victims of the civil conflict.

In 2001 the EIDHR supported the transition to democracy in Nicaragua by sending an EU **electoral observer mission** to the general elections held on 4 November 2001. The team had six principal members and eight long-term observers, plus 36 short-term observers for the first round and 30 short-term observers for the second (€ 998 915).

4.7.8.2. Gender equality

Promoting gender equality is a crosscutting objective that is systematically taken into account when co-operation projects are drawn up.

Two projects that are specifically targeted at women in Latin America are currently under way:

Panama - PROIGUALDAD: The challenge of equal opportunities for women
EC contribution: € 9.8 million

Launched four years ago, this project has improved Panamanian women's living conditions.

With the support of 31 institutions, 26% from the public sector and 74% from civil society, PROIGUALDAD has managed to strengthen women's organisations participating in this ambitious programme in urban and rural areas. These stakeholders will be able to continue promoting equal opportunities once the project is concluded.

Campaigns have been carried out to raise awareness of gender equality issues in the public sector. This aspect has been incorporated more fully in the education system by means of human resources training and the development of appropriate methodologies.

There were also several communication schemes on this subject in 2001. The nation-wide multimedia campaign on sexist stereotypes¹³⁶ generated a huge response.

Paraguay - RED-CIDEM: Decentralisation at the service of women
EC contribution: € 8.2 million

As part of the process of democratic transition in Paraguay, the aim of the project "Network of Initiative and Development Centres for Women" is to strengthen the organisation of Paraguayan women and promote their active participation in development. The Agreement provides for setting up 14 Centres in different departments in Paraguay, 9 of which were up and running at 31 December 2001.

Each of these structures plays a vital role in the recently embarked-on process of decentralisation by promoting in a pilot municipality a local development plan that takes into account specific male and female aspects and by relying on the departmental authorities to adopt measures to apply the "National Plan for Equal Opportunities".

These activities have been supplemented by directing 12 000 people to the competent bodies, training 4 000 beneficiaries and contributing to the drafting, dissemination, circulation and application of law 1600 against domestic violence. In the run-up to the municipal elections, candidates from all parties signed a charter of good conduct and solidarity, including as a priority the promotion and defence of women's rights. The main contributions of this project are to foster the emergence of mutual trust between social actors and public institutions and a new sense of citizenship in Paraguay.

4.7.9. *Coherence with community policies*

Generally speaking, the development co-operation approach to the countries and regions of Latin America is consistent with the other Community policies. This is true for example, of the Community competition policy, which fosters the harmonisation of the rules of free competition, or the policy of Eurostat, which is willing to disseminate the European Union's know-how to other; less advanced regional organisations. Similarly, the Community's research policy allows the Latin American countries to respond to calls for proposals under the international section of research framework programmes.

In the trade field, coherence is ensured by means of support for co-operation activities (presentation seminars) designed to disseminate the generalised system of preferences (GSP) to the Central American and the Andean countries. Similarly, regional co-operation activities designed to strengthen regional integration and establish common markets are consistent with Community trade policy. The trade agreements that have been negotiated or are being negotiated with certain Latin American countries or groups of countries also contribute to the increase in trade between these countries and the European Union and thus to shared economic and social development.

4.7.10. *Co-operation with other donors*

Co-operation between the Commission and other international organisations is particularly close in Latin America. These institutions are essential partners of European co-operation policy. They contribute to financing projects of common interest, especially projects to combat poverty and strengthen democracy.

4.7.10.1. Inter-American Development Bank (IDB)

Since 1997 the Commission has contributed some € 57 million to the financial operations of the IDB. Currently the Commission is financing two major trust funds administered by the IDB: the special fund for technical assistance (€ 4 million), which finances missions carried out by national experts from the EU Member States to prepare studies for IDB projects, and the special funds for small and medium-sized enterprises (SMEs) (€ 15 million), which finances microcredit operations of up to € 540 000. The Commission also finance the *Instituto de Desarrollo Económico y Social (INDES)*, a regional project for managers of health projects in Latin America.

The Commission actively supports a number of IDB-headed consultative groups (Colombia, El Salvador, Guatemala, Honduras and Central America - Reconstruction), which act as a coordinating umbrella for international donors in the country or group of countries concerned.

In addition, the two institutions initiated a programming dialogue in 2001. The Commission departments concerned (DG External Relations and EuropeAid) sent representatives to Washington in October 2001 to meet their IDB counterparts and exchange views on the situation in Latin America., their respective programming priorities, possible areas of co-operation and ways of better working together.

To that end the two institutions finalised a draft Memorandum of Understanding which will provide a framework for greater collaboration on jointly agreed priorities, namely the consolidation of democracy, poverty reduction and social equity, regional

integration and the development of information technologies. The signing is scheduled for May 2002 at the Madrid Summit.

In October 2001, a European Commission mission visited the IDB's headquarters in Washington DC. On that occasion, new possibilities for co-operation were identified in the field of support for microenterprises and regional projects. The Commission also finances the Instituto de Desarrollo Económico y Social (INDES), a regional support project for managers of health projects in Latin America. The countries where co-operation between the IDB and the EC should have the most impact are Bolivia, Brazil, Ecuador, Honduras, Nicaragua and Peru.

4.7.10.2. World Bank

In July 2000 the EC signed a Contribution Agreement to the HIPC (Heavily Indebted Poor Countries) Trust Fund managed by the World Bank that would benefit Asian and Latin American countries. The EC contribution amounted to € 54 million, of which € 45 million was earmarked for debt relief assistance: Bolivia (€ 14 million), Honduras (€ 12 million) and Nicaragua (€ 14 million). All the contributions to the Latin America countries were disbursed in 2001.

The two institutions' loan programme takes place against a backdrop of political and sectoral reform. Budget support is often applied. The World Bank calls this type of operation a **programme loan** – which differs from the "classic" forms of project or adjustment loans. The programmes must have a timeframe of 5 to 10 years and in certain cases of up to 16 years. Budget support is also envisaged for sectoral programmes lasting 2-3 years.

4.7.10.3. US Agency for International Development (USAID)

The EC works alongside USAID under the New Transatlantic Agenda (NTA) and joint action plan. Regular contacts are maintained in areas of common interest: development of the private sector, institutional capacity building, assistance for democratic institutions, Human Rights, decentralisation and so on. A study into the evolution of development problems in Central America was carried out by the Hamburg Institute of Ibero-American studies and the *Inter American Dialogue* of Washington, DC. This analysis – warmly welcomed by USAID – proposes a model of regional economic integration and puts forward proposals for the democratic strengthening of institutions, for progress towards the customs and monetary union and for the reform of tax and budget systems in the countries of the region.

4.7.10.4. Organisation of American States (OAS)

During 2001, as the EU Member States have permanent observer status in the OAS, they met every month to discuss questions concerning the EU and exchange views with OAS senior officials. The OAS, which is not a financing institution and only intervenes in partnership with other organisations, has shown a marked ability for collecting funds (USD 36 for USD 1 of grant). During a mission in October 2001, there were exchanges of views on three areas of activity: projects concerning natural risks, for which the OAS has proved to be very efficient and collaborates well with the local authorities and NGOs; promotion of democracy and the Inter-American Drug Abuse Control Commission (IDAC). Co-operation between the EC and IDAC began 8 years ago, with the allocation of grants to combat trafficking in the chemical substances needed for drug production.

4.7.10.5. European investment Bank

Signatory of framework agreements with 15 Latin American countries and a major European player in the region, the EIB contributes to funding investment projects of common interest to the EU and Latin America. As the Commission's partner, it has mainly intervened in the following sectors: industry, energy, telecommunications, water and sanitation, and transport. In 2001, € 365.20 million was allocated to operations in Argentina, Brazil, Panama and Mexico. An EC mission visited the Latin America Directorate in June 2001. This mission identified three main areas of co-operation: risk capital, SME financing and the increase in EIB loans to projects from the private sector.

EIB projects signed in 2001

Country	Project title	Sector	Amount € million
Mexico	Vetrotex America	Industrial	15.91
Panama	Cable & Wireless Panama II	Telecom	54.23
Argentina	VW Argentina	Industry	46.61
Argentina	Central Dock Sud	Energy	77.33
Brazil	COMGAS	Energy	46.80
Brazil	Vega Do Sul	Industry	58.00
Brazil	Veracel Forestry	Agriculture	32.74
Brazil	Light Electricity distribution	Energy	33.58
Total			365.20

4.7.11. ECHO

In 2001 ECHO (European Community Humanitarian Office) granted humanitarian aid of € 35.05 million to Latin America. The two main areas of intervention were Colombia and El Salvador. In Colombia, ECHO has been active since 1997 to help people who are internally displaced as a result of the fighting between various armed groups and the government, above all in the period immediately following their displacement. In El Salvador, ECHO aid was used to provide the victims of the two earthquakes at the beginning of 2001 with temporary shelter, clean water, sanitary systems and medicines.

Other operations were in response to natural disasters in Bolivia, Paraguay, Peru, Guatemala, Honduras and Nicaragua, and to help people displaced by the Chiapas conflict in Mexico. Under its DIPECHO programme, ECHO also launched a series of projects designed to ensure that local populations are better prepared against natural disasters in the Andean Community and Central America.

ECHO - Financial decisions 2001

Country	Project title	Amount € million
Bolivia/Paraguay	Humanitarian aid for victims of the floods and drought in Bolivia and by the drought in Paraguay	1.950
Colombia	Humanitarian aid for displaced people in Colombia	10.000
El Salvador	Humanitarian aid for people affected by the earthquakes of 13/01 and 13/02/01	10.000
Guatemala/Honduras/ Nicaragua	Humanitarian aid for victims of the drought in Central America	3.350
Mexico	Humanitarian aid for displaced people in Chiapas	1.800
Peru	Emergency relief for victims of the earthquake in Peru	3.150
Andean Community	DIPECHO Second Action Plan (disaster preparedness and prevention measures) for the Andean Community	1.800
TOTAL		32.050

4.7.12. *Monitoring in Latin America*

In 2000 the Commission devised a system to monitor the improvement in results based on the project cycle management tried out in 2001 in each geographical zone (ALA/MED/ACP/Balkans). The initial data, still provisional, collected under this new system have provided useful information about the progress of projects managed by each geographical directorate and about the improvements that should be made. The system will be extended to cover all of ECHO's activities and will be fully operational in 2002.

In 2001, 80 projects were reviewed in 13 Latin America States. The Community contribution to these projects amounted to € 381.9 million. Of this total, 21% went to the education sector and the rest was equally divided between the other sectors analysed.

The average mark obtained by these projects was 2.69 whereas the average mark obtained by all the projects financed by the European Community worldwide was 2.5.

The projects were marked on the basis of several criteria, such as effectiveness, efficiency, expected secondary effects or inclusion of the environmental dimension. In Latin America the effectiveness of projects was judged to be very satisfactory. None the less, failure to meet deadlines and taking insufficient account of the environmental dimension were underlined.

These results should, however, be handled with caution for the reasons set out in the chapter on "*Monitoring*".

4.7.13. *Conclusions and prospects*

As it announced at the Rio Summit, the European Union is determined to develop a long-term strategic partnership with Latin America to defend common political, social, economic and trade interests at international level.

Developing the special relationship between the European Union and Latin America means maintaining and stepping up dialogue with the Rio and San José Groups and with the Andean Community, Mercosur, Chile and Mexico. It also calls for certain conditions to be met, in particular the consolidation of democratic systems and the strengthening of the rule of law in Latin America, together with reduction of poverty and social inequalities and the integration of disadvantaged groups. The sustainable integration of the Latin American economies into the world system and their participation in the multilateral trading system requires a certain amount of adaptation. This calls for a context of regional integration, as fostered by the European Union. In pursuit of these objectives, political dialogue and trade negotiations must be accompanied by development co-operation

The policies pursued by the EU in 2001 have helped to strengthen the political and economic autonomy of Latin America, while strengthening both internal regional links and those of partnership with Europe. It is along these lines that the Commission intends to pursue its activities and to continue to direct its external aid towards the countries and regions of Latin America.

The second Summit of Heads of State and Government of the European Union, Latin America and the Caribbean, which will be held in Madrid in May 2002, should confirm these co-operation priorities.

5. FEATURE : RESULTS-ORIENTED APPROACH TO DEVELOPMENT

5.1. Country Performance and Project Performance

5.1.1. Introduction

According to World Bank estimates, an extra \$50 billion a year is needed to reach the Millennium Development Goals (MDGs). The commitments made in Monterrey in March 2002 to increase ODA levels are a major step forward in achieving global sustainable development. The Monterrey consensus links, specifically, aid effectiveness with country ownership of good policies and sound governance, promising more aid to good performers.

How can we be sure that this extra money, and indeed any development assistance, actually leads to concrete results on the ground? How can we be sure that our efforts are contributing bit by bit to prosperity and security for all?

These are not easy questions to answer. Strikingly, in most developing countries **data** on poverty reduction are not merely unsatisfactory: they are often non-existent, out-dated, unreliable, or simply not used as a tool for policy decisions. The development community (composed of donors, governments and civil society) has too often failed to examine the results of their policies and financing over the last decades.

Reporting on financial commitments is not enough. Donors need to report and be held accountable by their stakeholders for the concrete **changes** in the lives of poor people stemming from the collective effort of development partners.

The Commission is in the process of moving increasingly towards results-oriented development assistance. This commitment to **manage for and by results** was formally underlined in the Communication in 2000 from the Commission on the European Community's development policy and the resulting statements and action plan.

This chapter sets out the **two main approaches** developed recently to measure results. The results of any one donor's efforts can be directly measured only on the level of single-donor projects or programmes. Larger-scale operations involving several donors as well as the government and other actors will yield results achieved by a joint effort which cannot be attributed to one or another member of this team (the so-called "attribution gap"). The first approach therefore describes how collective results are monitored at the level of sectors and countries, using indicators agreed by all stakeholders. The second part of this chapter presents an approach to measuring and monitoring the results projects achieve, i.e. their outcomes and possible changes in the lives of the beneficiaries.

This chapter describes work in progress, and presents the main elements of 'where we are' in managing for results. These approaches are not yet finalised, and some of the components not yet fully tested. The Commission understands this chapter also as an invitation to the reader to participate in a collective reflection on effective and reliable ways of measuring the impact of our external assistance on global sustainable development.

5.2. Monitoring Results: Country Performance

The introduction of **Poverty Reduction Strategy Papers** (PRSP) in 1999 results orientation being one of the five principles of these – and the agreement of 189 countries on the **Millennium Development Goals** (MDG) in September 2000 gave impetus to the move towards increasing attention to results. Concrete and more results-oriented monitoring of country performance in economic growth and poverty reduction stems from the necessity, identified in a range of studies, to improve:

For developing countries:

- **Country ownership.** Assigning responsibility to recipient governments for achieving their objectives in terms of poverty reduction gives them more space to define their own strategies and policies to this end.
- **National accountability.** In countries developing a Poverty Reduction Strategy, this evolution of donors from monitoring policies and actions to a participative results-oriented approach is essential if we are to promote the development of national accountability.
- **Policy-making process.** The analysis of results on the ground should lead to policy re-orientations and provide an input to policy dialogue.

For donors:

- **Donor accountability to stakeholders.** Reporting on financial commitments is not enough. Donors need to report and be held accountable by their stakeholders for the concrete changes in the lives of poor people stemming from the collective effort of development partners.
- **Donor co-ordination.** Focusing on the results achieved by each country should allow better co-ordination of donor performance assessment. Here again, in countries concerned, PRSPs should provide the framework for this co-ordination.

Two substantial areas of work illustrate that the Commission is moving increasingly towards results-oriented development assistance: Country Strategy Papers (CSPs), and the provision of macro-economic support in ACP countries.

5.2.1. Results-oriented Country Strategy Papers

In the framework of the programming process, the Commission is developing guidelines for staff programmers to introduce development indicators in CSPs. As most donors are still at a very early stage in the conceptual work on development indicators, the Commission is working closely with Member States, OECD-DAC, and other donors in drafting these guidelines.

A joint working group has been set up involving Member States, OECD-DAC, and various Commission services. It held its first meeting in March 2002. The objective of this working group is to explore the potential for donors to adopt a joint approach, including common principles and typology, in their monitoring requirements in order to reduce the burden imposed on recipient countries. The basis for this work is the *Draft guidelines for the definition of development indicators* prepared by the Commission. This is “work in progress”, and its outcomes will progressively feed

into the Commission's programming and review process. It has been warmly welcomed by Member States and OECD-DAC.

These *Draft guidelines* start by defining principles and a typology, and present two levels at which donors may use results-oriented indicators to monitor country performance.

5.2.1.1. Typology

Indicators need to be classified according to a clear typology. We propose to use the following classification, to ensure coherence with earlier work:



- **Indicators of input** measure the financial, administrative and regulatory resources (often called “processes”) provided by the Government and donors. It is necessary to establish a link between the resources used and the results achieved in order to assess the efficiency of the actions carried out.

Eg: Share of the budget devoted to education expenditure, abolition of compulsory school uniforms

- **Indicators of output** measure the immediate and concrete consequences of the measures taken and resources used:

Eg: Number of schools built, number of teachers trained

- **Indicators of outcome** measure the results at the level of beneficiaries. The term ‘results indicators’ is used as well.

Eg: school enrolment, percentage of girls among the children entering in first year of primary school

- **Indicators of impact** measure the consequences of the outcomes. They measure the general objectives in terms of national development and poverty reduction.

Eg: Literacy rate, unemployment rate

These various types of indicators are all relevant for policy makers – that is, for national Governments. However, they are not all similarly relevant for donors, who should concentrate on the outcomes of the nationally-owned policies they support.

The conclusions of the pilot exercise on the reform of conditionality¹³⁷ clearly showed the need for donors to lay particular weight on outcome indicators. Past practice however was focused rather on input or output indicators, whose improvement gives no guarantee of improvement of services: there are, for example, numerous examples of an increase in budgets or even in the number of health centres, which go along with a drop in attendance at these centres. Impact indicators are slow to respond, complex to measure and depend on numerous factors other than the Government's policy. Focusing on outcome indicators should allow increasing

¹³⁷

Lead in Burkina Faso by the European Commission in the framework of the SPA, with 12 other donors.

ownership by Governments of the policies to be implemented in order to attain these results.

A focus on these indicators should also enhance the credibility of development assistance, in beneficiary countries as well as in donor countries.

5.2.1.2. Principles

Definition of indicators

- (1) It is necessary that each country and its main donors agree to use common (outcome) indicators to assess country performance. In relevant countries, this should be done in the framework of the PRSP monitoring system.
- (2) It is useful to disaggregate indicators, *e.g.* by:
 - Gender
 - Public / private sector
 - Geographic (by distinguishing in particular the poorest regions)
 - Rural / urban
 - Income level (although that is seldom possible) and main source of income

In all cases the level of disaggregation should be specified when the indicators are defined. This disaggregation allows better focus on the target populations for development and poverty reduction policies.

- (3) It is preferable to restrict the list to a limited number of essential indicators. A multiplicity of indicators of all kinds creates great difficulties of interpretation. It also makes it difficult to focus on the essentials. The indicators chosen have then to be defined clearly and unambiguously (*e.g.* for vaccination, to specify which vaccines this involves, what is the target population *etc.*) .
- (4) Measurability is a key criterion when selecting indicators. This is a separate issue from the quality of present data systems (discussed below). When defining each indicator, it is necessary to consider the time and resources needed to collect the data, and the frequency with which these data could be obtained. It is possible that technically an indicator is measurable annually, but in practice it changes only over the medium/long term. The evolution of such indicator is then influenced by the policies implemented years earlier, and its value as a measure of present policies may be limited.
- (5) It is often important to express the statistical data for the indicators not only in percentage terms but also in absolute values, to allow the analysis to exclude errors due to uncertainties in estimating the total population. It is also preferable to work on trends rather than just on isolated data. Accordingly, it is important to review existing databases when selecting the indicators. The data over the last five years should be available: if this is not possible, the indicator may need special justification.

Reliability and quality of data

- (6) It is necessary to keep a watchful eye on the reliability and the representativity of the data on which the indicators are based. In case of doubt, it is preferable to use a 'proxy', *i.e.* indirect indicator that is easier to measure and which gives a good approximation for other indicators that are more difficult to measure. It is then essential to adopt an evolutionary approach, with regular checks on the validity of the indicators in relation to the objective they are meant to assess.
- (7) Support often has to be provided initially to check the quality of the data and to help the Government to improve its reliability and increase the speed of data processing – existing systems are often excessively heavy and slow. The aim of this support should be to strengthen the national system. Experience shows that this support does not in general need large sums of money, and that quick progress on the essential data is possible. It will be important to develop collaboration with Eurostat in strengthening statistical capacity.

Setting targets for the indicators

- (8) The Government of the country will set the target values for the indicators, in a manner coherent with recent trends and policy orientations. They should be discussed with the donors who plan to support the country. The Government should define the targets for at least the period of the PRSP, if it has one, or the next 3 years if not.
- (9) Discussion of the target values faces two difficulties: excessive optimism (often connected with the fact that the indicators are used as a slogan rather than as a decision-making tool) and excessive prudence (showing a lack of ambition). The best way to avoid these two excesses is to follow a transparent process within the country, involving civil society and Parliament both in the discussions which lead to the definition of indicators and in their monitoring. This transparency also affords the targets greater visibility, and contributes to domestic accountability.

Analysis of the evolution of indicators

- (10) The analysis of the evolution of the countries' performance should never be restricted to a mechanical interpretation of indicators. It should be done in the framework of a substantial policy dialogue with the Government, taking into account the influence of internal and external factors.
- (11) It is necessary to keep in mind that focusing on a limited number of indicators, in particular when performance measured by these indicators is used by donors to determine their levels of financial support, may alter reporting behaviour or lead to a bias in prioritisation of policies. The incentive effect of the overall set of indicators needs to figure in the policy dialogue between Government and donor partners.

5.2.1.3. Monitoring country performance

The draft guidelines propose two sets of indicators that should be monitored in Commission programmes at country level.

At a general level, and in all countries where the Commission is working, a limited set of indicators should be monitored (annually and in the medium term) in order to have a global view of progress towards the MDGs. This limited set should draw from the most relevant of the 48 indicators associated with the MDGs, plus, in order to be able to report annually on countries' progress, a small number of annually measurable key indicators. These supplementary indicators would include input indicators (which are not part of the MDG monitoring framework), *e.g.* indicators to measure the financial support to specific sectors from both Government and donors. It would also include quick-changing outcome indicators. The draft guidelines suggest that this minimum set of indicators, once agreed, should be monitored systematically in all Country Strategy Papers to allow comparability.

Monitoring this wide range of indicators systematically, including annually measurable outcome and input indicators at country level, will allow the Commission to keep an eye on the evolution of sectors even where it is not an active player. This will inform the decisions taken at the review of the Country Strategy Papers.

At the sectoral level, in CSP focal sectors, a wider range of indicators is to be monitored. These indicators should be part of the more comprehensive set of indicators used for management and accountability purposes by the relevant Ministries in country. Although they cannot so easily be measured through generalised quantified indicators, policy orientations and regulatory measures by Government should be monitored as well.

In all cases, indicators monitored by the Commission are based on the **national processes** taking place in country (PRSPs for those countries for which they are relevant). This is a process of reciprocal influence and experience sharing, as well as a valuable tool for discussing policy issues and increasing Governments' domestic accountability.

5.2.2. *Poverty Reduction Budget Support*

A second example of the results-oriented approach is budget support for PRSPs. So far, this feature concerns only ACP countries. A similar approach is being extended to other programmes (ALA, MEDA) where appropriate. In ACP countries the European Commission has an innovative approach, linking the amounts of aid directly to the level of performance of the country in social sectors (mainly health and education) and public finance management. This is done through the use of performance indicators (*e.g.* share of spending on health and education; enrolment rate; attendance at health centres; infant vaccination coverage, *etc.*) and intensive discussions with Government on the degree of achievement of the targets it set itself. Meeting these targets secures full funding; missing them reduces it.

In this way, the Government receives the resources to draw up a budget better capable of delivering key social services, and also receives incentives to deliver those intentions. Because these targets reflect common agreements between the Government and the community of donors, they carry greater weight; because the Commission is one of the leading donors, they should also reflect the priorities of the Commission in this dialogue. Because they derive from a nationally owned PRSP, they are more likely to be implemented than externally imposed conditions.

14 out of the 30 ACP countries where the Commission currently provides budget support already implement this approach (14 other countries are in the process of agreeing on a set of indicators). This analysis is based on the 30 financing proposals for Poverty Reduction Budget Support (PRBS) passed in 2000 and 2001, which amount for a total of € 875 millions.

5.2.2.1. New orientations derived from the Burkina Faso Pilot exercise

In the light of the results of the pilot exercise on reform of conditionality carried out in Burkina Faso¹³⁸ between 1996 and 2000, the Commission has set out new orientations and mechanisms for its poverty reduction budget support programmes. Their objective is to increase effectiveness of aid by improving ownership, smoothing disbursements, and enhancing donor co-ordination.

The new orientations and mechanisms derived from the Burkina Faso Pilot exercise aim to increase long term **sustainability** of reforms, improve Government **ownership** and develop donor **co-ordination**.

The main concrete changes in EC budget support resulting from these new orientations are a shift from traditional process conditionality to results-based performance assessment, variable disbursements based on the results achieved, and better co-ordination with other donors in the framework of the PRSP.

The degree of implementation of the new approach varies by country, due partly to their different stages in the PRSP process and partly to variable availability of data. However, discussions on donor co-ordination and performance indicators are closely linked to the PRSP process.

5.2.2.2. Reform of conditionality

The EC's new orientations on conditionality point to a limited number of key conditions. Traditional process conditions should be gradually replaced by performance assessment based on outcome indicators, leaving the Government more space to decide its own policies.

Two main conditions remain associated to the signature of the financing agreement and release of subsequent tranches. These conditions appear in all 2000 and 2001 financing proposals:

- Signature/satisfactory progress of agreement with IMF (Poverty Reduction & Growth Facility) and sometimes with the World Bank. This should mean that the country has a sound macro-economic framework.
- Progress on PRSP process

Therefore, EC programmes are closely linked to IMF (and sometimes World Bank) conditionality.

¹³⁸

This pilot was led by the EC with the support of 9 bilateral donors and the IMF, UNDP and WB in the context of the Strategic Partnership with Africa (SPA). Its findings are summarised in 'Bilan : Test sur la Réforme de la conditionnalité', July 2000.

Out of the 30 countries in the sample, financing proposals in 15 countries include no additional process conditionality, and in 7 countries include process conditionalities only in public finance management.

The shift towards results-oriented performance evaluation has been much more effective in the social sectors (health and education mainly) than in public expenditure management. The difficulty of identifying outcome indicators in this field is the main reason for this slower pace.

A few countries have conditionalities in other domains than health, education, public finance management and macro-economic framework (*e.g.* transport, justice or regional integration).

5.2.2.3. Results-oriented performance assessment

The new orientations of EC budget support imply an increased focus on results when assessing the performance of countries. This focus is strengthened through the gradual move towards linking financial support to performance evaluations based on outcome indicators.

3 main steps are necessary before it is possible to base disbursement on the analysis of performance indicators:

- Agreement between the Government and the Commission on a limited set of outcome indicators on which to base the evaluation, and clarity on how to monitor them.
- Confidence that a reliable system exists to collect data on the agreed set of indicators, if need be supporting its improvement through capacity building and initial financial assistance.
- Decision of the Government on the target values for these indicators, based on past trends and policy orientations.

Countries can be classified in three groups according to how far the EC programme has gone along this path: most advanced countries, intermediate countries and least advanced countries.

Most advanced countries

In the most advanced countries, prior agreement on a limited set of performance indicators leads to their use in determining the disbursement of a subsequent variable tranche in the programme. There is therefore one fixed tranche linked to sound macro-economic policy (existence of an IMF programme), and one variable tranche linked to performance assessment. In most countries, this variable tranche is divided in two sub-tranches. One is linked to satisfactory management of public finances (assessed through performance indicators), the other to the evolution of the set of agreed performance indicators compared with the targets set by the Government.

The indicators on which disbursements are based are a mix of input, output and outcome indicators. The most commonly used are the following:

Public finance management / budgetary management

- Share of Government's budget arriving to most peripheral structures
- Budget allocated to social sectors, and actual expenditures
- Difference in unit costs of public sector procurement and market prices

Health

- Attendance at primary health service points
- Ante natal health care coverage
- Immunisation rates (DTP3, BCG and measles)
- Cost of basic medical care

Education

- Net / Gross enrolment rate (boys/girls) in first year of primary school
- Percentage of children passing from primary to secondary education
- Average pupil-teacher ratio
- Average pupil-classroom ratio
- Average pupil-book ratio
- Cost of access to primary education (private / public) for the family

The process of performance evaluation based on these indicators differs according to the country. In all cases, the Government is asked to provide an analysis of the results achieved, and possibly point out any external factors in order to allow an assessment of the country's performance on sound but not mechanical basis. Discussion of the results of the measurement of the indicators involves responsible line ministries of the Government, the EC, and sometimes organisations representing beneficiaries or other donors. It may be decided that an indicator should be dropped, in case of "force majeure" or exceptional circumstances.

The following method is applied in all countries:

- If the agreed target is reached or considerable progress is achieved, it scores 1 point.
- If the target is not reached but positive progress is noted, it scores 0.5 point.
- If the development is negative, or insufficiently positive, it scores 0 points.
- The total of these points gives the level of realised performance.

Calculation of the level of disbursement derived from this level of realised performance varies according by country. The value of the variable tranche linked to

performance evaluation is on average 22% of the total amount of the programme (of which 38% and 62% are linked to public finance and social sectors performance respectively).

5.2.2.4. Conclusion

The new orientations for conditionality in EC budget support cannot yet be evaluated in terms of results. Nevertheless, a review of the process and methodology is currently under way. Meanwhile, they raise some major issues which all donors need to consider:

- An increased focus by other donors on outcome indicators would enhance the Governments' attention to the results of its policies.
- The definition of a clear PRSP cycle, including an annual matrix of measures and assessment of performance indicators, would improve the link between donor support and the PRSP process.
- The combination of traditional process conditionality with result-based assessment is incoherent and should be avoided.

5.2.3. *Way forward*

Two main issues are crucial if the Commission's choice of a results-oriented approach is to be effective.

The first one is the need to increase support to strengthening national statistical system. This can be done in collaboration with Eurostat, and should involve increased co-ordination with other donors.

The second one is achieving an improved collaboration with Member States and other donors, both in headquarters and in country. This implies better information sharing, agreement on a joint approach, and greater willingness to co-ordinate monitoring and reporting around national systems.

5.3. **Project Results: Results-oriented Monitoring**

5.3.1. *Background*

Monitoring has many different definitions. It can be described as performance monitoring, management monitoring or simply project monitoring. In all instances it must be a timely, speedy and effective process to provide regular information on progress. Monitoring is a regular mechanism of observation, involving the preparation and submission of status reports and analytical assessments of the project's evolution. It is concerned mainly with measuring actual against planned results. It enables focused project management decisions to be taken, in order to:

- Allow adjustments to be made with minimal disruption
- Ensure that projects remain on course and reach their objectives.

Implementation Monitoring of projects or any other activities can be done on a daily or weekly basis, for example by a project manager who has to keep a good

overview of the project's performance. This is mainly geared to overseeing the transformation of inputs into outputs and is carried out by the project management itself, supervised by the their own agency or authority and by the EC Delegations.

The **results-oriented monitoring** system, described below, assesses the project or programme's performance, as well as its wider implications (without analysing these in depth). This system provides the Commission with independent advice by external experts on its project portfolio. The system used in the ALA/MED/ACP and Balkan regions since 2000 (as described below) is similar to, but distinct from, the system used in the NIS (Tacis) countries since 1993. Harmonisation of the two systems is planned for 2002. Having one consistent approach will ensure that the Commission has comparable data for all regions where it provides external assistance.

In the present situation implementation monitoring is normally the responsibility of the Government Authority and the EC Delegation. In addition projects are monitored, with a view to results, by an independent monitoring team at regular intervals.

5.3.2. *Results-oriented Monitoring System for Development projects¹³⁹ - Description*

During 2000, the Commission conceived an improved results-oriented monitoring system for the ALA/MED/ACP and Balkan regions, which is rooted in the Commission's Project Cycle Management system. This system was tested and improved during 2001.

The main objective is to gather results-oriented information on projects in the field and to report on progress. The system provides an **overview on project progress towards results** for both Delegations and the Office. It is not primarily aimed at project authorities, whose day-to-day management requires more detailed information, although it should of course be of use to them as well as to partner Ministries and Governments.

The system involves short field visits to projects by experienced **external** experts, who complete semi-standard score-sheets estimating the **efficiency, effectiveness, impact, relevance and likely sustainability** of projects and programmes. In order to ensure consistency in the system, each of the five criteria is thoroughly defined in conformity with existing methodology and then broken down into its components, which the monitor has to consider carefully before giving a rating. The external monitoring experts have varying sectoral and geographic knowledge and experience. They work in appropriate small teams; their work is based on the analysis of documents and interviews with representatives from all stakeholders for a given project, including final beneficiaries. Key data such as the project budget are noted, but no audit or in-depth financial monitoring is done. The reports, opinions of Task Managers and basic project documents, are recorded in the central database, which is be a key management and information tool.

Ongoing projects (at least six months of implementation and of another six months duration) of a certain minimum size (approx. € 1 million) are monitored. By the end of 2001, about 500 projects with a total value of € 4.7 billion had been monitored in ALA/ACP/MED and the Balkans. It was possible, during the conception and test

¹³⁹

Except TACIS countries.

phase to monitor some projects twice, the number of monitoring reports is therefore higher than 500.

5.3.3. *First insights from the conception and test phase*

With the conception and test phase having ended in January 2002, **first insights** have been gained on what works and what can be improved. These insights should be regarded with **caution**, as the sample of projects monitored was relatively small in comparison to the total volume of aid. In addition, certain instruments, such as budgetary support, have not been monitored.

Performance of projects/programmes varies according to size, region and sector. A first general conclusion is that, **on average**, the projects assessed were progressing **“according to plan” or slightly better**. The performance scale used was 1-4, resulting in an unweighted average score of 2.5. Average scores for the various attributes range from 2.51 to 2.67.

Two key observations were that:

- As might be expected, projects with well-formulated, clear objectives and strategies tend to perform better than projects with no or poorly formulated objectives and strategies.
- Common guidelines for implementation monitoring (daily information for project management and delegation) and other basic management instruments are likely to improve the efficiency of projects and programmes.

5.3.3.1. First insights by criteria

In the following section, best practices are highlighted in the shaded boxes.

The five main criteria in the assessments are relevance, efficiency, effectiveness, impact and sustainability.

Average ratings for main criteria, by region¹⁴⁰

	Average rating by region					Average rating, all projects
	Asia	ACP	Balkans	LA	Med	
Relevance	2.72	2.57	2.17	2.70	2.21	2.57
Efficiency	2.63	2.53	2.25	2.53	2.40	2.51
Effectiveness	2.93	2.64	2.33	2.86	2.27	2.67
Impact	2.83	2.59	2.33	2.71	2.25	2.59
Sustainability	2.73	2.51	2.33	2.68	2.39	2.55

Relevance and design (rating 2.57): Projects were generally relevant and inputs were adequate, but the design was often a major weakness. Successful projects were characterised by their clear reference to the national context and the existing needs and demands of stakeholders. Poor performance in these areas was associated with lack of a proper identification study or needs assessment to clearly identify the circumstances and problems of the intended beneficiaries.

¹⁴⁰

First monitoring round only, no re-monitoring visits

Mali: Programme d'Appui à la Politique Culturelle du Mali - 8 ACP MLI 14

Sector: Culture and recreation

Mali, one of the poorest countries of the world, is endowed with cultural heritage and tourist potential, which are not sufficiently promoted and exploited. This projects aims to address this.

Relevance and quality of design

“The Programme is designed in strict adherence to the country’s sector policy. It takes up the challenges of the Cultural Action Plan, establishing clear objectives, purpose and expected results. The implementation strategy is realistic and the resources made available adequate. Correctly, the Programme recognises and encourages collaboration and synergies with all other initiatives, internal, regional or provided by other donors.”

Efficiency (rating 2.51): Projects had generally demonstrated their ability to respond to changing needs and situations. However, the timeliness of activities was commonly estimated to be a serious deficiency. Successful projects employed high-quality management staff and made good use of logical frameworks, work-plans, other schedules and internal monitoring systems. Poor performers lacked the necessary qualified and stable management capacities, and made too little use of standard project management tools; co-ordination with other involved donors and/or sub-contractors was difficult. EC procedures were also associated with extended delays in implementation.

India : Community Management of Natural Resources ALA/ 93/ 33

Sector: Rural Development

The aim of the project is to contribute to reduced environmental degradation and create local income opportunities through the development of participatory community management and a series of micro social projects. The project has enabled remarkable improvements in the economic and social conditions in the small tribal communities.

Efficiency

“A good cost control system has helped project management to achieve much lower costs for each individual intervention, with the ultimate results that more micro-projects can be undertaken without budget overruns. Project interventions are well planned, organised and implemented in time. This led to a high success rate. Project staff are all nationals with a good level of education in their specific fields and a great enthusiasm for the project objectives. Quality of activities and results reflect this.”

Effectiveness (rating 2.67): Successful projects were characterised by good beneficiary involvement, participation and communication. Secondary effects are sometimes found, and these have been received positively. Weak performers suffered from problems of poor communication and contact with beneficiaries. Inadequate EC procedures were also cited as a cause for low effectiveness.

Bangladesh : BRAC Education Programme ALA/99/15

Sector: Health policy and administrative management

The overall objective of the project is to contribute to poverty alleviation through access to non-formal primary education for those children normally outside formal schooling. The project is a follow-up to a previous phase where non-formal primary schools were opened throughout the country covering more than one million children. In this phase, the focus is on the provision of an improved full range primary curriculum.

Effectiveness

“The planned beneficiaries even in remote areas have access to project benefits. A very high level of community involvement already exists and very good communications are maintained with planned beneficiaries. The programme has adapted very well to ensure that benefits reach as many beneficiaries as possible. The beneficiaries themselves have a high perception of the project benefits exemplified by the fact that poor families prefer the project schools, which have a token charge, unlike the free government system.”

Impact (rating 2.59): Quite often, indirect and unplanned effects received high positive ratings. Strong performance in this area was typically associated with support to capacity building and awareness-raising, and good contacts with local populations. Impact was sometimes low if crosscutting issues and potential linkages to other projects and programmes were neglected.

**Honduras: Desarrollo de la Educación en Comunidades Urbano-Marginales en Honduras
HND/B7-310/96/204**

Sector: Primary Education

The project aims to help marginal urban communities participate more actively in the country's democratic, social and economic development.

Impact

“The project is likely to have a strong impact on its environment and to contribute to its overall objective. Communities are developing their capacity for self-organisation and self-management of local policies and are likely to play a more active role in the development of civil society and the country as such.”

Sustainability (rating 2.55): Socio-cultural (including gender), technological and environmental issues were frequently considered to be good or very good but financial and economic soundness was often weak. Sustainable projects tended to interact well with policy makers to ensure high levels of policy support. Capacity building was important at various levels, responding to local needs with high involvement of beneficiaries in the design of the project. The findings suggest that sustainability is likely to be weak if governments do not provide sufficient policy support as well as local capacities and resources.

Sector: Support to NGOs

In Africa, UNDP estimates that less than 1% of the need for wheelchairs is met through local production, and UNESCO estimates that less than 2% of the people who need a wheelchair have one. The project will develop the curriculum and course material for the world's first ever Wheelchair Workshop Manager's Training Course (WWMTC). Likewise, the project will locally produce a range of wheelchair prototypes for training in Tanzania.

Potential Sustainability

"The level of political and budgetary support from the relevant authorities and stakeholders is high. The project is very much owned by the local stakeholders. The project clearly promotes the participation of women in its activities. The project, which encourages the development of local capacities and knowledge (specific training, design, production, distribution and financial systems, institutional strengthening) will undoubtedly improve the living conditions of the final beneficiaries"

5.3.3.2. First insights by Region¹⁴¹

Five regions have been distinguished: Asia, ACP countries (Africa, Caribbean, Pacific), Balkan countries, Latin America, and the Mediterranean region. The number of countries visited, projects monitored and re-monitoring visits to each country are presented in the table below. This highlights the small sample size from which the conclusions have been drawn and, therefore, why the results of the interregional comparison of levels of project performance should be treated with caution.

Various factors may contribute to differences in observed performance between regional groups of projects. For example:

- Projects in one region may have been designed and conceived earlier than in other regions, *i.e.* at a period in time, when experience in project planning and implementation was more limited.
- Differences in average project size may also lead to differences in performance in interregional comparisons.
- The sectoral distribution of projects may also lead to differences in performance in the interregional comparison.

The analysis of the results of monitoring in the regions is done on a fairly aggregated level. Therefore, it is not possible to isolate the influences of individual factors. Country-specific factors such as strength of the local project administration, development orientation in government policymaking and administration, and existing human resources and physical/organisational infrastructure for project planning and implementation blend in with other factors such as the strength of project management on the EC side, or the specific portfolio of projects and programmes allocated to that country.

¹⁴¹ Not including TACIS.

If, for example, projects in sector X are particularly difficult to plan and implement, and most projects of sector X are concentrated in region Y, then performance in region Y may be particularly low, but the relevant determining factor for performance will be the sector, not the region. Further analyses must be carried out, before the impact of regional and other factors on project performance can be assessed in a well-founded manner. For this analysis, a much more solid statistical base of reports will be indispensable.

These attribution problems are another reason why the results of the interregional comparison of levels of project performance should be treated with caution. At the most, the current analysis may provide orientation for the preparation of further, more in-depth investigations into the nature of project performance in specific regions.

5.3.4. *Monitoring in TACIS Countries*

Since 1993, the majority of TACIS projects have been subject to systematic monitoring during their implementation, with a methodology similar to, but distinct from, the one developed for the ALA/MED/ACP and Balkan regions. In 2001 the three different external teams were merged and regional particularities harmonised. In 2001, 856 monitoring reports and 543 country or sectoral notes were submitted to the EC and other stakeholders. An assessment of project performance showed that results were globally between 'standard/to plan' and 'good' with a tendency to 'good' for projects completed in 2001.

Further Steps

The **value** and usefulness of the monitoring system lies with the quality and consistency of the reports. The system needs to be extended to cover the Commission's co-operation instruments as completely as possible. As mentioned in the beginning of this sub-chapter, the methodology is being continually improved on the basis of lessons learnt and it may be further developed for the instruments of development co-operation which go beyond projects and programmes, notably sector wide approaches and budgetary support. Where coverage by this monitoring system is not useful or feasible for technical reasons, another more appropriate instrument may be needed to allow the Commission to be fully accountable.

The system has been **extended** to cover as large a share of activities as is economically reasonable, and contract management has been handed over to the concerned geographical directorates. The challenge is now not only to ensure high quality services, but also maintain (and, in the case of Tacis, establish) consistency of methodology.

Several questions remain open and will have to be decided in due time, such as the place of monitoring in a deconcentrated external service. There are also firm plans to assess, after an adequate interval, the usefulness of the monitoring reports and their application in practice. A delay of two to three years' use of the system is suggested.

5.4. **Conclusion**

The final outcome of the Monterrey conference reflected a widely shared consensus about **aid effectiveness**. It combines ambitious objectives in terms of more aid, a

reduction of debt and trade barriers with a **focus on results aiming at poverty reduction**.

The new concepts and agreements for which Monterrey now stands, pose challenges for development co-operation, results-oriented monitoring and evaluation.

The challenge will be taken up on all levels, political and operational, financial and technical. This chapter 5 deals with **ambitious tools** to better identify and judge concrete results, in order to be accountable for the efforts made (manage for results), but also steer efforts in directions yielding better results (manage by results).

An important first step in methodological terms has been achieved to monitor results benefiting the society (global goals) as well as in terms of systematically measuring concrete improvements in the lives of people (project objectives). More work is needed, and planned, to test and improve the methodologies and to co-ordinate with other players in the development community.

These works on improving aid effectiveness are, also, being accompanied and supported by efforts to improve management, and evaluate outcomes on a strategic level, described in the first chapter of this report. Efforts for better programming on a country level go hand in hand with efforts to manage more efficiently operations, in view of attaining the main development goals (see chapter 2).

6. FINANCIAL TABLES

Breakdown by sector of Official Development Assistance (ODA) to Part I countries of the DAC list financed on the General Commission Budget and the European Development Fund (EDF) in 2001					
Sector of Destination		Amount of Commitments in millions of €			
		Total ODA		Managed by EuropeAid	Managed by Other DG's
		Amount	%		
SOCIAL INFRASTRUCTURE AND SERVICES					
	Education	243.91	4.1%	232.32	11.59
	Health	277.00	4.6%	277.00	
	Population policies/programs and reproductive health	173.03	2.9%	173.03	
	Water supply and sanitation	224.27	3.7%	224.27	
	Government and civil society	427.93	7.1%	276.93	151.00
	Other Social Infrastructure	503.61	8.4%	348.19	3.40
	Subtotal	1,849.75	30.9%	1,531.74	165.99
ECONOMIC INFRASTRUCTURE AND SERVICES					
	Transport and storage	200.16	3.3%	200.16	
	Communications	91.37	1.5%	91.37	
	Energy generation and supply	134.12	2.2%	114.12	20.00
	Banking and financial services	158.42	2.6%	158.42	
	Business and other services	80.78	1.3%	80.78	
	Subtotal	664.85	11.1%	644.85	20.00
PRODUCTION SECTORS					
	Agriculture, Forestry and Fishing	473.68	7.9%	273.67	200.01
	Industry, Mining and Construction	234.13	3.9%	234.13	
	Trade and Tourism	153.15	2.6%	145.36	7.79
	Subtotal	860.96	14.4%	653.16	207.80
MULTISECTOR/CROSSCUTTING					
	General environmental protection	132.57	2.2%	116.86	15.71
	Women in development	8.02	0.1%	8.02	
	Other multisector	1,047.35	17.5%	1,115.25	84.12
	Subtotal	1,187.94	19.8%	1,240.13	99.83
COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE					
	Structural adjustment assistance with World Bank/IMF	243.14	4.1%	243.14	
	Development food aid/food security assistance	211.17	3.5%	206.66	4.51
	Other general program and commodity assistance	112.85	1.9%	112.85	
	Subtotal	567.16	9.5%	562.65	4.51
ACTION RELATING TO DEBT					
	Subtotal	76.13	1.3%	76.13	0.00
EMERGENCY AND DISTRESS RELIEF					
	Subtotal	609.16	10.2%	119.62	489.54
OTHER/UNALLOCATED/UNSPECIFIED					
	Subtotal	178.07	3.0%	147.57	30.50
GRAND TOTAL		5,994.02	100%	4,975.85	1,018.17

Breakdown by budget line of external aid financed on the General Commission Budget in 2001							
Amounts in M€		Total		Managed by EuropeAid		Managed by other DG's	
Item	Description	Commitments	Payments	Commitments	Payments	Commitments	Payments
B7-01..	Pre-Adhesion - SAPARD	540.00	30.53			540.00	30.53
B7-02..	Pre-Adhesion - ISPA	1,121.18	203.26			1,121.18	203.26
B7-03..	Pre-Adhesion - PHARE	1,650.69	1,167.89			1,650.69	1,167.89
B7-04..	Pre-Adhesion - Malta & Cyprus	26.30	2.53			26.30	2.53
B7-20..	Food Aid	461.39	483.86	461.39	483.86		
B7-21..	Humanitarian Aid	522.99	561.08			522.99	561.08
B7-30..	Asia	407.74	383.12	407.74	383.12		
B7-31..	Latin America	300.20	151.94	300.20	151.94		
B7-32..	South Africa	121.59	99.48	121.59	99.48		
B7-4...	Mediterranean	808.84	477.01	761.84	471.93	47.00	5.08
B7-42..	Near & Middle East	100.30	101.97	100.30	101.97		
B7-51..	European Bank for Reconstruction & Devt		7.43				7.43
B7-52..	NIS & Mongolia - TACIS	407.78	382.48	383.58	361.16	24.20	21.32
B7-53	NIS & Mongolia/CEEC's - Other actions	40.00	40.65	40.00	40.00		0.65
B7-54..	Balkans	824.98	920.02	704.98	844.97	120.00	75.05
B7-60..	Cofinancing NGO's	197.24	161.22	197.24	161.22		
B7-6002	Decentralised co-operation	5.06	3.52	5.06	3.52		
B7-61..	Training & public awareness	3.72	2.54	3.72	2.54		
B7-620.	Environment/tropical forests	42.10	33.90	42.10	33.90		
B7-6211	Global Health Fund	60.00		60.00			
B7-63..	Social infrastructure & services	26.75	11.19	26.75	11.19		
B7-6510	Coordination/evaluation/inspection	9.92	8.59	9.92	8.59		
B7-6610	Anti-personnel mines	12.00	4.07	12.00	4.07		
B7-66..	Other specific actions	55.87	70.30	2.26	22.11	53.61	48.19
B7-6710	Rapid intervention operations	19.98	6.20			19.98	6.20
B7-70..	Democracy & Human Rights	104.72	54.06	104.72	54.06		
B7-80..	International fishing agreements	194.30	191.96			194.30	191.96
B7-8710	Bananas ACP	43.50	16.86	43.50	16.86		
B7-8...	Other external chapters of Community policy	32.94	25.14	1.91	2.55	31.03	22.59
B8-0...	Common Foreign & Security Policy	32.67	29.50	32.67	29.50		
	Total Title B7-B8	8,174.75	5,632.30	3,823.47	3,288.54	4,351.28	2,343.76

**Breakdown by instrument of development assistance financed on the
European Development Fund (EDF) in 2001**

Amounts in M€		Total		Managed by EuropeAid		Managed by other DG's	
Instrument		Commitments	Payments	Commitments	Payments	Commitments	Payments
Programmed aid		869.94	752.52	869.94	752.52		
Structural Adjustment		215.46	303.76	215.46	303.76		
Risk Capital		383.47	183.46	383.47	183.46		
Interest Rebates		16.33	15.57	16.33	15.57		
Emergency Aid		11.90	30.48	11.90	30.48		
Aid to refugees		41.14	7.95	41.14	7.95		
Sysmin		-0.28	48.18	-0.28	48.18		
Stabex			353.22		353.22		
HIPC			350.00		350.00		
Others		16.20	22.72	16.20	22.72		
Total EDF		1,554.16	2,067.86	1,554.16	2,067.86	0.00	0.00
Grand Total Budget + EDF		9,728.91	7,700.16	5,377.63	5,356.40	4,351.28	2,343.76

Breakdown by country/region of external aid financed on the General Commission Budget and the European Development Fund (EDF) in 2001						
Country/Region	Commitments	Payments	Commitments	Payments	Commitments	Payments
Part I: Developing Countries & Territories Official Development Assistance (ODA)						
Europe, Total	1,212.75	1,192.71	907.36	949.00	305.39	243.71
Albania	41.45	61.47	36.45	57.30	5.00	4.17
Bosnia-Herzegovina	141.99	168.61	136.24	152.74	5.75	15.87
Croatia	60.61	14.40	60.61	14.40	0.00	0.00
Macedonia (FYROM)	83.84	48.92	57.20	27.69	26.64	21.23
Malta	8.14	3.98	0.64	0.44	7.50	3.54
Moldova	20.95	5.18	20.17	4.18	0.78	1.00
Slovenia	52.22	51.07	0.00	0.00	52.22	51.07
Turkey	203.00	91.33	156.00	86.62	47.00	4.71
Federal Republic of Yugoslavia	548.89	686.37	388.39	595.81	160.50	90.56
States of Ex-Yugoslavia Unspecified	0.00	51.59	0.00	0.03	0.00	51.56
Europe Unallocated	51.66	9.79	51.66	9.79	0.00	0.00
Africa, Total	2,038.11	2,261.32	1,730.97	1,947.83	307.14	313.49
North Of Sahara, Total	319.07	246.80	302.74	229.61	16.33	17.19
Algeria	79.37	23.64	63.04	6.45	16.33	17.19
Egypt	1.79	88.16	1.79	88.16	0.00	0.00
Morocco	122.42	60.80	122.42	60.80	0.00	0.00
Tunisia	91.60	74.19	91.60	74.19	0.00	0.00
North of Sahara Unallocated	23.89	0.01	23.89	0.01	0.00	0.00
South of Sahara, Total	1,719.04	2,014.52	1,428.23	1,718.22	290.81	296.30
Angola	68.25	67.69	31.27	27.83	36.98	39.86
Benin	11.89	49.28	11.89	49.28	0.00	0.00
Botswana	1.99	4.87	1.99	4.87	0.00	0.00
Burkina Faso	29.32	42.00	29.32	42.00	0.00	0.00
Burundi	20.73	70.60	0.73	56.26	20.00	14.34
Cameroon	66.80	46.66	66.80	46.66	0.00	0.00
Cape Verde	1.05	3.08	1.05	3.07	0.00	0.01
Central African Republic	-1.47	17.42	-1.47	17.42	0.00	0.00
Chad	40.88	42.49	40.88	42.21	0.00	0.28
Comoros	2.02	4.38	1.67	2.46	0.35	1.92
Congo, Democratic Republic	54.56	49.13	19.56	20.05	35.00	29.08
Congo, Rep.	-8.20	3.66	-8.20	2.49	0.00	1.17
Djibouti	0.57	7.62	0.57	7.62	0.00	0.00
Equatorial Guinea	3.09	3.23	3.09	3.23	0.00	0.00
Eritrea	24.78	26.20	24.78	23.92	0.00	2.28
Ethiopia	69.46	116.36	62.76	105.56	6.70	10.80
Gabon	16.35	20.32	16.35	19.99	0.00	0.33
Gambia	5.46	5.13	5.46	5.13	0.00	0.00
Ghana	51.20	27.22	51.20	27.22	0.00	0.00
Guinea	56.21	23.56	48.38	17.23	7.83	6.33
Guinea-Bissau	22.45	20.19	5.95	7.85	16.50	12.34
Ivory Coast	14.06	91.13	12.52	89.89	1.54	1.24
Kenya	13.95	90.44	10.95	88.60	3.00	1.84
Lesotho	22.64	10.33	22.64	10.33	0.00	0.00
Liberia	24.94	9.85	24.94	9.85	0.00	0.00
Madagascar	82.17	64.91	80.44	62.86	1.73	2.05
Malawi	43.70	78.39	43.70	78.39	0.00	0.00
Mali	58.90	45.63	58.90	45.63	0.00	0.00
Mauritania	119.44	130.32	33.44	44.16	86.00	86.16
Mauritius	5.41	9.25	5.20	9.03	0.21	0.22
Mayotte	0.45	1.51	0.45	1.51	0.00	0.00
Mozambique	67.76	72.55	65.76	69.04	2.00	3.51
Namibia	16.51	21.44	16.51	21.40	0.00	0.04
Niger	13.91	44.43	13.91	44.08	0.00	0.35

	Nigeria	66.96	26.72	66.96	26.72	0.00	0.00
	Rwanda	2.89	50.51	2.89	50.36	0.00	0.15
	St. Helena	-0.08	0.00	-0.08	0.00	0.00	0.00
	Sao Tome & Principe	2.07	5.74	1.75	5.42	0.32	0.32
	Senegal	28.59	34.98	20.59	26.97	8.00	8.01
	Seychelles	2.26	4.99	-0.04	0.93	2.30	4.06
	Sierra Leone	14.87	45.56	3.87	33.66	11.00	11.90
	Somalia	5.56	27.86	3.86	22.54	1.70	5.32
	South Africa	133.18	110.78	133.18	110.78	0.00	0.00
	Sudan	21.81	25.44	4.81	9.49	17.00	15.95
	Swaziland	0.77	12.89	0.77	12.89	0.00	0.00
	Tanzania	166.41	113.73	134.26	88.45	32.15	25.28
	Togo	1.64	5.41	1.64	5.41	0.00	0.00
	Uganda	70.00	77.01	70.00	76.60	0.00	0.41
	Zambia	59.61	58.04	59.61	57.91	0.00	0.13
	Zimbabwe	33.69	20.52	33.19	20.27	0.50	0.25
	South of Sahara Unallocated	87.58	73.07	87.58	62.70	0.00	10.37
	America, Total	656.90	424.61	613.12	387.89	43.78	36.72
	North & Central, Total	373.01	248.60	349.14	227.48	23.87	21.12
	Anguilla	-0.01	0.10	-0.01	0.10	0.00	0.00
	Antigua & Barbuda	-0.13	0.19	-0.13	0.19	0.00	0.00
	Barbados	6.51	0.48	6.51	0.48	0.00	0.00
	Belize	6.53	7.12	6.03	6.87	0.50	0.25
	Costa Rica	9.60	1.41	9.60	1.41	0.00	0.00
	Cuba	19.11	13.40	10.85	5.88	8.26	7.52
	Dominica	11.86	5.99	11.86	5.99	0.00	0.00
	Dominican Republic	20.98	15.35	20.76	15.13	0.22	0.22
	El Salvador	55.32	17.75	45.32	10.60	10.00	7.15
	Grenada	0.50	0.37	0.50	0.37	0.00	0.00
	Guatemala	29.67	22.63	28.90	22.43	0.77	0.20
	Haiti	13.19	18.46	13.19	18.41	0.00	0.05
	Honduras	7.73	16.42	6.70	15.04	1.03	1.38
	Jamaica	29.43	48.79	29.17	48.79	0.26	0.00
	Mexico	4.85	4.58	3.05	3.62	1.80	0.96
	Montserrat	0.00	0.19	0.00	0.19	0.00	0.00
	Nicaragua	45.07	34.85	44.04	33.73	1.03	1.12
	Panama	9.32	3.32	9.32	3.32	0.00	0.00
	St. Kitts-Nevis	0.00	4.11	0.00	4.11	0.00	0.00
	St. Lucia	12.03	18.27	12.03	18.27	0.00	0.00
	St. Vincent & Grenadines	6.38	4.13	6.38	4.13	0.00	0.00
	Trinidad & Tobago	0.41	1.06	0.41	1.06	0.00	0.00
	Turks & Caicos Islands	3.00	0.22	3.00	0.22	0.00	0.00
	North & Central America Unallocated	81.66	9.41	81.66	7.14	0.00	2.27
	South, Total	195.56	140.48	175.65	124.88	19.91	15.60
	Argentina	1.15	8.69	1.15	8.69	0.00	0.00
	Bolivia	9.75	29.83	8.68	29.14	1.07	0.69
	Brazil	6.40	17.12	6.40	16.69	0.00	0.43
	Chile	3.27	8.77	3.27	8.77	0.00	0.00
	Colombia	54.86	17.52	41.54	8.62	13.32	8.90
	Ecuador	22.86	6.36	22.23	5.59	0.63	0.77
	Guyana	21.36	10.16	21.36	10.12	0.00	0.04
	Paraguay	2.23	8.94	1.25	8.31	0.98	0.63
	Peru	13.04	23.88	9.40	21.32	3.64	2.56
	Suriname	16.72	1.73	16.72	1.73	0.00	0.00
	Uruguay	1.61	2.18	1.61	2.18	0.00	0.00
	Venezuela	38.29	5.30	38.02	3.72	0.27	1.58
	South America Unallocated	4.02	0.00	4.02	0.00	0.00	0.00
	America Unspecified	88.33	35.53	88.33	35.53	0.00	0.00
	Asia, Total	955.66	870.13	746.95	686.33	208.71	183.80
	Middle East, Total	188.09	182.90	155.31	157.57	32.78	25.33
	Iran	2.65	1.73	2.65	1.73	0.00	0.00
	Iraq	12.89	12.70	0.01	0.15	12.88	12.55
	Jordan	20.83	20.15	20.83	19.65	0.00	0.50

	Lebanon	5.83	9.69	5.83	8.35	0.00	1.34
	Palestinian Admin. Areas	86.58	123.41	68.57	114.81	18.01	8.60
	Syria	8.11	6.40	8.11	5.94	0.00	0.46
	Yemen	18.25	8.56	16.36	6.89	1.89	1.67
	Middle East Unallocated	32.95	0.26	32.95	0.05	0.00	0.21
	South & Centr. Asia, Total	466.67	409.96	341.70	310.51	124.97	99.45
	Afghanistan	86.01	51.13	29.43	16.95	56.58	34.18
	Armenia	17.80	11.35	10.20	9.78	7.60	1.57
	Azerbaijan	1.60	14.27	1.60	12.79	0.00	1.48
	Bangladesh	106.70	82.55	106.06	80.95	0.64	1.60
	Bhutan	0.00	1.78	0.00	1.78	0.00	0.00
	Georgia	42.35	26.21	29.80	18.21	12.55	8.00
	India	110.85	83.98	95.06	67.77	15.79	16.21
	Kazakhstan	14.40	4.92	14.40	4.92	0.00	0.00
	Kyrgyz Rep.	19.30	12.55	19.30	12.37	0.00	0.18
	Maldives	0.00	0.06	0.00	0.06	0.00	0.00
	Myanmar (Burma)	3.98	4.29	1.99	2.75	1.99	1.54
	Nepal	7.44	12.40	4.75	10.71	2.69	1.69
	Pakistan	32.61	50.23	26.90	50.03	5.71	0.20
	Sri Lanka	4.38	7.90	1.96	6.26	2.42	1.64
	Tajikistan	19.25	32.25	0.25	5.43	19.00	26.82
	Turkmenistan	0.00	2.93	0.00	2.93	0.00	0.00
	Uzbekistan	0.00	6.82	0.00	6.82	0.00	0.00
	South & Central Asia Unallocated	0.00	4.34	0.00	0.00	0.00	4.34
	Far East, Total	217.23	230.82	166.27	171.80	50.96	59.02
	Cambodia	18.60	27.01	13.70	23.47	4.90	3.54
	China	46.27	26.39	44.12	24.03	2.15	2.36
	East Timor	41.94	30.70	30.82	30.70	11.12	0.00
	Indonesia	34.13	31.68	32.23	11.51	1.90	20.17
	Korea, Dem.	43.55	45.04	20.18	21.44	23.37	23.60
	Laos	1.66	9.24	1.66	9.11	0.00	0.13
	Malaysia	0.00	0.41	0.00	0.41	0.00	0.00
	Mongolia	1.03	4.08	0.00	2.42	1.03	1.66
	Philippines	7.44	21.25	5.98	19.51	1.46	1.74
	Thailand	6.53	10.88	2.03	6.01	4.50	4.87
	Viet Nam	15.66	23.73	15.13	23.19	0.53	0.54
	Far East Asia Unallocated	0.42	0.41	0.42	0.00	0.00	0.41
	Asia Unspecified	83.67	46.45	83.67	46.45	0.00	0.00
	Oceania, Total	65.82	68.96	65.74	68.96	0.08	0.00
	Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00
	Fiji	10.71	0.94	10.63	0.94	0.08	0.00
	Kiribati	6.60	0.41	6.60	0.41	0.00	0.00
	Marshall Islands	0.00	0.00	0.00	0.00	0.00	0.00
	Micronesia, Fed. Sts.	0.00	0.00	0.00	0.00	0.00	0.00
	Nauru	0.00	0.00	0.00	0.00	0.00	0.00
	Niue	0.00	0.00	0.00	0.00	0.00	0.00
	Palau	0.00	0.00	0.00	0.00	0.00	0.00
	Papua New Guinea	-0.18	13.81	-0.18	13.81	0.00	0.00
	Samoa	3.08	11.35	3.08	11.35	0.00	0.00
	Solomon Islands	0.22	35.43	0.22	35.43	0.00	0.00
	Tonga	6.25	0.24	6.25	0.24	0.00	0.00
	Tuvalu	0.00	1.42	0.00	1.42	0.00	0.00
	Vanuatu	2.96	4.96	2.96	4.96	0.00	0.00
	Wallis & Futuna	3.92	0.00	3.92	0.00	0.00	0.00
	Oceania Unallocated	32.26	0.40	32.26	0.40	0.00	0.00
	LDC's Unspecified	857.53	578.07	704.46	433.86	153.07	144.21
	Multilateral Aid	207.25	495.96	207.25	495.96	0.00	0.00
	UNRWA	57.25	54.58	57.25	54.58	0.00	0.00
	WFP	90.00	91.38	90.00	91.38	0.00	0.00
	HIPC	0.00	350.00	0.00	350.00	0.00	0.00
	GHF	60.00	0.00	60.00	0.00	0.00	0.00
	Part I (ODA), Total	5,994.02	5,891.76	4,975.85	4,969.83	1,018.17	921.93

Part II: Countries and Territories in Transition						
Official Aid (OA)						
More Advanced Developing Countries	42.59	47.22	11.84	17.26	30.75	29.96
Aruba	0.50	0.29	0.50	0.29	0.00	0.00
Bahamas	-1.03	0.84	-1.03	0.84	0.00	0.00
Bermuda	0.00	0.00	0.00	0.00	0.00	0.00
Brunei	0.00	0.00	0.00	0.00	0.00	0.00
Cayman Islands	0.10	0.00	0.10	0.00	0.00	0.00
Chinese Taipei (Taiwan)	0.00	0.00	0.00	0.00	0.00	0.00
Cyprus	18.80	3.58	0.00	0.00	18.80	3.58
Falkland Islands	0.00	0.00	0.00	0.00	0.00	0.00
French Polynesia	-0.01	6.16	-0.01	6.16	0.00	0.00
Gibraltar	0.00	0.00	0.00	0.00	0.00	0.00
Hong Kong, China	0.00	0.00	0.00	0.00	0.00	0.00
Israel	15.01	29.91	3.06	3.53	11.95	26.38
Korea	0.00	0.00	0.00	0.00	0.00	0.00
Kuwait	0.00	0.00	0.00	0.00	0.00	0.00
Libya	0.00	0.00	0.00	0.00	0.00	0.00
Macao	0.00	0.10	0.00	0.10	0.00	0.00
Netherlands Antilles	-0.20	4.84	-0.20	4.84	0.00	0.00
New Caledonia	9.46	0.27	9.46	0.27	0.00	0.00
Northern Marianas	0.00	0.00	0.00	0.00	0.00	0.00
Qatar	0.00	0.00	0.00	0.00	0.00	0.00
Singapore	0.00	0.00	0.00	0.00	0.00	0.00
United Arab Emirates	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands (UK)	-0.04	1.23	-0.04	1.23	0.00	0.00
MADCT Unallocated	0.00	0.00	0.00	0.00	0.00	0.00
CEEC's/NIS	3,692.30	1,761.18	389.94	369.31	3,302.36	1,391.87
Belarus	1.12	3.57	0.92	3.38	0.20	0.19
Bulgaria	348.45	155.27	1.07	0.13	347.38	155.14
Czech Republic	178.06	89.33	0.38	0.70	177.68	88.63
Estonia	70.15	30.53	0.00	0.09	70.15	30.44
Hungary	242.18	185.90	0.53	0.00	241.65	185.90
Latvia	117.14	53.76	0.00	0.00	117.14	53.76
Lithuania	186.10	68.33	0.00	0.16	186.10	68.17
Poland	1,049.82	315.85	0.28	0.04	1,049.54	315.81
Romania	691.91	243.89	0.00	0.80	691.91	243.09
Russia	152.65	109.37	112.30	84.84	40.35	24.53
Slovak Republic	148.58	66.17	0.00	0.13	148.58	66.04
Ukraine	109.83	108.70	108.91	107.31	0.92	1.39
CEEC's Unallocated	230.56	136.07	0.00	0.00	230.56	136.07
NIS Unallocated	165.12	178.76	164.92	171.73	0.20	7.03
CEEC's/NIS Unallocated	0.63	15.68	0.63	0.00	0.00	15.68
Part II (OA), Total	3,734.89	1,808.40	401.78	386.57	3,333.11	1,421.83
Grand Total Part I & Part II (ODA+OA)	9,728.91	7,700.16	5,377.63	5,356.40	4,351.28	2,343.76

7. ANNEXES

These pages cover a series of activities undertaken in 2001 in the context of the EC Reform described in chapter 1. The first section gives details of developments in the process of harmonisation of contract and financial procedures. The second section gives a picture of the financial backlog as on 31 December 2000 and progress with the reduction of this backlog. Subsequent sections deal with other important activities related to the reform, such as, audit, EuropeAid's innovation unit, the EC's relationship with other major international donors and steps taken towards greater transparency and visibility.

7.1. Harmonisation of contract and financial procedures

2001 saw further significant developments in the harmonisation of contract and financial procedures.

EuropeAid Co-operation Office implemented the Practical Guide to EC external aid contract procedures in the co-operation programmes and various beneficiary countries within its area of competence. This activity involved training sessions in Brussels and in Commission Delegations (see figures below). This Guide also set out how to transfer management of the projects in the beneficiary countries in the context of devolution.

The EuropeAid Co-operation Office Finance Guide applicable to the external actions financed from the general budget of the European Communities and the updated Finance Guide applicable to the actions financed from the 7th and 8th EDF were finalised in December 2001. These guides, which are available for consultation on the Office's intranet, explain and document existing financial procedures. The new financial circuits for commitments, contracts, payments, recoveries and closure of commitments regarding the actions financed from the general budget, which were approved/laid down by the Office's management in June and November 2001, are described in detail. Finally, both guides take into account the new division of duties, powers and responsibilities between Headquarters and Delegations in the framework of the devolution process.

On 8 November 2001, the Commission and the World Bank signed a Trust Funds and co-financing Framework. This contains contract templates to be used in cases where the Commission contributes to single-donor as well as multi-donor trust funds. Co-operation between the Commission and the World Bank will now run more smoothly. EuropeAid Co-operation Office also signed, in the name of the Commission, an agreement with the UN on the implementing modalities of the 1994 verification clause agreement. This issue had long been a stumbling block in the relations between the EC and the UN. The outcome of this agreement has allowed the parties to embark upon a more substantial revision of the 1999 EC-UN framework agreement, in order to adapt it to the stronger partnership that they are willing to build.

Training

In 2001, the following specific training activities have been carried out by EuropeAid Co-operation office:

Practical Guide to EC external aid contract procedures.

Brussels: 8 sessions for a total of 260 persons

Delegations: 3 missions for a total of 124 persons

Financial implementation.

Brussels: 4 sessions for a total of 100 persons.

Other figures

In 2001, EuropeAid Co-operation Office handled (Budget & EDF)

- more than 26,000 payments totalling € 5,2 billion
- more than 1,600 commitments totalling € 5,6 billion

Data concerning the Web-site of EuropeAid Co-operation Office in 2001:

- with reference to the rubric “Tenders & Grants”, the number of documents published in 2001 is 3 270 (of which 891 are calls for tender & calls for proposal)
- hits (per month) more than 4 million.
- html pages downloaded (per month) more than 700,000

7.2. External Aid and “RAL”

‘RAL’ is the amount of committed money that has not yet been paid. The term comes from the French *reste à liquider* or rest to be paid. It is the sum of total amounts committed in the past budgetary years, minus the total amounts disbursed or de-committed.

Its existence derives from the budgetary concepts enshrined in the Financial Regulation, as article 1.84 provides for two types of appropriations for actions running for more than one budgetary year:

- commitment appropriations, setting annual limits for the commitments which will be entered into with third parties,
- payment appropriations, which are meant to cover the disbursements to these third parties foreseen in any given year.

Some of the RAL is legitimate, as commitments are made in anticipation of payments to be made in the future. The Commission uses the terms ‘old’ and ‘dormant’ to describe the money that genuinely makes up a payment backlog. Old commitments are commitments made more than five years ago, and dormant commitments are commitments on which no action has been taken for the last two years.

The overall reduction of RAL was a priority prior to the creation of the EuropeAid Co-operation Office. All old and dormant commitment are under review, and this

process continued throughout 2001, as well as the monitoring of their level in the overall port-folio.

7.2.1. Old Commitments

As we moved into 2001, commitments made in 1995 were added to the stock of old commitments.

7.2.1.1. Prior to 1995

- An initial inventory was made in November 1999 of the budget lines covering EC external assistance under category IV of the budget. (This covers Asia, Latin America, Mediterranean Countries, the Balkans and Central and Eastern Europe.)
- RAL decreased by 60 %, from € 1,092.34 million to € 429.7 million. This derives both from payments (€ 301.85 million) and de-commitments (€ 360.80 million) The number of budget commitments with outstanding balances decreased by 67%, from 1,662 to 548. **Since the initial inventory, a total of 1,114 budget commitments prior to 1995 have been closed in the accounting system** (no outstanding balances by the end 2001), either by full payment and/or de-commitment; their respective RAL at the initial point of reference was € 251 million.
- Considering the commitments already de-committed (1,114), plus the commitments reviewed or under review (536), **by the end of 2001, action had been taken on 99,2% of the initial stock of old commitments to be reviewed.**

7.2.1.2. Year 1995

Commitments from year 1995 were added in 2001 to the systematic review exercise. During the past year:

The RAL in financial volume decreased by 31%, from € 656.8 million to € 456 million.

The number of budget commitments with outstanding balances decreased by 42%, from 524 to 305;

During 2001, a total of **219 budget commitments from year 1995 have been closed in the accounting system** (no outstanding balances by the end 2001), either by full payment and/or de-commitment; their respective RAL at the beginning of 2001 was € 43.3 million.

The RAL reduction of € 200.8 million for budget year of origin 1995 derives both from payments (€ 106.3 million), and also from significant de-commitments (€ 94.59 million).

Considering the commitments already de-committed (219), plus the commitments reviewed or under review (283), **action has been taken on 96% of the stock of the year 95 added in 2001 to the review exercise**

7.2.1.3. Prospects for the commitments still outstanding (prior to 95 + year 95)

Reported as ongoing

- According to the reporting data received, 97 budget commitments prior to 1995 are related to ongoing projects with underlying legally binding obligations. These commitments account for € 313.23 million, that is 73% of the RAL at year-end.³⁹ commitments, amounting to € 131 million, have had their final due dates extended. Almost all of these commitments in that case are in Asia and the Mediterranean. Decisions to extend were made on a case-by-case basis. Some had suffered considerable start-up delays but were now proceeding in order to meeting expectations raised in partner countries. Some have been re-launched on the basis of new analysis.
- For 1995, the proportion of ongoing RAL is still high: 87 commitments for a RAL of € 352 million (77%).

Files to be closed

The majority of pre-1995 commitments (accounting for only a small proportion of the RAL) were found not to be covering ongoing projects and are in the process of being closed. The same is true for year 1995 (180 commitments for € 82.6 million of RAL). 449 pre-1006 commitments are to be closed. Priority will be given to this task in the first half of the 2002. Some of these files have already been de-committed to € 1 (63 commitments prior to 1995 and 8 from 1995).

7.2.1.4. Overall evolution of old commitments 1999-2001

The table hereafter shows the evolution over the past two years of the outstanding commitments that will be considered “old” in 2002. It gives evidence of the continuing efforts of the managing services in order to proceed with the closing of an important number of commitments, even before they enter into the category “old”, as part of normal management procedures.

	EuropeAid only	23/11/99	31/12/99	31/12/00	31/12/01
Prior to 1995	<i>Nbr commitments</i>	1663	1497	841	548
	RAL (M €)	1,092.65	1,015.44	741.02	429.7
Budget Year 1995	<i>Nbr commitments</i>		761	524	305
	RAL (M €)		936.74	656.87	455.98
Budget Year 1996	<i>Nbr commitments</i>		1109	776	509
	RAL (M€)		1,249.23	928.25	685.98
TOTAL OLD	<i>Nbr commitments</i>	1663	1497	1365	1362
	RAL	1,092.65	1,015.44	1,397.89	1,571.66
		M €	M €	M € (+37%)	M € (+12%)

7.2.2. Dormant commitments

Final data for 2001 show a total of 1,482 dormant budget commitments in the accounting system, representing an amount outstanding of € 1,319 million which is an improvement compared to the level of end 2000 (a 15% decrease in the total RAL and a 20 % reduction in the total number of dormant commitments). The slight degradation observed end 2000 has thus been reversed, as can be seen in the table hereafter showing the evolution in the period 1999-2001.

DORMANT	end 1999	End 2000	end 2001
Number of commitments	2,223	1,932	1,482
<i>Not old</i>	1,180	1,055	735
TOTAL RAL (in M €)	1,537	1,558	1,319
<i>Not old</i>	1,314	1,350	1,029

“not old”

95/96/97

96/97/98

97/98/99

It is worth noting that the stock of commitments is not the same as at the beginning of 2001. Many of those commitments are now no longer dormant. Meanwhile, others have become dormant. In fact, if one considers only the evolution of the dormant stock at the beginning of 2001, the decrease was very substantial: € 815 million; however, this reduction was partially cancelled by the adding of commitments from budget year 1999 with no movement yet: € 576 million. Hence, the net reduction for the dormant RAL at the end of 2001 amounted to € 239 million.

When analysing dormant commitments by budget years of origin, the pattern already described previously has not fundamentally changed: a major percentage of the amounts outstanding (78% in 2001) and half of the total number of dormant commitments is from the more recent years (97/98/99).

If one analyses the distribution by the criterion of disbursement (payments already made or zero disbursement), another feature previously identified remains roughly unchanged, i.e. a major proportion of the outstanding dormant amounts (RAL) is related to commitments which have had no payments: 20 % of the dormant budgetary commitments have had no payments, representing 80 % of the dormant RAL (the proportion a year earlier was respectively 19% and 81% of the RAL). The proportion remaining unchanged, the total amount of dormant RAL related to commitments with no disbursements has of course decreased in line with the overall decrease, from € 1,256 million to € 1,061 million. This latest figure is still too high. The ultimate goal is of course to have no dormant commitments with zero disbursements, its operational translation being to be able to get the projects going on the ground less than two years after the year of budget commitment of funds, save for really *force majeure* circumstances.

The analysis per region yields more or less the same results as last year: budget chapter B7-4 (Mediterranean) represents half of the total dormant amounts and 55% of the dormant RAL related to commitments with no payments. A group of 4 major programs (Mediterranean, Asia and Latin America co-operation lines, and Food Aid) account for 90% of the total dormant RAL and 84% of the part related to commitments with no payments.

When comparing data at end 2000 with 2001, Asia co-operation budget lines have had the most significant decrease of dormant RAL: -59%.

The figures for the Mediterranean chapter require an explanation: the total amount for B7-4 has increased from € 576 million to € 667 million. This is due however to

the commitments for Turkey on the MEDA budget line managed by DG Enlargement, which have significantly increased as a result of adding budget year 1999. If Turkey budget commitments are excluded, a decrease, though modest, has actually occurred: from € 519 million to € 508 million.

The figure for the aggregated chapter B7-6 also requires further analysis by budget line: budget line environment and tropical forests (B7-6200) accounts for a significant part, € 61.7 million out of the total of € 104 million (60% of the RAL and a quarter of the dormant commitments). More significant, the percentage in the “zero disbursement commitments” is higher still: 79% of the amounts come from this budget line. The level of dormant commitments with no payments for B7-6200 (€ 43.7 million) is the highest among all budget lines and chapters, when related to the level of commitment appropriations (in 2001 and also for 2002). It exceeds one full year of new appropriations in the budget (€ 40 million), and is thus a symptom of implementation difficulties.

Analysis of the dormant budget commitments for this budget line undertaken during 2001 showed a pattern of ill-prepared financing decisions: projects not well defined enough requiring designing after the decision and thus far from ready for contracting. Weak follow-up of the portfolio to be implemented also translated in a build-up of stalled non contracted projects with the correspondent dormant budget commitments. The analysis of all dormant commitments undertaken in 2001 is to be followed in 2002 by a significant level of de-commitments of dormant non contracted projects, particularly from 1996, 1997 and 1998.

The systemic management measures already taken in 2001 aimed at ensuring the maturity of projects submitted to the Commission for decision, that is, commitment of projects technically far advanced for contracting within one year after decision. Furthermore in 2001 for the first time, a formal call for proposals was launched, with standardised submission documents and selection criteria aimed at ensuring receipt of mature project proposals. A first group of selected projects was financed with 2001 appropriations, and a second group will be financed with 2002 appropriations.

7.2.3. *Evolution of “abnormal” RAL (dormant+old)*

“Abnormal” RAL has been defined as comprising “old” commitments or “dormant” commitments.

The percentage of “abnormal” RAL (old + dormant not included in “old”) was 23% at the beginning of year 2000; it has decreased to 21%, with 1996 already included in “old” and excluding the Turkey MEDA portfolio not managed by EuropeAid Co-operation Office. If the latter is included, the ratio is 22% (due to the high level of dormant commitments for Turkey).

It should be noted that, for the portfolio managed by EuropeAid, ratios for both decreased: the RAL (with a slight decrease in absolute terms) and the “abnormal” part, with a particularly significant decrease in dormant commitments. Given both factors, this result is to be considered a real improvement (a decrease of the ratio resulting from an increase in the overall RAL would not necessarily be a progress).

In terms of number of commitments, the ratio appears as having deteriorated (from 34% to 36% of commitments in old or dormant categories). Again, the evolution of each part of the ratio must be analysed. The absolute number of old or dormant

commitments has actually significantly decreased by 14%, even considering the adding of budget year 96 as old. However the total number of commitments has sharply decreased, in part due to closures, but also due to the introduction in 2001 of a new concept of pre-commitment (global commitment) in the accounting system Sincom2, greatly used in the external actions. Only the pre-commitments plus the individual commitments are counted (not the secondary commitments on pre-commitments).

7.2.4. *The effort on closure and de-commitment*

The level of de-commitment during 2001 for EuropeAid's management portfolio reached € 591 million. This was a result, not only of closure of old files, but also of the overall effort of review for the whole open portfolio. The part of old commitments prior to 96 amounts to € 290.78 million (196.18 prior to 95 plus 94.59 from budget year 95), roughly half of the total amount de-committed in 2001. De-commitment in financial amounts can derive from partial de-commitments or from closure of commitments for which remaining balances are fully de-committed.

The effort on closure is best represented by those commitments which are totally paid and/or de-committed during the year, leaving no amounts outstanding (RAL zero) and not carried in the next financial year.

7.2.5. *Conclusions*

Overall results and general comments

After 2 years of continuous work by the operational financial units on old commitments, a significant reduction of the accumulated backlog on closure operations has been achieved.

On dormant commitments, a reduction year-on-year has been achieved, as well as compared to 1999 (a slight increase had occurred in 2000), and, if only the EuropeAid portfolio is considered, the level is now under 1 billion € of dormant amounts. The slight degradation observed last year has been reversed.

On both counts, there is real quantitative and significant progress, both on figures and on awareness of the necessity of monitoring the stock of open budget commitments and of the fact that it cannot have unlimited growth.

On a more general level, however, it would seem important to continue to address in parallel the systemic factors that allowed such a big backlog to build up over the years. Three key factors of equal importance can be singled out: the lack of a common computerised reliable information system covering all aspects of the project cycle and supporting management decisions, a significant lack of human resources for managing an ever growing number of projects, the minor importance given in the past by the top-level management to the complete management aspects of the portfolio (the launching of new initiatives being often considered as a nobler task than bringing the current ones to a successful end). These factors are all the more critical in an organisation with a great degree of geographical and functional decentralisation, and particularly the computerised information systems.

For dormant commitments, the major part in financial volume, as repeatedly stated, are commitments with zero payments from the major geographical co-operation

programs. Addressing this problem means shortening the time between decision, budget commitment, signing of Financing Agreements and contracting and disbursing.

The time delay for signing the Financing Agreements and for contracting the European technical co-direction and setting up the joint management structure with the beneficiary country appears to be part of the critical points in the whole process, as they take place after budget commitment. As to the Financing agreements, they should be negotiated and ready for signature at the moment of budget commitment. Regarding the technical assistance, the terms of reference should be prepared in parallel with the internal Commission's Financial Decision in order to allow for a quick start. Perhaps one could think also if it is really necessary or efficient to build each time such a structure from scratch and if it wouldn't be possible to rely more on local capacity, both from the now de-concentrated delegations and the beneficiary's administration, either own or seconded by foreign aid.

A major development in this respect in the near future is the modification of the Financial Regulation and the "n+3" deadline for contracting after year of budget commitment. This will no doubt entail significant changes in the way projects are planned and their scope. Major programs will have to be thought in a phased way, with perhaps successive shorter phased projects, with self-contained physically and financially controllable items, inscribed in a consistent medium term programming.

7.3. Evaluation Activities

7.3.1. Findings from the 2001 Evaluations

Human Rights, Good Governance and Democracy: these evaluations showed that there was some way to go before Human Rights were established at every level in the Commission as a true "crosscutting issue" with a common purpose and uniform policy input to all co-operation programmes and political relations. Clearly, there is a need for the Commission to define better the frontiers of Human Rights, democracy and good governance, and to ensure that the roles of the different Human Rights units within the Commission are better understood. There is also a need to limit the priorities of the Human Rights budget lines to ensure that, when objectives are identified for action, sufficient resources are devoted to their achievement. This could mean establishing country and regional objectives and improving complementarity with Member States, NGOs and other bodies. Parts of the findings were taken on board in the Commission Communication of 8 May 2001¹⁴².

¹⁴²

COM(2001)252 Final dated 8 May 2001

EVALUATIONS COMPLETED IN 2001

1. Review of evaluation activities on Human Rights, good governance and democracy

- 1.1 Evaluation of Positive HRD actions in ACP states 1995-99
- 1.2 Evaluation of Joint EC/Council of Europe programmes 1995-2001
- 1.3 Evaluation of Voter Education Actions 1992-2000
- 1.4 Synthesis report on Human Rights, good governance and democracy

2. Review of evaluation activities on economic co-operation

- 2.1 Evaluation of financial assistance for the Mediterranean countries managed by the European Investment Bank (EIB) on behalf of the EC
- 2.2 Evaluation of economic co-operation between the EC and Partner States in Asia and Latin America (ALA)
- 2.3 TACIS Enterprise Restructuring Facility (TERF) – Russian Federation
- 2.4 The Cross-Border Initiative (CBI)

3. Review of evaluations related to poverty reduction

- 3.1 Evaluation of EC Food Aid Security Policy, Food Aid Management and Programmes in support of Food Security
- 3.2 Evaluation of co-financing operations with European non-governmental development organisations (NGOs)
- 3.3 Evaluation of the education sector of EC aid to ACP countries

4. Review of evaluations on country or regional programming

- 4.1 Albania
- 4.2 FYROM
- 4.3 Moldova
- 4.4 Burkina Faso
- 4.5 Namibia
- 4.6 Uganda
- 4.7 Evaluation of regional co-operation between the PALOP countries (Pays Africains de Langue Officielle Portugaise) funded through the EDF

Economic co-operation: the most striking feature of EC interventions in this area was their diversity, reflecting very different concepts and approaches. Broadly speaking, two main categories could be distinguished: the first includes programmes that focused on the "enabling environment for the private sector" of institutional,

legislative and fiscal provisions, and of financial and physical infrastructure; the second includes direct and indirect support to private sector investments or start-up activities. The studies concluded *inter alia* that the concept and contents of economic co-operation evolved and were applied differently over time and in relation to different geographic regions; and that the choice of the various instruments was scattered and poorly articulated. They also reaffirmed the importance of creating an "enabling environment" for private sector development. Other studies on economic co-operation are still underway.

Poverty reduction: poverty is defined as encompassing not simply a lack of income and financial resources, but also the notion of vulnerability and such factors as lack of access to food supplies, education and other basic needs. Sustained growth is not sufficient in itself. While this programme is still under way, key findings of the three evaluations completed under this heading in 2001 were:

- co-financing with NGOs added another successful dimension to European development policy, although the budget line was open to too wide a range of actions for a consistent focus on anti-poverty activities (this evaluation has been used for a new dialogue with NGOs);
- while European Food Aid and Food security policy had made a major qualitative leap in terms of policy, implementation on the ground lagged, partly due to insufficient management capacity (this evaluation was used as an input to a recent Communication to Council and Parliament on this subject); and
- although support to education in ACP countries had made good progress, there had been no pro-active effort to link education support directly to poverty reduction strategies.

Country Strategy Evaluations: while care is needed in drawing overall conclusions from a few studies covering the 1996-2000 period, they revealed a variation in performance in the Commission's local programmes which indicates two needs. First, more consistent harmonisation of the strategic and programming processes (the introduction of i-QSG and Country Strategy Papers address this); and second, stronger and more consistent linkages and communications both within the Brussels-based services at all levels, and between them and the Delegations, to ensure more consistent objective setting. More specifically, the studies found that:

- the quality of the political and socio-economic analyses of country situations on which strategy and programming documents were based had been variable. Even where they were good, they were not always adequately taken into account in programming documentation;
- although the Commission was often well-placed to assist with the strengthening of the local capacities of governmental and civil society institutions, too often opportunities were not grasped;
- where poverty alleviation was an over-riding priority, local programmes did not always clearly reflect this priority;
- Delegations too often suffered from cumbersome administrative procedures and from excessive demands on their services; and

- sector-based approaches worked better than project-based approaches, assuming that the Commission exercised sufficient flexibility to disengage rapidly from sectors in which the impact of assistance proved weak and was unlikely to improve.

The Commission has often taken an effective lead in donor co-ordination, particularly with EU Member States, although there is a need for more consistent consultation procedures with the Bretton Woods Institutions in the interests of reduced overlap, enhanced complementarity, and better co-ordinated budgetary aid.

7.3.2. *Priorities for Action Highlighted by the 2001 Evaluations*

As a whole, the results of the studies were encouraging. But, overall, they revealed the need to focus more on:

- **objectives**, leaving open the choice to the Commission and the partner country of the most appropriate instrument or the most appropriate mix of instruments;
- **flexibility of financing**, it being particularly important that EU interventions are not dependent on a budgetary line addressing one type of action; and
- **simplifying administrative procedures** for implementing EU actions which, during the period under review, were cumbersome and impeded effectiveness and efficiency.

7.3.3. *Evaluations in 2002 and beyond*

The evaluation strategy for the years 2002-2006¹⁴³ and the work programme for 2002 were approved by the EuropeAid Co-operation Office Board during its November meeting. The strategy for 2002-2006 is given in Chapter 5.

The strategy is based on a combination of various evaluation standpoints: a geographic approach (countries and regions); a sectoral or thematic approach; financial instruments; and regulatory requirements. All these approaches have proved to be necessary as a way of providing managers with reference points or practical bases to enable them to better define the priority sectors for development. Moreover, the Commission can use them to take account of its strengths and weaknesses in each sector in relation to other donors, as well as a means to select the best instruments or channels for directing its aid, according to the context and the intended results. Evidently, the Board is always entitled to request ad-hoc evaluations, in response to needs or emergencies.

2001 saw the introduction of a universal new results-oriented monitoring system (see Chapter 5), with the temporary assistance of the Evaluation Unit. This will greatly increase the flow of management information and help to improve the targeting and quality of evaluations.

¹⁴³

Published on our web site : <http://europa.eu.int/comm/europeaid/evaluation/index.htm>

Strengthening the Quality and Usefulness of Evaluations

• Dissemination and feedback

- Major evaluation findings have been regularly reported to the Board of EuropeAid Co-operation Office.
- The final stage of the majority of evaluations is a seminar at which key findings and recommendations are presented to interested services, management, and other specialists. In some cases, evaluation reports are discussed in the appropriate fora with representatives of EU Member States.
- The Inter-service Quality Support Group has been tasked with progressively harmonising and improving the quality of programming work, including full consideration of relevant evaluation findings. The Head of the Evaluation Unit takes part in the work of the iQSG and can check how far the lessons drawn from evaluation have been taken on board.
- The reinforcement of the 'fiche contradictoire': this fact sheet sets out evaluation recommendations and findings against the responses of the services concerned (in a second column), with the aim of informing the Commissioners of agreed changes or of why recommendations for change were not accepted. In its meeting of November 2001, the Board agreed to add a third column to indicate how far the accepted recommendations of the evaluations have been followed up.
- The full text of all evaluation reports commissioned by the Evaluation is published on the evaluation section of EuropeAid Co-operation Office's web site¹⁴⁴. In addition, the service maintains a database of Commission-funded evaluation reports of individual projects. The evaluations themselves are all done by external, specialised consultants.

• Exchange of evaluation experience and information with Member States and others

During 2001, two meetings took place with the Evaluation Services of the Member States at which planned, ongoing and recently completed evaluations were discussed. Further steps were also taken on the joint evaluation work on the "3Cs" – Co-ordination, Complementarity and Coherence. Exchanges with other donors were maintained particularly via the OECD/DAC Working Party on Evaluation.

7.4. Audits

EDF: efforts focused on audits of budgetary aid. The three audits started in Ethiopia, Zambia and Niger, plus finalisation and follow-up of eight audits carried out in 2000 (Cameroon, Guinea, Madagascar, Cape Verde, Malawi and Burkina Faso) absorbed all available capacity. Note also support for a relatively small number of non-budgetary audits, such as the audit on airport construction in Madagascar and those for the EBAS, DIAGNOS, CDE and ATF projects. In addition to its operational work, the Audit unit's expertise was sought the IAS Board for an

¹⁴⁴

<http://europa.eu.int/comm/europeaid/evaluation/index.htm>

administrative survey on the management of counterpart funds and for a strategy to promote collaboration between international donors.

The audits of **MEDA**-financed programmes and projects were carried out for the third consecutive year by auditors of the MEDA team. Acting on requests of the operational directorate or, with its agreement, in response to the Delegations, the audit team carried out 24 audits. Additional work was needed on 12 of the audits done in 2000. The winding-up of technical assistance offices at the end of 2001 also meant the end of the MEDA audit team.

No audit was done for programmes or projects in **Latin America** or **Asia**. Of the four audits carried out in **Central and Eastern Europe**, those most important were those concerning the delivery of food aid to Russia and budgetary aid for FYROM.

Of the "non-geographical" audits, the most noteworthy were those of CLONG, the ECIP and the follow-up of the UNRWA audit.

Since March 2001 the unit has been preparing a framework-contract for audits to facilitate the selection of auditors. The contract should be in use in summer 2002.

7.5. **Innovation**

Within the framework of initiatives taken by EuropeAid Co-operation Office towards the improvement of quality in the management of development co-operation, the Innovation Unit was involved in the following main areas :

– Support to the establishment of thematic networks

During the second half of the year six thematic networks were established covering the following subjects:

- Budgetary aid
- Health sector
- Education sector
- Capacity building, good governance and rule of law
- Trade
- Private sector development

This initiative responds to both the objective of ensuring good co-ordination among different geographical directorates and the objective of accompanying the on-going devolution process.

More specifically the objectives are :

- Develop coherent approaches among different geographical regions, and within the same region, while maintaining the necessary flexibility to allow for adaptations to local conditions and specificities ;

- Support geographical directorates with the aim of improving quality and efficiency in implementation, as well as the visibility of co-operation ;
- Contribute to the training of personnel in Headquarters and Delegations.

The role of each thematic network is to be a forum for discussions and exchange of information with the aim of improving quality of implementation through the sharing of best practices. The role of thematic networks is also to contribute to the preparation of operational guidelines which is an on-going activity.

– Preparation of Guidelines

Work on the guidelines on programming and implementation of budgetary aid operations in third countries progressed smoothly. A wide consultation process was launched building upon expertise within EuropeAid and in other Directorates General. A significant number of delegations were also involved.

Preparatory work for the other guidelines (i.e. SWAPS in education ; Private Sector Development) was also launched.

– Preparation of Training courses on PCM, SWAPS and Budgetary Aid

Two tenders for the recruitment of external consultants for the implementation of training courses and provision of help desk services on PCM, SWAPS and Budgetary aid as well as economic and financial analysis were launched in November. Consultants are expected to be recruited by the end of the first quarter of the year 2002.

Help desk services and training activities are meant to complement the work aimed at preparing the operational guidelines.

– Reflections on rationalisation and revision of implementation modalities for budget lines

EuropeAid launched an analysis aimed at rationalising and reviewing the implementation modalities for thematic programmes financed under specific budget lines. EuropeAid also launched a comprehensive analysis focusing on the devolution of thematic programmes financed under specific budget lines. Both the former and the latter are ongoing.

– Screening of Projects

Screening of projects were undertaken during the year focusing primarily on education projects and private sector development projects.

– New Themes

Access to new technologies, information society, renewable energies and its possible integration within development co-operation programmes was given attention. Emphasis in this area is expected to increase during the year 2002.

7.6. Relations with other International Donors

A new specialised service was created to this purpose in EuropeAid Co-operation Office. These are the results of its first year of life:

A Co-financing and Trust Funds Framework Agreement was signed on November 8 with the World Bank. This Framework Agreement sets out the rules applicable in case of EC co-financing of projects undertaken by the World Bank. It contains guidelines for the conduct of verification missions, as well as contract templates to ease the negotiations of each individual contract.

As a follow-up to the Commission communication “Building an effective partnership with the United Nations in the fields of development and humanitarian assistance”, several measures have been taken :

- an Agreement on the Implementing Modalities of the Verification Clause was also reached with the United Nations. This question had been a stumbling block between the Commission and the UN for years. This new agreement opens the way for a more comprehensive revision of the currently applicable framework agreement between both organisations ;
- a report was established on EuropeAid Co-operation Office’s experience of working with different UN organisms, to be followed by a proposal of partners with which to build a stronger partnership ;
- a table of EC projects with UN for 1999-2000 was compiled from the operational units, which will be regularly updated ;
- a number of high-level contacts to initiate the identification and programming to reinforce concrete co-operation on programmes and projects co-financing, was taken with some of those organisms, including UNDP, UNHCR, ILO and UNESCO.

In the field of strengthening co-ordination and complementarity with bilateral donors, the Office has developed high-level contacts with the majority of them. In particular, a memorandum of co-operation for co-financing projects in Chad was signed in December with the French and German executing agencies.

7.7. Transparency and visibility

A considerable effort has been undertaken in 2001 in order to produce the first Annual Report gathering information on the implementation of the EC external assistance in all the regions managed by the newly created EuropeAid Co-operation Office. It presented a state of the play at 01/01/2001, the first day of the European Commission’s new structure for the management of the EC external assistance.

On the other hand, the web continues being the main instrument for information and transparency. Some improvements have been made and 2002 will see a new more user-friendly approach to show the activities on the spot. The co-operation sections of the Delegations webs will be linked so as to show, wherever possible, the individual projects on the screen.

The most visited section of EuropeAid site is, also this year, the one devoted to tender opportunities where interested partners can find all the information on all the external activities to be developed by the European Commission. The evaluation site has also improved in size and number of visitors. http://europa.eu.int/comm/europeaid/tender/survey/index_en.htm.]

The following table shows the number of hits for the different External relation sites in the European Commission server. It should be borne in mind that the number of hits is always larger than the number of times a computer user accesses a particular web site since a hit is recorded for each element on the web page (including photographs and links).

THE EUROPEAN COMMISSION EXTERNAL RELATION WEBSITES

SERVICES	ADDRESS	AVERAGE HITS PER MONTH IN 2000	AVERAGE HITS PER MONTH IN 2001
DG External Relations	Europa.eu.int/comm/external.relations	1,000,000	2,125,000
DG Development	Europa.eu.int/comm/development	600,000	200,000
EuropeAid	Europa.eu.int/comm/europeaid	600,000	4,200,000
Co-operation Office			
DG Trade	Europa.eu.int/comm/trade	1,000,000	1,800,000
DG Enlargement	Europa.eu.int/comm/enlargement	1,000,000	400,000
ECHO	Europa.eu.int/comm/echo	400,000	250,000
The EU in the World	Europa.eu.int/comm/world	200,000	200,000

7.8. EC Assistance not covered by the Report

This document covers all the external assistance activities managed by the EuropeAid Co-operation Office. Humanitarian and Pre-Accession Aids are outside the scope of this report. Nevertheless, a concise description of ECHO's activities is included in each regional section so as to give the reader a comprehensive view of the global EC contribution.

For full details, annual reports are available on Humanitarian Aid as well as on the Assistance to Candidate Countries. The following short summary indicates the significance of EC activities in these two areas.

Humanitarian aid

ECHO's response to humanitarian crises in 2001 amounts to a total of € 543.7 million. Humanitarian projects have been funded in more than 60 countries. 1031 contracts have been signed (including contracts implementing decisions made in 2000). African, Caribbean and Pacific countries were the biggest recipient of humanitarian aid with a total amount of € 173.3 million (35%). Assistance to the Western Balkans decreased compared to 2000, due to the stabilisation of the region, whereas aid for Asia increased slightly.

ECHO's main partner group remains European NGOs (62.5 % of ECHO's funding was implemented through them). With the UN High Commission for Refugees (8.6%) and the World Food Programme (7.25%) as ECHO's main partners, funding for the UN increased considerably in 2001 and reached 26.5% (2000:19.2%). Other

international organisations, including the International Committee of the Red Cross , received 7.9%.

Assistance to Candidate Countries

The European Community made available over € 3 billion of assistance in 2001 to countries that are candidates for membership of the European Union. Nearly 95% of this pre-accession assistance was directed to the ten candidate countries of Central and Eastern Europe¹⁴⁵ through three separate programmes.

The Phare Programme, managed by Directorate General for Enlargement, accounted for about € 1.6 billion. It concentrates on priorities for accession, as defined by the Council in the 'Accession Partnerships' and progress in meeting them identified in the Commission's annual Regular Reports. Around 30% of Phare resources are allocated to Institution Building and 70% to investments, equally divided between investment to strengthen the regulatory infrastructure needed to ensure compliance with the *acquis* and investment in Economic and Social Cohesion. The latter helps candidate countries bridge to structures and procedures needed to use Structural Funds efficiently and effectively upon accession.¹⁴⁶

Ispa, managed by Directorate General Regional Policy, accounted for about € 1 billion. It focuses on major investments in the environment and transport sectors.¹⁴⁷ About € 500 million were made available for Sapard, which focuses on rural development and agriculture. DG Agriculture manages this programme.¹⁴⁸

€ 194 million, € 11.5 million and € 7.5 million were allocated to Turkey, Cyprus and Malta respectively, in 2001. Assistance to Cyprus and Malta was provided on the basis of a pre-accession regulation agreed in March 2000, whereas assistance to Turkey was implemented under the MEDA and European Strategy regulations. A new financial regulation for Turkey, adopted in December 2001, will be used from 2002. Assistance to these three countries is managed by DG Enlargement, though they remain eligible for support from MEDA regional programmes in the context of the Barcelona process, managed by EuropeAid.

For each pre-accession programme, the managing DG is responsible within the Commission for the whole project cycle from programming through implementation to evaluation. However implementation of these programmes is highly decentralised, with the candidate countries themselves directly responsible for project management (subject to checking of tendering and contracting by Commission services).

Macro Financial Assistance for Third Countries

The Commission implements macro-financial assistance (MFA) in association with support programmes from the IMF and the World Bank, and after consulting the

¹⁴⁵ Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Rumania, Slovakia and Slovenia.

¹⁴⁶ Please find the Phare Annual Report on the following web page:
<http://www.europa.eu.int/comm/enlargement/pas/phare/publist.htm>

¹⁴⁷ Please find the Ispa Annual Report on the following web page:
http://www.inforegio.cec.eu.int/wbpro/ispa/ispa_en.htm

¹⁴⁸ Please find the Sapard Annual Report on the following web page:
<http://www.europa.eu.int/comm/enlargement/pas/sapard.htm>

Economic and Financial Committee and securing a Council Decision. MFA incorporates a set of principles which underline its exceptional character (ad-hoc Council Decisions), its complementarity to financing from the international financial institutions and its macroeconomic conditionality. It is an instrument designed to help the beneficiary countries meeting serious, but generally short-term macroeconomic imbalances (serious balance of payments 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 2001,¹⁴⁹ € 380 million of MFA were disbursed, comprising two € 7 million grants and a € 60 million loan to Tajikistan; a € 6 million grant to Georgia; a grant of € 15 million to Kosovo; a grant of €15 million to Bosnia and Herzegovina; a loan of € 12 million and a grant of € 10 million to FYROM¹⁵⁰; a € 225 million loan and a € 35 million grant to the Federal Republic of Yugoslavia.

The Commission reports on a yearly basis to the European Parliament and the Council about the implementation of macro-financial assistance to third countries.¹⁵¹

¹⁴⁹ A € 10 million grant and a € 10 million loan to Bosnia and Herzegovina, a € 10 million loan to FYROM and a € 12.95 million grant to Montenegro were disbursed in early 2001. However, the disbursement decisions were made in 2000 and the payments were made with appropriations from the 2000 budget.

¹⁵⁰ The actual payment of both the loan tranche and the grant instalment took place in January 2002. However, the decision was made in December 2001 and, with regard to the grant, the payment was made with appropriations of the 2001 budget.

¹⁵¹ Report from the Commission to the European Parliament and to the Council on the Implementation of Macro-Financial Assistance to Third Countries in 2001 (COM(2002)352 final of 11.07.2002).