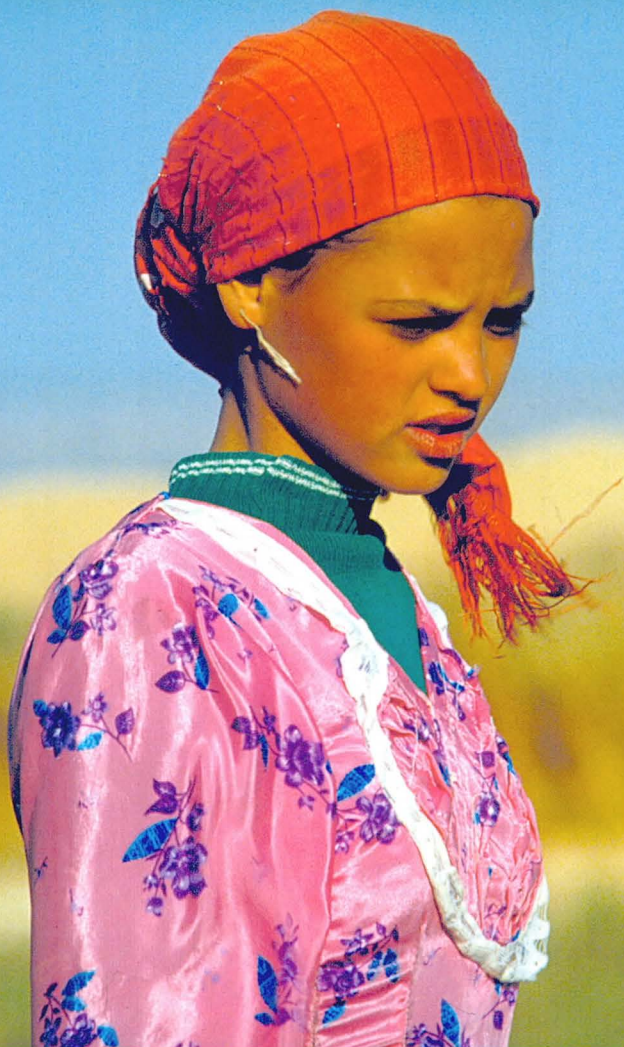




European
Commission

Annual report 2003

on the European Community's development
policy and the implementation
of external assistance in 2002



European Commission

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ON THE EUROPEAN COMMUNITY'S DEVELOPMENT
POLICY AND THE IMPLEMENTATION
OF EXTERNAL ASSISTANCE IN 2002

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FOREWORD

Poverty, conflict, instability and human misery, wherever they are in the world, affect us all. In this age of globalisation it is in our common European interest, as well as a moral imperative, to address these issues. The EC's external assistance programmes are a response to this reality.

The Commission, on behalf of the European Community, manages one fifth of the EU's overall aid flows (EUR 6.5 billion committed in 2002), which represents over 10 % of global aid. We provide assistance to more than 160 countries, territories or organisations worldwide. We believe in long-term, structured commitments and in building a network of collaborative partnerships.

In pooling resources for this common purpose, EU Member States have shown their commitment to the common values of external assistance, human rights, stability, poverty reduction, whose policies and implementation are central to the EU's role in the world.

As administrator of EC external assistance, the Commission has a unique comparative advantage, drawing on the expertise and transcending the national traditions of the Member States. We are committed to spending European taxpayers' money to deliver high quality programmes of assistance that have a demonstrable impact on the quality of people's lives. We aim to do this with a level of efficiency that meets the highest international standards.

In 2002, this approach was demonstrated notably in the EUR 275 million we committed to Afghanistan: a concrete contribution to the rebuilding of a failed State, supporting a fledgling government to build better lives for ordinary people. The Commission also played a vital role in the Conference on Financing for Development (Monterrey), the World Summit on Sustainable Development (Johannesburg), the Doha Development Agenda, and in the adoption of the Barcelona commitments and the launching of EU initiatives on water and on sanitation and energy.

This Commission made it a priority to reform the way we deliver the external assistance budget, and 2002 was the year where the first results of this reform could be seen on the ground. The quality of our assistance has been boosted by a huge deconcentration of management responsibilities away from Brussels out into the field, which in 2002 took place for geographical programmes in Europe, the Mediterranean, Asia and Latin America. Following international best practice, we are now not only quicker at implementation — in line now by and large with the performance of national development agencies — but better at trouble-shooting and tailoring our help to meet real needs. These gains have been complemented on the programming side by a new framework of country strategies that promote policy coherence and donor coordination.

This report provides information on policies and programmes implemented across the world. It responds to the request of the Council and the European Parliament to focus on results and impacts achieved. We recognise that further work is required in the move towards a results-based approach. It will take much more time and effort to consolidate and complete the reform and further improve the effectiveness of external assistance. Particular challenges include the need to address specific implementation difficulties faced by the Commission in a number of ACP countries and the imperative to deploy effective financial instruments towards our new neighbours after the enlargement in 2004, in the context of a 'Wider Europe'. We are committed to meeting these challenges and to further improving the performance of EC external assistance, thus contributing to security and prosperity for all.

Christopher Patten

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Chairman of the Board of the EuropeAid Cooperation Office*

Poul Nielson

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EXECUTIVE SUMMARY

This annual report presents an overview of the European Community's activities undertaken in the field of external assistance. It must be placed in the framework of the reform of the management of EC external aid adopted by the Commission (1). It is addressed to the European institutions, other actors in the field, partner countries as well as the general public. This report accounts for the EUR 6.5 billion committed and the EUR 5.2 billion actually disbursed by the EC in 2002.

Chapter 1 of the report presents the state of play of the **strategic goals and achievements**. Monterrey and Johannesburg summits settled the bases for a new global partnership for poverty eradication and sustainable development. If the EU Member States comply with their pledges, some extra EUR 8.5 billion could be available by 2006. The first generation of country strategy papers was completed in 2002. They will lead to accrued focus on fighting poverty. A better integration of the international evolving context and of the other EU priorities into development policy and planning will also add to the overall improvement of EU activities in the field. Not to forget the already famous 'three Cs' (coherence, coordination and complementarity) where a steady advance can be registered. Within EC policies, they help promote development, poverty reduction and integration of the beneficiary/partner countries into the world economy. This chapter also shows the progress in the field of EC cooperation with other donors. A new framework agreement has been signed with the World Bank, and the revision of the EC-UN framework agreement for EC funding of UN projects was completed. Extensive upstream policy dialogues at various levels took place in 2002 with United Nations' agencies, funds and programmes.

The **reform of the management of the EC external assistance** starts bearing fruit: sharper programming, improved quality and delivery timing, greater transparency and accountability, devolution of responsibilities to delegations on the spot, better coordination with other donors, especially Member States, and the implementation of a new single management information system, the common relex information system (CRIS) are amongst its main results in 2002 as shown in **Chapter 2**.

Chapter 3 outlines the **progress** the EC is making **towards its strategic goals**, in particular the millennium development goals (MDGs), working with the rest of the international community. It highlights measures being taken to enhance the effectiveness of the Community's assistance still further, including adapting its approach to different country and regional circumstances, effective targeting of resources, debt sustainability, increased use of sector-wide approaches and budget support. It also outlines progress towards focusing the EC's assistance on a more limited number of areas, and key policy developments in these priority areas during 2002. Social sectors like health and education, transport and food security have all seen significant progress during the year. On trade and development, the Commission adopted a communication endorsed by the Council in November 2002.

The Commission has worked with an expert group of Member States and other interested parties, including the OECD Development Assistance Committee (DAC), the UNDP and the World Bank, to develop a core set of 10 indicators drawn from the MDGs. Of these 10 indicators, six are directly related to the well-being of children, while three have a specific gender dimension. The Commission intends to monitor progress against these indicators annually for all developing countries to which it provides assistance. They are:

- ▶ proportion of population below 1 USD per day;
- ▶ prevalence of underweight children;
- ▶ under-five mortality rate;

(1) Communication on the reform of external aid management, SEC(2000) 814, 16.5.2000.

- ▶ net enrolment ratio in primary education;
- ▶ primary education completion rate;
- ▶ ratio of girls to boys in primary, secondary and tertiary education;
- ▶ proportion of births attended by skilled health personnel;
- ▶ proportion of one-year-old children immunised against measles;
- ▶ HIV prevalence among 15- to 24-year-old pregnant women;
- ▶ proportion of population with sustainable access to an improved water source.

Chapter 4 shows the 2002 findings of the **evaluation activities and the results-oriented monitoring (ROM)**. The chapter summarises the findings and conclusions of the evaluations completed during the reporting period and points out certain emerging broad issues. Launched in 2001, the ROM was extended to all regions in 2002. It ensures that the Commission has comparable data across its external assistance programmes. The chapter shows findings and analyses based on 2002 reports by ROM criteria (relevance, efficiency, effectiveness, impact and sustainability) and on the priority development fields.

Results achievement and performance of EC-funded projects and programmes have been judged as being generally good. Analyses of the structure of performance suggest some lessons to be learned.

- ▶ Flexibility and capacity to adapt to changes tend to enhance the performance of projects. There are also indications suggesting that a review of the project concept, when it actually starts implementation, will foster better performance.
- ▶ Good integration in local structures, policy support, and beneficiary involvement clearly foster effectiveness and sustainability and should be given attention in the design of projects.
- ▶ Financial sustainability is identified most often as a potential source of problems for projects.
- ▶ Timeliness of inputs and activities is suboptimal in many projects, the narrative comments in monitoring reports indicate heavy (EC) procedures and quality of project management as reasons in many cases.

Chapter 5 analyses the 'horizontal' or 'cross-cutting' issues and their **mainstreaming** through the general structure of EC cooperation. Human rights, equality between men and women, environment and conflict prevention are the main topics of this chapter which also describes the implementation of thematic budget lines such as food security, tropical forest, fight against AIDS and co-financing with non-governmental organisations (NGOs).

Dialogue on human rights has continued with China and started with Iran. Regional meetings have been held in two Mediterranean countries with civil society organisations in these countries. Promotion of human rights education and training for ethical review have also been important issues in 2002. The European initiative for democracy and human rights has committed over EUR 100 million this year. Assistance to third countries in the field of science, technology and research, particularly in the new independent States and the ACP countries, deserves also a place in this chapter.

The rapid reaction mechanism committed EUR 23.5 million in 2002, the most important task being the second phase of stabilisation in Afghanistan and the reconstruction efforts in the Palestinian Territories.

A process of consultation with non-State actors has been developed in 45 countries during the preparation of country strategy papers. Close to EUR 200 million have been committed for co-financing NGO projects. Almost EUR 50 million have been committed under the thematic budget lines environment and tropical forest.

Chapter 6 focuses on cooperation activities by region: eastern Europe and Central Asia, south-eastern Europe, the Mediterranean, Near and Middle East, African, Caribbean and Pacific (ACP) countries and overseas countries and territories (OCTs), Latin America and Asia. The structure of the presentation is the same for each region, allowing for a 'transversal' reading and easy comparison based on similar data. At first, the strategic goals and achievements are presented as well as the programming priorities during the year. Secondly, a section presents the main results of both finalised and ongoing projects, including those for which a mid-term review has been undertaken. Some case studies illustrate concretely the scope of EC activities in each region.

To complete the information on each region, specific sections focus on the implementation of the 'three Cs' describing the cooperation with Member States and other donors. Humanitarian aid (implemented by ECHO) and European Investment Bank (EIB) activities are also highlighted. Conclusions and perspectives for the years to come end each regional contribution.

As regards the **Western Balkans**, the existence and proper functioning of a market economy is one of the criteria fixed at Copenhagen as a basic pre-requisite for EU membership. The coming years will therefore see continued support for the reforms necessary to achieve this objective, including *inter alia* economic-related legislation, budget expenditure management and revenue collection, public procurement and — at the more advanced stages of the process — competition legislation.

Attention will also be focused on public administrations, usually through public administration reform programmes, aimed at supporting the process of rationalising, downsizing and streamlining the public sector.

In the area of justice and home affairs, the weak functioning of the judiciary system is recognised as one of the key problems hindering not only the general political functioning of the State, but also the proper functioning of a market economy (e.g. lack of effective economic conflict resolution). Corruption has been identified as another major issue that hinders proper political, social and economic development in the region. It requires decisive action by the international community, supported by targeted CARDS assistance, to attack the roots of the problem and facilitate sustainable solutions. Nearly EUR 654 million have been committed and more than EUR 617 million disbursed in the region in 2002.

Concerning **east European and Central Asian** countries, almost EUR 430 million were committed and EUR 383 million disbursed, in 2002. Work has begun to assess the potential impact of enlargement on EU relations with east European countries, within the framework of the 'Wider Europe' concept, which aims at enhancing stability and narrowing the prosperity gap on the new external borders of the EU. This will lead to increased support for activities that promote cross-border cooperation, particularly with respect to the western NIS.

In the Caucasus and Central Asia, the EU will continue to prioritise regional cooperation, notably through measures aimed at poverty reduction and economic growth and, where appropriate, conflict prevention.

Concerning the **Mediterranean countries**, a significant improvement has been achieved on the implementation of indicative programmes concerning financial and technical measures to accompany the reform of economic and social structures in the framework of the Euro-Mediterranean partnership (MEDA), with EUR 762 million in commitments and EUR 684 million in disbursements over the year. The new national indicative programmes have been implemented for the first time in 2002. Stability, security and sustainable development continue being EU priorities in the region as well as the completion of the association agreements with all the Mediterranean

partner countries and further steps ahead towards a Euro-Mediterranean internal market.

Cooperation in legal matters and home affairs is also becoming an important priority covering issues such as refugees, asylum rights and fighting against illegal immigration. The Middle East situation stays the main concern in the region.

Cooperation with the ACP countries and overseas countries and territories (OCTs) has totalled almost EUR 2.4 billion in commitments, and EUR 2.54 billion in disbursements (one of the best performances ever recorded even if slightly inferior to 2001 disbursements). The ratification of the Cotonou Agreement will allow for evolving EU-ACP relations. The explicit commitment of African countries to strengthening their capacity to deal with conflict, poverty and marginalisation in the context of globalisation and the existence of poverty reduction strategy papers are two important pillars for the future EC cooperation in the region to be based upon. Being the one region in the world that will struggle most to reach the MDGs, the EU-ACP partnership must improve development assistance, political dialogue and other policies and instruments as in trade-related issues. The launch of the African Union and its adoption of the New Partnership for African Development (NEPAD) may become the most significant fact in 2002 for the near future. Capacity-building and crisis solution are also among the most important concepts to deal with in this region.

During 2002, EUR 540 million have been committed and EUR 434 million disbursed in Asia. Through its cooperation activities, the EC strives to make a contribution to reducing poverty and raising the standard of living in **Asian countries**. Basic health and primary education are priority areas in this regard and will continue to receive at least one third of the available funds. The focus will be on intervention at the sectoral level, fighting poverty through country-owned programmes and enhanced donor-country coordination. The role of the Community also extends to achieving an improved relationship between these countries and the EU, to promoting greater democracy and to fostering peace. This involves, for example, supporting the reconstruction and rehabilitation of countries affected by conflicts such as Afghanistan and East Timor, and activities aimed at conflict prevention in the region, such as supporting the peace process in Sri Lanka.

Economic cooperation with Asia will be strengthened, focusing in particular on the business environment while supporting activities in such key fields as energy, environmental technology and biodiversity.

Dialogue and negotiations have been the keywords in EC cooperation with **Latin America**. Civil society is being consulted on the three subregional negotiations (EU-Mercosur, EU-Mexico and EU-Chile). Madrid Summit conclusions may be an important step ahead. The sectoral approach and budget support might give their first results in the region as soon as in 2003. On the other hand, the launching of negotiations with Central American countries and the Andean community may drive to a full subregional structure for EU-Latin America relations in the future. In 2002, EC commitments in the region amounted to EUR 382 million while disbursements reached EUR 272 million.

The 'Feature' article (**Chapter 7**) in this report concerns **water management**, probably the most important challenge for any coherent development policy in the years to come. The Commission communication of 12 March 2002 as well as the outcome of Johannesburg is the basis of any EU policy in this regard. The EU water initiative, launched at Johannesburg, seeks to provide a catalyst for further action to achieve the internationally agreed goals, working in partnership with developing countries. The new international target is now to halve by 2015 the number of people without access to sanitation to complement the target on access to drinking water as per the millennium development goals.

Complete **financial tables**, following **DAC nomenclature**, make up **Chapter 8**. Breakdowns per budget line, region, country and instrument can be found in these pages. At the same time, each and every project committed in 2002 is mentioned per region and sector of intervention.

Finally, the annexes show the state of play of the main works related to the reform of the management of the external assistance, i.e. harmonisation of procedures, RAL situation (payments backlog), audits carried out, efforts in transparency and visibility as well as a full list of official EC communications referring to external assistance produced in 2002.





1. Strategic goals and achievements

This chapter explains the context for the Community's external partnerships, including the strategic framework and objectives, and outlines the evolution in this during 2002 in response to events both within and outside the EU. It also highlights a number of strategic achievements during the year including the completion of the country programming process, and concrete progress towards improved coherence, coordination and complementarity both within and beyond the EU.

1.1. The framework for the Community's external partnerships

The European Community's development cooperation policy is one of three elements within the broader framework of external relations. It sits alongside the Community's external political and economic (including trade and investment) relations.

The European Community has a very substantial role in all three areas. It is the largest trading partner for many developing countries. The EU, as a region, provides more than half of global development assistance: over EUR 28.7 billion in 2002, of which EUR 6.5 billion at EC level. In March 2002, at the time of the International Financing for Development Conference, the EU signalled its commitment to play an even larger role in future by further increasing aid volumes. Each EU Member State has pledged to provide by 2006 a minimum of 0.33 % of its national income as official development assistance (ODA) so that, collectively, the EU reaches an average ratio of 0.39 % (up from 0.33 % in 2001). One fifth of the EU's current aid budget — EUR 6.5 billion — is managed by the European Commission on behalf of the Community. These funds come from the Community budget as well as the European Development Fund (EDF), which provides support to African, Caribbean and Pacific countries within the framework of the Cotonou Agreement and to the overseas countries and territories (OCTs) associated with the Community under the overseas association decision⁽¹⁾. The geographical span of the Community's assistance programmes is also substantial: from the EU's neighbours to small Pacific islands. In 2002, the Community had programmes with 160 countries and eight regions. The situation and the key issues in each region and country vary significantly and the Community adapts its approach accordingly.

1.1.1. The strategic objectives of the EC's development policy

Whilst development cooperation is part of external relations, it is also a legitimate policy objective in its own right. In addition, the Commission promotes the use of information and communications technologies (ICTs) as a tool to achieve development objectives.

Since November 2000, the Community has had one overall framework to guide its cooperation and partnerships with all developing countries with which it has links. This makes clear that the main objective of the Community's development cooperation policy is to reduce and eventually eradicate poverty, through support for economically, socially and environmentally sustainable development, promotion of the gradual integration of the developing countries into the world economy and a determination to combat inequality⁽²⁾. Health targets feature prominently,

highlighting the link between overall poverty reduction and investments in health and research. The specific goal related to the fight against HIV/AIDS, malaria and other diseases indicates a strong commitment, acknowledging that without addressing these diseases the central outcome of global poverty reduction will not be met. It also makes clear the core principles on which the Community's assistance is grounded: sustainable, equitable and participatory human and social development, with the promotion of human rights, democracy, the rule of law and good governance as an integral part of this. Increasingly, the value of science and technology (S & T) capacity-building and innovation is recognised as critical to the achievement of the MDGs, both in the different sectors as well as in support of overall economic development.

The EU has set its development efforts firmly in the global context, and is working with others to achieve the set of millennium development goals endorsed by UN members at the Millennium Summit. The headline goals are given in the box below.

Millennium development goals

- ▶ Achieve universal primary education
- ▶ Promote gender equality and empower women
- ▶ Reduce child mortality
- ▶ Improve maternal health
- ▶ Combat HIV/AIDS, malaria and other diseases
- ▶ Eradicate extreme poverty and hunger
- ▶ Ensure environmental sustainability

The Community has also committed to apply international best practice principles in implementing its assistance. This includes a firm commitment to work in partnership with developing countries and to respect and promote local ownership, as well as participation by non-State actors and other measures such as effective targeting of resources, close working with other donors, and a shift away from projects towards sectoral programmes and budget support where possible (see Chapter 3). This is complemented by the management reform programme also launched in 2000 (see Chapter 2).

In order to maximise its own impact within the global development framework, the Community is focusing its assistance in six areas where it can add particular value: the link between trade and development; regional integration and cooperation; support for macroeconomic policies and equitable access to social services; transport; food security and rural development; and institutional capacity-building, in particular, good governance and the rule of law (see Chapter 3). The promotion of human rights, equality between men and women, environmental sustainability and

⁽¹⁾ Council Decision 2001/822, 27.11.2001; OJ L 314, 30.11.2001.

⁽²⁾ Council conclusions of 10 November 2000, Reference 12929/00.

conflict prevention are integrated at every stage and within all of the Community's assistance programmes.

1.1.2. Responding to different country and regional circumstances

The development cooperation policy outlined above applies to all developing countries with which the Community has links. Nevertheless, the Community's relations and assistance programmes in different regions and countries are adapted to the specific challenges facing these.

This ranges from political and economic reform and stability in the **Western Balkans**, to sustainable economic and social development in the **Mediterranean** to ensure that this region does not become a geostrategic faultline with a prosperous Europe on one side and predominantly poor countries on the other, coupled with enhanced cooperation on issues like terrorism, the environment, drugs, and demographic change. In **Latin America**, fighting social inequality and building more cohesive societies are overriding priorities, combined with support for regional integration to increase the competitiveness of Latin American enterprises. **Asia** is home to two thirds of the world's poor. Food security, health and access to basic services are pressing issues in the region's lower-income countries, whilst serious disparities of income and opportunity still challenge many middle-income countries. A key focus for EC programmes in **Central Asia** is institutional, legal and administrative reform and private sector and economic development to tackle problems ranging from widening income disparities and poverty to slow economic and democratic transition including human rights issues. **African, Caribbean, Pacific countries and overseas countries and territories**, which come together into effect on 1 April 2003, under the framework of the Cotonou Agreement, face many common problems but also differ in some important respects. The Pacific and Caribbean regions contain many small-island States, whilst in Africa several conflicts are exacerbated by the size and fragility of countries. Forty of the 77 ACP countries are least developed countries, marked by a particularly low per capita income and severe infrastructure problems.

The different aspects of the Community's external relations with different regions are framed in a series of cooperation and partnership agreements. Chapter 6 reports on key developments in each of these regions during 2002.

1.1.3. Complementarity between development and other external objectives

In many cases, the Community's development and other external objectives are complementary, as are interventions in different areas. The link between conflict prevention and the promotion of human rights and democracy is clear, for example, as is the link from these areas to poverty reduction. In the aftermath of violence, concrete Community assistance has helped rebuild society and prevent the recurrence

of disputes. Instead of addressing merely the symptoms of conflict, methods must also be developed to identify and tackle their root causes, which many times are assessed to be extreme poverty. The relationship between investments in terms of basic health services and those related to research and development (R & D) for new drugs and treatments, especially in the context of the fight against the major communicable diseases linked to poverty, needs also to be underlined.

Given the many external policies and instruments in play and the need to respond to different circumstances, the Community's country and regional strategy papers constitute an important tool for analysing and suggesting the right policy mix. Interventions undertaken through the Community's horizontal and thematic budget lines, which cover development as well as broader external objectives such as cooperation on drugs, are increasingly being integrated within this framework. The Community is also working to ensure improved coherence at the central policy level. Complementarity between development and research policy is based on the notion of the need for synergies between S & T capacity-building and inter-regional research collaboration (North-South, East-West).

1.2. Adapting to changes in the EU and global context during 2002

1.2.1. EU enlargement and new political priorities

In terms of internal EU developments, the groundbreaking decision taken in December 2002 to enlarge the EU in May 2004 from 15 to 25 members will have a profound impact on the region's future role, including its external and development role. These countries, which have received substantial EU and external support over the past 12 years for their own political and economic transition, will become members of the EU's external policies from the date of their accession. During 2002, the accession countries, the Commission and Member States and the EU's external partners began to focus on preparations for this. Although development issues have not been a high profile issue in the context of enlargement, the Commission launched a programme of work in 2002 with accession countries and current Member States. This is focused on three aspects: possible implications for the Community's policy and programme processes (such as decision-making processes, priorities, channels of implementation and financial issues); how to help the acceding countries in their preparations for taking on the Community's development policy and their role as emerging donors (re-emerging in some cases); and implications for the Community's development partners. Several studies and fact-finding exercises, as well as a first set of capacity-building and awareness-raising activities were launched in 2002 to help define and inform on future activities in this area, including a road-map. This work will continue and expand in 2003-04.



Mr Romano Prodi, President of the European Commission and Mr Poul Nielson, member of the European Commission responsible for development, Monterrey Conference, March 2002

Internal policies and activities in other areas have also affected the context for the Community's development cooperation policy and external assistance, in particular the heightened interest in how to integrate migration issues into the EU's relations with its external partners including developing countries.

1.2.2. The global context: Political and economic instability

Continued political and economic stability in 2002 has had a major impact on the Community's external relations including its development policy and its external assistance.

Events in different parts of the world starkly highlighted the interdependence between both developed and developing countries: from the economic crisis in Argentina and the slowdown in developed country markets, to the tragedy of the Bali bomb and the ongoing fight against terrorism, to the devastation of new and ongoing conflicts. In 2002, there were positive steps towards peace in countries including Sri Lanka, Angola, and the Democratic Republic of the Congo. The Community launched a programme of long-term assistance to Afghanistan, marking an important transition in its partnership. Unfortunately, the situation in other places deteriorated, including the Middle East, Côte d'Ivoire and Zimbabwe.

These events highlight the vital importance of continued attention to economic and governance issues and, specifically, to conflict prevention and resolution. The Community is already very active in this area, including through its development policy and external assistance programmes, and recognises the need to take a comprehensive and long-term approach. The Community, along with EU Member

States, has also taken an important role in the international fight against terrorism.

Greater recognition of the links between developed and developing countries during 2002 has, in turn, underlined the importance of adequate and sustained attention to development issues for the successful achievement of other objectives. Poverty and exclusion, regional conflicts, environmental degradation and AIDS are all potential threats to security. The Community's development cooperation and external assistance policies and programmes, as well as EU policies and activities in other areas, have a vital role to play in this process and a number of new initiatives have been taken during the year. Sweden and France played a key role in 2002 in the launch of a new international task force on global public goods, which will be examining over the next two years how to ensure that major issues of international concern such as controlling communicable diseases and combating climate change are clearly defined, analysed, and the needs adequately met.

1.2.3. A new global partnership for growth, poverty eradication and sustainable development

The International Financing for Development Conference in Monterrey, Mexico and the World Summit on Sustainable Development in Johannesburg, South Africa (in March and September 2002 respectively) confirmed the direction taken with the launch of the Doha Development Agenda ⁽¹⁾, in terms of a new global partnership between developed and developing countries. At the centre of this is the recognition that success requires action by all countries. The EU worked hard for the success of Doha, Monterrey and Johannesburg, and will do the same for the forthcoming UN World Summit on the Information Society. The EU enlargement and the further increase in EU aid between now and 2006 by all Member States will allow the region to play an even greater role going forward than it does already.

Monterrey and Johannesburg confirmed the central importance of the millennium development goals as the guiding framework for action between now and 2015. The EU strongly supported the addition of a new target to halve the proportion of people without access to sanitation by 2015, to go with the existing target on access to water. The international community now has a clear and comprehensive framework for action to achieve growth, poverty eradication and sustainable development. The focus must now turn even more strongly to implementation.

1.2.4. The EU's WSSD initiatives: Water and energy

At the World Summit on Sustainable Development (WSSD), the EU launched two major initiatives on

⁽¹⁾ The Doha Development Agenda refers to the agreement reached regarding the agenda for the multilateral trade negotiations launched at the World Trade Organisation Ministerial Meeting in Doha, Qatar, in November 2001.

water and energy, designed to accelerate progress on implementation towards the MDGs.

The EU's 'Water for life' initiative is profiled in the special feature on water in this report (see Chapter 7).

The EU 'Energy initiative for poverty eradication and sustainable development' highlights the political will of EU Member States and the Commission to enhance activities in this field. Although there is no specific MDG on energy, the provision of adequate, affordable and sustainable energy services in rural, peri-urban and urban areas is essential for the achievement of the MDGs. A reliable and affordable energy supply is however far from the norm in the developing world, where over 2 billion people rely on biomass (wood, waste, etc.) as their primary energy source, and 1.6 billion people still do not have access to electricity. The EU's energy initiative seeks to contribute to poverty eradication by helping to improve access to energy services, working through a menu of technical options, including rural electrification and decentralised energy systems, cleaner, more efficient fossil fuel technologies and use of locally available renewable energy, especially the improved management and use of biomass. Activities will ensure ownership of beneficiaries, and will be developed through partnerships with developing countries and regions, as well as stakeholders from the private sector, financing organisations and civil society. Dialogue with partners and stakeholders will be enhanced at national and regional level to implement partnerships on a demand-led basis. Important aspects of the initiative will include the provision of support for institutional capacity-building and technical assistance to countries to put in place adequate energy policies. An important role will be given to the development of new research-based strategies. The Commission also published a new communication setting out its strategic approach to energy cooperation with developing countries in July 2002 ⁽¹⁾.

1.3. Key achievements during 2002

1.3.1. Continuing improvements in efficiency and effectiveness

For the EU, the global framework that has emerged from Doha, Monterrey and Johannesburg reinforces the direction in which the Community has been moving internally since 2000, in terms of both its operational and policy framework.

The continuing progress being made towards efficiency and effectiveness, as part of the management reform programme launched in 2000, is detailed in Chapter 2 of this report. The Commission also simplified and decentralised the EDF financial procedures for the OCTs ⁽²⁾, as requested by the Council in its 2001 overseas decision.

Progress towards development and other external assistance objectives is outlined in Chapter 3, including the results of a cross-regional and cross-country analysis of progress towards the millennium development goals undertaken by the Commission and progress in the six priority areas for EC assistance defined in 2000. A major challenge for the Community going forward will be to respond to the emergence of new EU and international priorities without undermining selectivity and focus.

COMPLETION OF THE PROGRAMMING PROCESS

A major strategic achievement during 2002 was the completion of the first generation of regional strategy papers (RSPs) and country strategy papers (CSPs) under the new common framework process begun just two years earlier. A qualitative leap in the Community's programming of external assistance has been achieved and the programming documents will serve as valuable management tools for the years ahead. The CSP framework has, as intended, proved to be a very useful tool, including for operationalising the objective of giving multi-annual programming greater substance and improving coordination and complementarity with bilateral aid provided by EU Member States. The CSP framework has also made an important contribution to harmonising programming methodology across regions. For the years ahead, it is important to set up a comprehensive mechanism to monitor and review implementation of CSPs and RSPs, so as to maintain the momentum in the CSP process. The process of preparing for mid-term reviews, including further work on methodologies, will begin in 2003. The Commission will strive continuously to improve the quality in its programming documents and to firmly integrate the CSP process into the international development effort.

EMBEDDING OF THE POVERTY REDUCTION SUPPORT PROGRAMME APPROACH FOR LOW-INCOME COUNTRIES

In terms of poverty reduction in low-income countries, January 2002 saw the first international review of the results-oriented partnership approach based on nationally owned strategies for poverty reduction (often known as the poverty reduction strategy paper, or PRSP, approach). The Commission, like many other donors, has committed to use PRSPs, where they exist, as the starting point in designing its own response strategies (CSPs). By November 2002, 45 countries had prepared an interim poverty reduction strategy paper and 19 had a final PRSP. The Commission has particularly emphasised the importance of implementation tied to a national strategic resource allocation cycle and the key role of national democratic accountability, particularly through national parliaments, drawing on agreed indicators of results. The Commission has been working particularly closely with the Bretton Woods institutions on this, following joint consultations in May 2002. A working group between the World Bank and IMF, the European Commission on behalf of the Community and the United Kingdom's Department for International Development (DFID) has started to

⁽¹⁾ COM(2002) 408.

⁽²⁾ Commission Regulation (EC) No 2304/2002, 20.12.2002; OJ L 348, 21.12.2002, p. 82.

conceptualise the idea of 'the PRSP cycle'. The Commission's efforts were recognised at the January 2002 conference and its approach has been increasingly widely accepted by others during the year. It promises to form the basis for an even broader consensus as work on the concept deepens during 2003.

1.4. The three Cs (coherence, coordination and complementarity)

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

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

1.4.1. Improving coherence

The Community has a legal obligation contained in the Treaty to ensure coherence by taking an integrated approach to external relations, security, economic and development policies ⁽¹⁾. This includes the need to take account of development objectives in all activities likely to affect developing countries ⁽²⁾.

This notion was reaffirmed in 2002 in the Commission's communication on the external dimension of the EU's sustainable development strategy ⁽³⁾, and in the Council conclusions on this communication and on the EU's preparations for the World Summit on Sustainable Development ⁽⁴⁾.

1.4.1.1. New impact assessment processes

As part of its efforts to improve coherence, the Commission is increasingly making use of impact assessment processes. During 2002, sustainability impact assessment processes were launched that will be run in parallel with and inform the WTO trade negotiations, as well as the negotiations between the EU and ACP countries on new economic and partner-

ship agreements. In May 2002, as part of the package of measures to improve governance, the Commission outlined proposals for a new impact assessment for all major policy proposals ⁽⁵⁾. This will be introduced gradually from January 2003. It is intended to identify, in advance, potential economic, social and environmental impacts within and outside the EU, and as such may become a major tool for verifying coherence. Such extended impact assessments will be carried out as of 2003 for key policy reforms. Of particular importance for developing countries is the reform of the Common Market Organisation for sugar.

1.4.1.2. Adapting EU policies to sustainable development objectives

The EU has also committed to continue the process of adapting key EU domestic policies to the internal and external objectives of sustainable development. During 2002, the Commission published proposals for alterations to two policies that are acknowledged to play a critical role in coherence: the common agricultural policy (CAP) and the common fisheries policy (CFP).

In the context of the mid-term review of the CAP and in line with the orientations already established as part of 'Agenda 2000', the Commission proposed a substantial reorientation of the common agricultural policy to promote greater compliance with income redistribution and sustainability objectives. These proposals were set out in the Commission communication entitled 'Towards sustainable farming' ⁽⁶⁾. Not all products were covered by the MTR (notable exceptions included rice, sugar and cotton). Nevertheless, the proposals put forward in 2002 for greater decoupling of subsidies from production and reduction on guaranteed prices are positive signs of efforts to increase market orientation of the CAP. This, in turn, is likely to reduce its negative impact on third countries and enhance coherence with the Community's development policy. It is expected that the MTR, when applied, will lead to less intensive and more diversified production patterns. Farmers will no longer be remunerated on the basis of quantities produced, and will receive instead an all-inclusive income subsidy based on compliance with environmental principles of sound agricultural management.

The need for coherence between the Community's fisheries policy and development objectives for ACP States has been reinforced in the Cotonou Agreement, which states that, 'Any fishery agreement negotiated between the Community and ACP States shall pay due consideration to consistency with the development strategies in this area' ⁽⁷⁾. In a resolution on fisheries and poverty reduction of November 2001, the Council further underlined that fisheries agreements should include environ-

⁽¹⁾ Article 3 of the EC Treaty.

⁽²⁾ Title XX, Article 178 of the EC Treaty.

⁽³⁾ 'Towards a global partnership for sustainable development', COM(2002) 82 final, February 2002.

⁽⁴⁾ Development Council conclusions, 30.5.2002, 9458/02.

⁽⁵⁾ COM(2002) 276, May 2002.

⁽⁶⁾ COM(2002) 394 final, July 2002.

⁽⁷⁾ Article 23, Title I.

mental and developmental considerations ⁽¹⁾. Consistent with these requirements, the Commission's 2002 communication on reform of the CFP ⁽²⁾ and the subsequent communication on the Community's fisheries partnership agreements (FPAs) with third countries ⁽³⁾ recognised the need to ensure coherence with development objectives, as well as other objectives including sustainability of fish stocks at the global level (addressed in the plan of implementation of the World Summit on Sustainable Development).

The Community has bilateral agreements with 15 developing (mainly ACP) coastal States that involve financial contributions from the Community to the authorities concerned. The communication noted that these agreements generate in Europe and the coastal States important economic activities, both through the exploitation of fishing resources and through the development of associated activities. The communication proposed a number of new initiatives to enhance the positive impact of the new fisheries partnership agreements (FPAs) on developing countries' local economies going forward. These include sustainability impact assessments for new FPAs and a more concerted effort between the common fisheries policy and the Community's development cooperation policy in order to strengthen the capacity of the local authorities to formulate and implement fisheries policy, including stronger ownership. The financial contribution of the new FPA should make a clear distinction between the part of the financial contribution given in exchange of fishing possibilities for European vessels; and the other part of the contribution devoted to fisheries partnership actions such as stock assessment, control monitoring and surveillance activities. All these activities should be seen more in terms of the mutual interest of both sides in establishing responsible fishing on a sustainable basis.

The implementation of the Commission's proposals in both cases will depend on the outcome of discussions with EU Member States. The way that the new approach to fisheries has begun to be implemented in the ACP region during 2002, in particular in the context of the new FPA with Kiribati and the Pacific regional strategy paper, is outlined in the ACP regional chapter later in this report.

1.4.1.3. Migration and development

The Commission's communication on migration and development ⁽⁴⁾ brought together the different dimensions of this issue. As part of this, it set out the broader context, including the need to take account of the driving forces of international migration, the specific case of people in need of protection and the effects of international migration on developing countries. In integrating migration into the external policy of the Community, the Commission proposed to base further action on the following key principles.

- ▶ The integration of migration aspects in the external action of the Community must respect the



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overall coherence of its external policies and actions. The dialogue and actions with third countries in the field of migration must be part of a comprehensive approach at EU level, which must be fundamentally incitative by encouraging those countries that accept new disciplines but not penalising those who are not willing or not capable to do so. The approach must also be differentiated, taking due account of the situation of each individual third country.

- ▶ Regarding migration, the long-term priority of the Community should be to address the root causes of migration flows. One should duly recognise the effect of long-term development programmes on migratory flows, in particular in poverty eradication, institution and capacity-building, conflict prevention. Development resources should concentrate on this objective. Besides, as Part 2 of the communication demonstrates, the Commission already supports a wide range of specific actions in the field of migration, with a total value of EUR 935 million planned for the period 2002–06.
- ▶ Migration aspects should, in the first instance, be taken care of in the strategic framework proposed by the Commission and agreed by the Member States (regional and country strategy papers). The CSP mid-term review offers an opportunity to examine the extent to which greater priority should be given to specific programmes related to migration. This should permit a case-by-case reassessment of migration in third countries and could lead to some reorientation in our priorities and some reallocation of funds within the national indicative programme of each country concerned.
- ▶ Without prejudging the results of the CSP review, it already seems clear that extra funding will be needed. New tasks are feasible only if new money is made available. The relevant budget line (B7-

⁽¹⁾ Council conclusions, 8.11.2001, Reference 13573/01.

⁽²⁾ COM(2002) 181 final, 28.5.2002.

⁽³⁾ COM(2002) 637 final, 23.12.2002.

⁽⁴⁾ COM(2002) 703.

667: Cooperation with third countries in the field of migration) should be significantly reinforced and should come as a complement to what can be achieved in the CSP review. It should be used to finance specific, targeted actions in the field of migration. These should be complementary to those financed under the more generic assistance lines. This approach should ensure a greater impact and higher profile for migration initiatives, and help avoid duplication and confusion. The relevant budget line must also be managed in accordance with the principles of the RELEX reform, so as to allow consistency and economies of scale.

1.4.1.4. Untying aid: Enhancing the effectiveness of aid

The practice of 'tying aid' (whereby developing countries receiving aid are restricted to purchasing goods and services with that aid from the donor giving it to them) is an important element of the debate on aid effectiveness and donor credibility. The Commission believes that untying aid is an important factor in a coherent pro-poor development policy. Untying aid can have a substantial practical impact, by significantly increasing the value of development assistance. This is because development partners are free to choose the most appropriate and cost-effective supplies for their needs. Tied aid is estimated to cost on average between 20 and 25 % more than if the goods or services in question were procured through international competition (1).

In 2001, the Development Assistance Committee of the OECD formally adopted a recommendation to untie aid to the least developed countries. In the context of preparations for the Financing for Development Conference in March 2002, the European Council agreed to continue discussions in view of further untying (2). Following on from these two steps, the Commission adopted a communication on untying in November 2002 (3). This proposed an almost complete untying of Community aid (subject to the agreement of the recipient country and on a reciprocal basis between all donors). Moreover, the communication recalled that the rules of the internal market apply also to a large part of Member States' ODA, and advised them to respect those rules with regard to their bilateral aid programmes. This communication also advocated a complete untying of food aid and food aid transport at international level. Discussions on this issue will continue in 2003.

1.4.2. Strengthening coordination and complementarity

Promoting coordination and complementarity between Member States and the Community in the broader international framework is critical for the effectiveness of the Community's development cooperation policy and programmes. Despite the clear potential benefits, and notwithstanding some encouraging improvements, implementation of EU coordination remains difficult.

A number of positive steps forward were taken in 2002, both within the EU and beyond.

1.4.2.1. A coordinated EU input to the Monterrey and Johannesburg Conferences

At the policy level, the EU's preparations for the Conference on Financing for Development in Monterrey, Mexico and the World Summit on Sustainable Development in Johannesburg both proved to be useful opportunities for improving coordination. Similar efforts are being made in the context of the forthcoming UN World Summit on the Information Society. The mandate given to the Commission by EU Member States to present a report in preparation for the Monterrey Conference was a positive sign of the confidence that had been built up. This report, and the action taken by Member States, helped to ensure a positive EU contribution to the conference. It clarified a number of issues and explored, through a dialogue with Member States, possible initiatives to address key issues. This included how to close the financial gap between the current level of ODA and the volume necessary to meet the millennium declaration goals (which the World Bank had estimated would require a doubling of current ODA levels (4)). This was instrumental in the EU decision to increase EU ODA levels between now and 2006. Other initiatives related to the effectiveness of aid (including aid untying, discussed above), are concrete steps forward on coordination and harmonisation, reform of the international financial system, trade and development, debt sustainability, global public goods and innovative sources of financing (5). Following the request of the November 2002 General Affairs and External Relations Council, the Commission will monitor the implementation of these commitments. The EU's two major initiatives launched at the Johannesburg Conference in water and energy emphasise operational coordination and complementarity, both at the policy level and at the implementation stage. This will be achieved through the development of partnerships with developing countries, other donors, the private sector and civil society. They provide a catalyst for future action to reach the WSSD (World Summit for Sustainable Development) goals related to water and energy.

(1) Source: DAC, also World Bank research.

(2) European Council conclusions of 14 March 2002 on the International Conference on Financing for Development.

(3) COM(2002) 639, communication from the Commission to the Council and to the European Parliament entitled 'Untying: Enhancing the effectiveness of aid', 18 November 2002.

(4) <http://www.worldbank.org/html/extdr/mdgassessment.pdf>

(5) COM(2002) 87, Preparation of the International Conference on Financing for Development. Related proposals were developed in COM(2002) 82, 'Towards a global partnership for sustainable development' and COM(2002) 81, 'Responses to the challenges of globalisation'.



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1.4.2.2. Commitment to concrete steps on coordination and harmonisation by 2004

One of the EU's commitments prior to the Financing for Development Conference was to take concrete steps in the coordination of policies and harmonisation of procedures before 2004. EU action in this area will also take account of similar efforts being made at the international level by the World Bank and other multilateral development banks as well as by the OECD/DAC Task Force on Donor Practices (¹). As one step towards this commitment and at the request of Member States, the Commission launched a pilot initiative focused on four countries, to examine current coordination and complementarity initiatives as well as the scope for further action. The results of a scoping mission in late 2002 should enable the EU to consider and possibly agree during 2003 on practical measures to strengthen the operational coordination between what is done by the Commission on behalf of the Community and what is done bilaterally by Member States. They also informed the EU's input to the international High Level Forum on Harmonisation in Rome in February 2003, with the multilateral development banks and the OECD/DAC as co-sponsors.

The EU pilot initiative on coordination and harmonisation

'Reach concrete steps in coordination of policies and harmonisation of procedures before 2004'

In June 2002, the Commission launched with the Member States a pilot initiative to identify pragmatic measures to help to achieve progress in operational coordination and harmonisation at EU level. Four pilot missions were conducted in Morocco, Mozambique, Nicaragua, and Vietnam.

The exercise highlighted the increasing demand for more coordination and harmonisation from most of the actors present on the ground in these countries, who stressed that flexibility and pragmatism were critical. It also raised expectations of an enhanced EU contribution. In the first half of 2003 and as requested by the Barcelona EU Council in March 2002, the European Union will define a plan of action to achieve real concrete progress in this area before 2004.

1.4.2.3. Monitoring the synergies of EU policies and promoting dialogue

During 2002, the Commission hosted regular informal meetings between directors-general for development from all EU Member States. These provided a useful forum for the exchange of views and experiences on best practices and common concerns regarding the effective implementation of existing commitments, especially in the field of coordination of policy and harmonisation of procedures as well as the effectiveness of aid. They also helped to facilitate the coordinated EU input to the Monterrey and Johannesburg Conferences, noted above. This forum is likely to play a key role in ensuring the smooth and effective integration of the EU's new Member States, following enlargement, within the Community's development policy.

1.4.2.4. Tackling coherence, coordination and complementarity at the programming stage

The country strategy papers, backed up by the work of the inter-service Quality Support Group and the establishment of country teams, have become the central mechanism for strengthening policy coherence with

(¹) European Council conclusions of 14 March 2002 on the International Conference on Financing for Development.

other Community policies at country level and for enhanced coordination and complementarity with Member States. In finalising CSPs and RSPs, the Commission made extensive efforts to coordinate the CSP process with other actors. A survey carried out by the Commission revealed that EC delegations in partner countries had played a very active role in the coordination process in the field. Of the donors present in the country, all EU Member States were systematically invited to participate in the coordination/complementarity exercise and in 55 % of the cases all non-EU donors present were invited as well. This process involved the organisation of consultative fora together with the partner countries and extensive dialogue with Member States. Non-State actors (NSAs) were, for the first time, directly involved in the programming of Community aid.

Another positive initiative during 2002, from the Council, was the decision to establish common country fact files. These could form the basis for more comprehensive common analysis and joint programming at field level. The purpose is to share information, to facilitate coordination and enhance complementarity between Member States and the Community, and between Member States themselves. The intention is to have a document that is short, inclusive but with specific information. The fact file will try to list all EU policies affecting the EU and the country concerned, although emphasis with many countries will be on development cooperation.

1.5. Working with others

As well as improving coordination and complementarity within the EU, the Commission also recognises the importance of similar efforts with respect to other donors and international organisations.

The OECD Development Assistance Committee recognised that the European Commission can add value to this effort in its 2002 peer review of the European Community ⁽¹⁾. The reinforcement of delegations in developing countries as part of the de-concentration process should enhance the Community's capacity in this area further.

In 2002, development issues were put high on the agenda of the joint EU–Australia, EU–Canada, EU–Japan and EU–US Summits. This created a better momentum for dialogue, in particular on issues linked to the UN conferences, the NEPAD, Afghanistan and about the level and effectiveness of ODA. Specific initiatives launched in 2001 with Norway and Japan, building on previous dialogue, staff exchanges and common assessments, are leading to the definition of operational guidelines.

1.5.1. Harmonising donor practices

During 2002, the Commission has continued to actively support international initiatives aimed at harmonising

donor practices, which are taking place in several different fora.

In particular, the Commission has welcomed the work of the OECD/DAC Task Force on Donor Practices. This task force, set up in 2000 to identify and document donor practices to reduce the burden on the capacities of partner countries to manage aid and lower the transaction costs involved, completed its work on schedule at the end of 2002. The six good practice reference papers produced by this task force set effective benchmarks for improved harmonisation, and cover all phases of the project cycle ⁽²⁾. They were a major input to the High Level Forum on Harmonisation in February 2003 in Rome, which brought together the work of the DAC Task Force and ongoing work by the multilateral development banks.

The Commission has also participated in harmonisation initiatives in the G8 context, including the work of the G8 Education Task Force. This has sought to promote harmonisation of procedures through the definition of a code of conduct. This code of conduct was drawn up by a group of experts from EU Member States set up by the Commission, and its implementation was recommended by the Council.

The Commission has also been involved in discussions on harmonisation of procedures surrounding country strategy papers, through bilateral contacts with the UNDP, the World Bank and certain EU Member States. Initiatives include the streamlining of strategy documents and procedures (such as analysis of the economic and social situation, donor matrix, indicators), mutual consultation of all key donors in each institution's strategy process, active cooperation in the areas covered by the building blocks common to all CSPs and synchronising the timing of country programming and strategy preparation and review processes.

1.5.2. Enhancing the partnership with the United Nations

1.5.2.1. Building strategic partnerships

Extensive upstream policy dialogues at various levels took place in 2002 with the UN agencies, funds and programmes. Building on the momentum of the communication on 'Building an effective partnership with the United Nations in the fields of development and humanitarian affairs' adopted in 2001 ⁽³⁾, the Commission has increased its involvement with the UN family through the establishment of strategic partnerships with selected UN agencies, funds and programmes. Ongoing work towards selection of strategic partners should be finalised in 2003 and partnership agreements will be established with the selected UN bodies. This should allow the Commission to work with the UN in a more efficient and coherent way in the priority areas of the Community's development policy.

⁽¹⁾ The peer review is available from www.oecd.org/DAC

⁽²⁾ The six papers are: Framework for donor cooperation; Country analytical work and preparation of projects and programmes; Measuring performance in public financial management; Reporting and monitoring; Financial reporting and auditing; and Delegated cooperation. See: www.oecd.org/DAC

⁽³⁾ COM(2001) 231.

1.5.2.2. Improving the working framework

Revision of the 1999 EC–United Nations framework agreement for EC funding of UN projects was completed during 2002. The agreed text will be submitted for approval by both negotiating parties and is expected to enter into force in the first quarter of 2003. The revised agreement reflects the new Financial Regulation of the Commission and offers a more flexible instrument for cooperation with the UN system. In particular, it allows funding of multi-donor programmes of the UN, in accordance with the notion of joint management enshrined in the Financial Regulation. This is also one important prerequisite for setting up strategic partnerships.

1.5.3. *Scaling up collaboration with the international financial institutions*

Collaboration between the European Community and the World Bank and the International Monetary Fund has become increasingly important for several reasons. Firstly, the Commission is working closely with these bodies in taking forward the PRSP approach, as outlined above. Secondly, in the context of the Doha-Monterrey-Johannesburg Conferences, the Bretton Woods institutions, together with the UN and the EU, have been a major force for multilateralism. Thirdly, the European Community remains the largest contributor to trust funds administered by the World Bank, including the heavily indebted poor countries (HIPC) debt relief trust fund. Financing proposals for contributions to the Global Health Fund and the Afghanistan Reconstruction Fund were prepared in 2002.

1.5.3.1. Adopting a new framework agreement with the World Bank Group

The negotiations to revise the EC–World Bank Group framework agreement of 2001 were completed in 2002. In parallel to the negotiations, a first set of annual consultations on issues of common interest under the agreement were organised (mainly implementation of World Bank Group trust funds financed by the European Community). There was broad participation on both sides, which allowed for a better communication of Community interests and objectives to the World Bank Group, and a better overview of its plans and priorities for the near future. Similar annual consultations will begin with the UN in 2003.

1.5.3.2. Cooperation on difficult partnerships and financial management

In October 2002, the Commission co-organised a workshop with the World Bank, the OECD/DAC and the UNDP on 'difficult partnerships' in Paris, with the aim to improve and harmonise donor responses in situations where the partnership paradigm does not work.

For example, countries where the policy environment is poor.

Cooperation on support to public finance gained momentum under the joint public expenditure and financial accountability (PEFA) programme, which is currently supported by the World Bank, DFID and the Community (also through a trust fund).

1.5.3.3. Strategic Partnership with Africa

The Commission has a long-standing involvement in the Strategic Partnership with Africa (SPA), the informal forum set up in 1988 that brings together bilateral and multilateral donors to support Africa-led efforts to reduce poverty. This forum has taken the lead in efforts to streamline donor procedures and monitor adjustment programmes for efficacy in poverty reduction, as well as review donor practices in support of reform and provides intellectual leadership on a range of development issues. During the autumn of 2002, the Commission co-led with the UK Department for International Development three action learning missions to Ethiopia, Rwanda and Senegal. The objective of these missions was to assess and give momentum to the harmonisation of donor support around national poverty reduction strategies and budget cycles. The implementation of this framework will be at the heart of the SPA's work in the next few years: the sixth phase of the SPA (2003–06) has as its main focus the harmonisation of donor support around poverty reduction strategies, in particular budget and sector support.

Strategic Partnership with Africa (SPA) — Action learning missions: main findings

Countries have made efforts in developing participatory poverty reduction strategies

Donors' alignment behind the poverty reduction strategies (PRSs) has been so far disappointing

Need for governments to operationalise their PRSs, ensure link with budget cycle and sector strategies, and annualise the list of policy measures and indicators

Urgent need for donors to start aligning their programming, reviewing and monitoring processes with the national PRS and budget cycle

1.6. The path to the future

This chapter has highlighted a range of different factors that have affected the context in which the Community's development cooperation policy and external assistance operates during 2002. These have provided new strategic challenges but also new opportunities. In the years ahead, an enlarged EU should be even better placed to play a leading role in taking forward the global agenda for growth, poverty eradication and sustainable development that was confirmed in 2002.





2. The reform process — steps forward in 2002

On 16 May 2000, the Commission launched a programme of reform of the management of external assistance ⁽¹⁾. Among its main objectives were:

- ▶ to improve the quality of projects and programmes;
- ▶ to reduce the time needed for implementation;
- ▶ to ensure that procedures for financial, technical and contractual management conform to the highest international standards.

The nature of the task requests considerable efforts as the several programmes the EC must deal with have, each of them, a different character and specific focus, according to the specific regulation of the programme. Within these limits, significant measures have been launched and implemented in 2002 in order to improve the quality of the EC managed assistance programmes and projects. The different quality support groups, the improved financial management and, more particularly, the advance of the deconcentration process are among the important steps taken in 2002.

⁽¹⁾ SEC(2000) 814, 16.5.2000, communication from the External Relations Commissioners: Mr Patten (External relations), Mr Nielson (Development and Humanitarian aid), Mr Verheugen (Enlargement), Mr Lamy (Trade) and Mr Solbes Mira (Economic and monetary affairs).

2.1. Quality improvement

Programming is now centred on country and regional strategy papers which set out a 'strategic framework' for the EC's cooperation priorities in a given country or region ⁽¹⁾. 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 initiated the process of establishing country and regional strategy papers (CSP) and regional strategy papers (RSP) for partners in all concerned regions (ACP, ALA, CARDS, MEDA, Tacis). These new strategies have been developed in collaboration with national governments, Member States, other bilateral multilateral donors and, wherever possible, with representatives of civil society ⁽²⁾. The CSP process has a very broad and ambitious scope and covers more than 160 partner countries and eight partner regions. As of the end of 2002, the Commission had finalised and made public 102 new CSPs and 14 RSPs (available on the Internet ⁽³⁾). A number of additional strategies are well advanced in the drafting process and will be published shortly. These programming documents show how the Commission's external assistance is to be implemented over the period between 2002 and 2004 to 2007 (applicable time period depending on the region).

A progress report on the implementation of the common framework for country strategy papers ('CSP framework') ⁽⁴⁾ was prepared at the request of the Council ⁽⁵⁾ and was presented in November 2002. It covers the drafting process of the 'first generation' of CSPs and RSPs. Special attention is paid to coordination with the Member States (both in the field and in Brussels).

Challenges ahead include:

- ▶ putting in place a comprehensive CSP review mechanism;
- ▶ taking into account new EC/EU policy initiatives (e.g. anti-terrorism, migration issues and initiatives emerging from the Doha process and follow-up to the World Summit for Sustainable Development);
- ▶ improving the focus on results and performance; and
- ▶ reducing transaction costs for partner countries by working towards the harmonisation of donor procedures surrounding country strategies.

An inter-service quality support group has been created. Its main task has been to screen and assess

draft country and regional strategy papers and indicative programmes and propose any necessary improvements in order to ensure a consistently high quality. In order to achieve maximum impact, the inter-service quality support group intervenes at an early stage in the programming process. This screening revealed that even though a qualitative leap in multiannual programming has taken place, all the possibilities that the new framework provides were not fully developed. Certain typical difficulties in the CSP process were to achieve sufficient concentration of aid, to make a fully-fledged policy coherence analysis, operationalising the concept of 'linking relief, rehabilitation and development', identifying performance indicators and mainstreaming policies for governance and human rights, gender and environment.

The inter-service quality support group has also drafted guidelines on the implementation of the common framework for country strategy papers, organised various training seminars on programming and established a web site on the Commission's Intranet to improve the internal communication between all involved in programming.

The EuropeAid Cooperation Office has put in place various quality support measures geared at ensuring that work is of good quality, fulfils the procedural and substantive requirements and embodies state-of-the-art approaches in the relevant fields. Some of the key measures adopted in 2002 are the creation of the quality support groups at regional level, the establishment of 10 thematic networks on the relevant priority areas identified by Commission and Council and the development of guidelines and other operational documents. These are also being translated in training programmes available both at headquarters and delegations. In 2002, the budgetary support thematic network successfully contributed to the development of a methodological guide and its related training programme. In addition to the guide on budgetary aid, a guide on sector approaches was finalised in 2002.

2.1.1. Orientation debate Commission/Council

The reform process has been accompanied by the search for an improved match between political priorities and budgetary allocations. Discussions began at the September 2000 informal meeting in Evian and continued at the January 2001 GAC meeting. The discussion in 2002 evolved around such questions as integrating development and foreign policy objectives, improving flexibility and responsiveness to new situations, balancing the need for speedy delivery of external assistance and the quality of such assistance, and how to improve the impact of the Union's

⁽¹⁾ SEC(2000) 814, SEC(2000) 1049, 15.6.2000, and conclusions of Development Council, 10 November 2000.

⁽²⁾ Consultation of civil society is an obligation under Article 2 of the Cotonou Agreement.

⁽³⁾ CSPs and RSPs for ACP countries:
http://europa.eu.int/comm/development/body/csp_rsp/csp_en.cfm;
http://europa.eu.int/comm/development/body/csp_rsp/rsp_en.cfm.
CSPs and RSPs for ALA, MED, CARDS, Tacis:
http://europa.eu.int/comm/external_relations/sp/index.htm

⁽⁴⁾ Commission staff working paper, SEC(2002) 1279, 26.11.2002.

⁽⁵⁾ Council conclusions on the common framework for country strategy papers, 10.11.2000, point IV.

external action in different regions. It was particularly suggested that the Commission should continue to reflect on the concept of regional strategies, the development of country Fact Files and the strengthening of the role of the EC delegation by the 'decentralisation' process.

2.2. Improving financial management and performance

The 16 May 2000 communication envisaged a specific initiative to screen all commitments made prior to 1995 and all dormant commitments dating from 1995 to 1997.

The total stock of opened commitments (budgetary and EDF commitments) was reduced at the end of 2002 to the equivalent of 3.8 times the annual budget in terms of payments compared to 4.7 times at the end of 1999. Only part of the total stock of RAL was considered as abnormal (this part represented 14 % at the end of 2002 and 21 %, if measured at 1 January 2003, with budget year 1997 added to 'old commitment').

By the end of 2002, the level of budgetary commitments made prior to 1995 (old commitments) had been reduced to EUR 224 million (a reduction of 80 %) compared to EUR 1 092 million on 23 November 1999, when a first inventory of old commitments was made. Moreover, by the end of 2002, the level of dormant commitments (including those from 1999) had been reduced to EUR 634 million (compared to EUR 1 350 million on 31 December 2000).

The level of EDF commitments made prior to 1995 had also been reduced from EUR 901 million on 31 December 1999 to EUR 363 million by the end of 2002 (a reduction of 60 %). The situation of dormant commitments had been reduced to EUR 449 million on 31 December 2002 (compared to EUR 536 million on 31 December 2000). By 1 November 2002, the level of budgetary commitments made prior to 1995 had been reduced by 76 % compared to 23 November 1999 (when a first inventory of old commitments was made), a reduction of some EUR 831 million. Moreover, by 1 November 2002 the level of dormant commitments (including those from 1999) had been reduced to EUR 722.28 million (compared to EUR 1 350 million on 31 December 2000). EDF commitments made prior to 1995 had also been reduced from EUR 901 million in 1999 to EUR 432 million by November 2002.

In order to reduce the time lag between commitments and payments and rationalise the execution of the budget, one of the main actions undertaken by the EuropeAid Cooperation Office was to try to spread its operations more evenly across the financial year. Important progress was reached in 2002 in this field. About 41 % of the available credits were committed in the last quarter of the year which represents a

substantial improvement compared to the 2001 result when around 50 % of the credits were committed in the last three months of the year.

2.3. Further reunification of the project cycle: EuropeAid Cooperation Office's second year

Since 1 January 2001, the geographic directorates-general (External Relations DG and Development DG) have been in charge of programming and strategy whilst the EuropeAid Cooperation Office has been responsible 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 interservice 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.

The EuropeAid Cooperation Office operates under a Board of Directors composed of the five Relex Commissioners (!). The Board meets at least once every quarter. The Board approves the Office mission statement, the annual working plan (the 2003 management plan of the EuropeAid Cooperation Office was approved in January 2003), the annual budget programming, and the annual activity report. Furthermore, it has specific responsibilities in the field of evaluation: it approves the annual evaluation programme, takes stock of evaluation results and formulates recommendations.

All managerial posts in the EuropeAid Cooperation Office have been filled, as have most other vacancies following a large-scale recruitment exercise in February 2001. During 2002, due to human turnover, 7 managerial posts were filled and 215 officials were recruited.

The Commission took on responsibility for those tasks previously carried out by the 49 technical assistance offices (TAOs), whose contracts were terminated in 2001 or were not renewed. This required the recruitment of 260 additional auxiliary staff to work in headquarters and 70 individual experts to work in delegations. Furthermore, the EuropeAid Cooperation Office was still benefiting in 2002 from the services of three technical assistance offices, for the management of individual experts throughout the world and of European customs officers in the Balkans. In 2002, the decision was taken to dismantle these TAOs and to internalise the management, to comply with the new rules on outsourcing and in anticipation of the new Financial Regulation. Some 30 auxiliary staff were recruited in September and October 2002 to work in headquarters on the preparation of the takeover from the three TAOs in order to be fully operational in January 2003. This management is done locally with the support of the delegations, which have been reinforced with 26 local agent posts as far as the management of indi-

(!) Mr Patten (Chairman), Mr Nielson (Chief Executive Officer), Mr Verheugen, Mr Lamy and Mr Solbes Mira (Members of the Board).

vidual experts is concerned. As from 1 January 2003, there have been no more technical assistance offices working for EuropeAid.

The profiles of the official and contractual staff recruited cover the whole range of expertise needed by headquarters and delegations to implement external aid in accordance with the objectives of quality and speedy delivery set by the reform (development economists, sectoral experts, finance and contract professionals, support staff, etc.). A training package centred on programme management has been developed and implemented to improve the skills of current staff.

The EuropeAid Cooperation Office has developed a series of indicators aimed at measuring progress in implementing the principal elements of the reform programme: improved execution of the budget (for example, 75 % of invoices paid within 60 days), reduction in old and dormant commitments, rationalisation of budget lines, deconcentration, etc. These indicators are used to compile a regular progress report on the management of the EuropeAid Cooperation Office, which is presented to the Board.

2.3.1. Budget and EDF implementation

Overall results of 2002 budget implementation are very satisfactory. Since the beginning of the year, EUR 3 877 million have been committed (compared with EUR 3 641 million in 2001) and EUR 3 327 million paid (an increase of EUR 152 million compared with 2001).

With regard to the EDF, the results are in line with the latest forecasts, the level of commitments amounting to EUR 2 114 million, and payments to EUR 1 902 million.

The stock of opened commitments has been stabilised in absolute terms, at the level of EUR 19.8 billion (down EUR 40 million compared with 2001). Expressed in payment years, this stock remains stable at the level of 3.8 years, compared to 4.6 years at the end of 1999.

2.3.2. Simplification and harmonisation of contractual and financial procedures

In addition to these measures, the EuropeAid Cooperation Office has implemented simplified and harmonised contracting procedures (reduced in number from 46 to 8) through the production of the practical guide to EC external aid contract procedures. Standard documents have also been created, and should now be applied to all Community programmes. A new general framework has been adopted for the European Development Fund that is very similar to the one used for projects financed from EC funds. These measures have reduced the time needed to complete the tendering process and facilitated the implementa-

tion of projects. Significant progress has been made towards greater transparency. After an initial surge of interest, the EuropeAid web site now consistently achieves around 1 million successful page requests per month. The site includes information about contracts and procedures for all the external aid programmes. A survey of those accessing these pages launched before the end of 2001 has shown a high level of satisfaction among users.

Furthermore, a framework agreement was concluded with the World Bank, and a revised framework agreement negotiated with the United Nations, in order to enhance the cooperation with these institutions.

The 16 May communication also foresaw a harmonisation of budget lines, and these have now been reduced from 64 (in 2000) to 53 (in 2002). This effort was pursued in 2002, and the Commission proposed in the 2003 PDB a further reduction to 49 budget lines. However, the Parliament did not accept all Commission proposals and also decided to create four new budget lines. Eventually, the number of lines to be managed by the Office will be slightly increased.

In 2002, the EuropeAid Cooperation Office established a finance guide for the external actions financed from the general budget of the EC and updated the user guide to the financial procedures of the seventh and eighth EDF. Finally, the new Financial Regulation ⁽¹⁾ was adopted by the Council on the 25 June 2002 and came into application on 1 January 2003. Among other changes, the new provisions in the section on external actions introduce a 'sunset clause' requiring that all contracts implementing a financing agreement, except those concerning audit and evaluation, are signed within three years from the date of adoption of the budgetary commitment.

2.3.3. Management systems: the CRIS

During 2002, the EuropeAid Cooperation Office completed the integration of the numerous information systems used for the programmes financed via the budget into one single harmonised system — the CRIS (common relex information system). Therefore, as from January 2003, the management of all programmes financed via the budget has been supported by one management system. The CRIS does not just contain financial data, but also a wealth of non-financial information of relevance for implementation and is therefore superior to the previous information systems used. It links up headquarters and delegations electronically and allows for on-line registration, communication and reporting of data. The CRIS will significantly facilitate the Commission's ability to provide on-time financial data to the Council and Parliament, data that will be fully DAC compatible. The transfer of data from the old systems into the CRIS was not only technically complex but also very resource-intensive because the quality of the historical data in many cases had to be verified, corrected and completed in view of the stricter requirements of the CRIS. With this, one of the key initiatives of the reform of the external assistance has been successfully

⁽¹⁾ Council Regulation (EC) No 1605/2002, 25.6.2002.

completed. Efforts will continue in 2003 to integrate also the European Development Fund into the CRIS.

2.4. Deconcentration

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 be better managed and decided on the spot, in the country concerned, should be done there, and not in Brussels.

The Commission 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 to be covered in 2002 and the remaining 30 delegations in 2003, all of them in ACP countries.

2.4.1. Preparing for deconcentration

During the first quarter of 2001, a harmonised concept of deconcentration was defined, covering all the geographical programmes. The principles on which this was based remain valid and are recalled below:

- ▶ in time, deconcentration will concern all programmes;
- ▶ deconcentration will concern all the phases of the project cycle;
- ▶ deconcentration requires the provision of substantial additional resources (human and material);
- ▶ the role of headquarters will evolve towards a role of coordination, 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 the External Relations or Development DG according to the geographical area;
- ▶ direct responsibility for identification and appraisal stages, with methodological and technical support by the EuropeAid Cooperation Office, which 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 — this is subject to the strict

respect of procedures, and requires secure access to the financial and accounting management systems at headquarters;

- ▶ direct responsibility for technical implementation requiring technical expertise on the spot and the possibility to call on more specialised advice from headquarters.

Much of what has been done to render the first phase operational will also serve to facilitate the extension of the process to the remaining delegations, such as the adaptation of information systems for deconcentrated management, developing or updating manuals of procedures, developing guidelines on financial circuits and putting in place training programmes. However, much preparatory work will be specific to each delegation to be deconcentrated, such as the testing of secure computer connections, ensuring suitable office accommodation, and adoption of an organisation chart.

2.4.2. Deconcentration towards the 21 first-wave delegations

The ambitious objective for 2001 — to carry out deconcentration in 21 delegations ⁽¹⁾ — covered all the geographical areas and therefore programmes of a very varied nature. This was a major exercise, involving the recruitment and training of over 300 staff, finding new office space in all but two delegations and installing secure computer connections in 19 delegations. This objective was fully met and deconcentration is now fully operational in all these delegations. However, it is worth mentioning that, from October 2002, 114 posts were made available to launch the second wave and some of these posts may still be used to strengthen first-wave delegations where necessary.

2.4.3. Preparation of the 26 second-wave delegations and the EC office in Kabul

The list of 26 delegations ⁽²⁾ to be deconcentrated in 2002 was established in September 2001. Preparatory work started immediately thereafter and hearings took place from early January.

The outcome of this process for the second-wave delegations can be summarised as follows:

- ▶ a total of 418 staff had to be selected, recruited and trained before their posting to the 26 delegations;
- ▶ 24 out of the 26 delegations have either had to move office or to rent additional office space;

(1) The 21 'first-wave' delegations are: EUROPE: Croatia, Russia; ASIA: Indonesia, Thailand, India, China; LATIN AMERICA: Nicaragua, Bolivia, Argentina, Mexico, Brazil; AFRICA/ACP: South Africa, Senegal, Côte d'Ivoire, Kenya, Mali, Dominican Republic; MEDA: Egypt, Morocco, Tunisia, Turkey.

(2) The 'second-wave' delegations are: EUROPE: Albania, Georgia, Kazakhstan, Ukraine; MEDA: Algeria, West Bank and the 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.

- ▶ 18 out of the 26 had no secured computer connection in order to get access to Commission accounting and management information systems.

Despite the magnitude of the operation, the process is on track. Twenty-three delegations started to operate in a deconcentrated way in late 2002 or were to be ready to start early in 2003 with the new budget year. In the four remaining delegations, problems were mainly of a logistical nature and efforts were under way to resolve these by March 2003.

Deconcentration to the Commission office in Kabul also progressed satisfactorily with everything in place to commence deconcentration in January 2003.

As was the case in the first wave, it appears that the timely availability of sufficient office space represents, in many instances, the binding constraint for the start of deconcentration. This is particularly true when temporary solutions for the installation of a secured computer connection cannot be found. In some cases there has been a shortage of suitable candidates particularly for official posts in the finance and contract sections.

2.4.4. Preparation of the third wave of 30 delegations ⁽¹⁾

Attention will now shift to the third-wave delegations, for which technical workshops took place in July 2002 with the heads of delegations concerned. Staffing

requirements, accommodation capacity and IT issues were analysed in detail. Lessons learned from the first and the second waves of deconcentration will be taken into account in the third wave.

With the ratification of the Cotonou Agreement and the finalisation of a strategy to provide sustainable financing for deconcentration to ACP delegations, the first delegations of the third wave are expected to start operating under deconcentrated modalities by the end of 2003.

2.4.5. Deconcentration of thematic and horizontal budget lines

Progress has also been achieved on the deconcentration of the thematic and horizontal lines. The Commission services have recently adopted modalities for the deconcentration of the food security budget lines and have agreed on the corresponding human resources needs. Deconcentration to all delegations concerned ⁽²⁾ is scheduled to be implemented between March and December 2003.

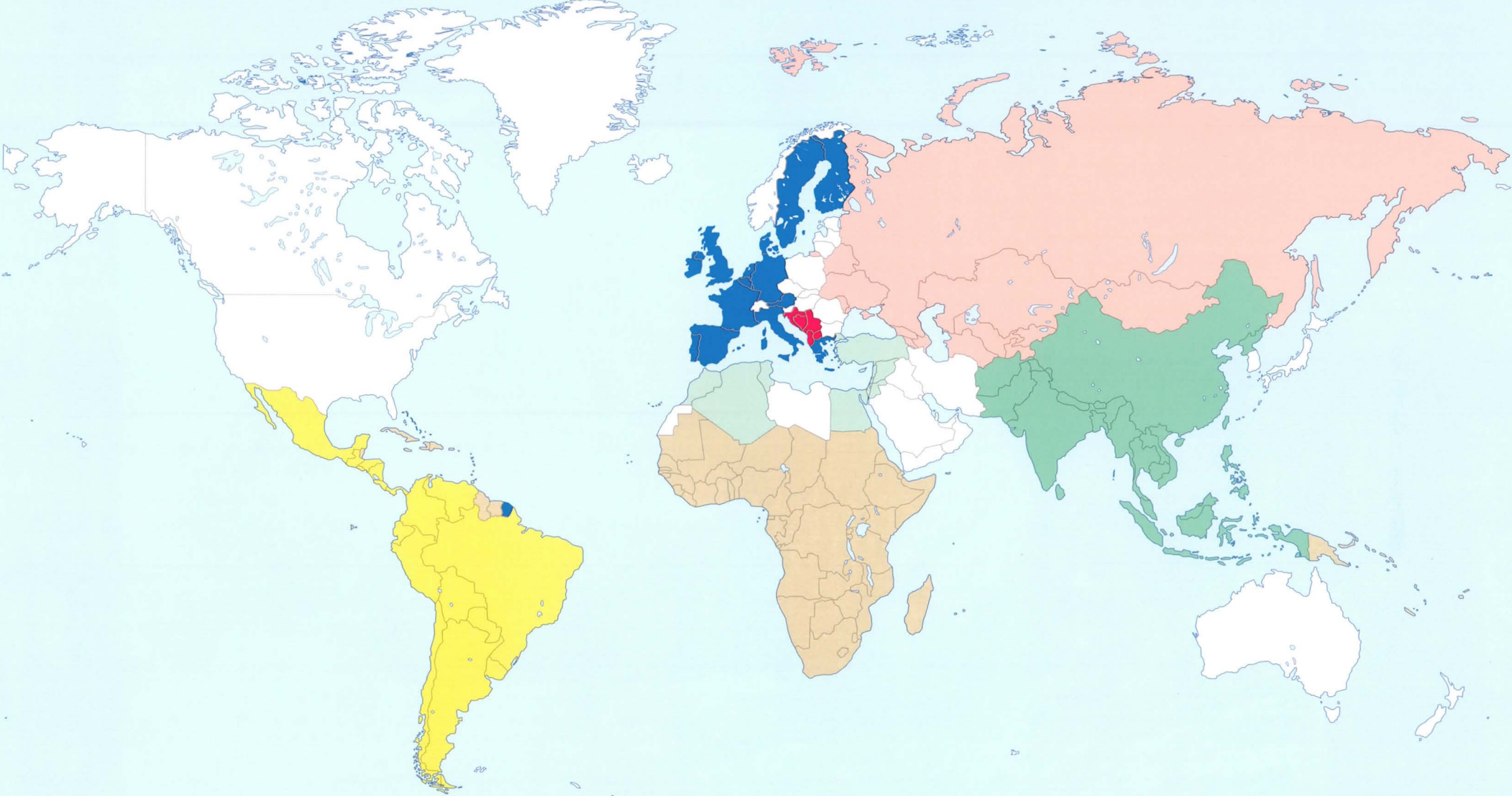
Preparatory work on the deconcentration of the human rights micro-projects began and effective deconcentration was expected by April 2003.

For rehabilitation and refugee budget lines, the decision to deconcentrate was taken in December 2002 and preparations are in hand to render this effective as quickly as possible.

⁽¹⁾ The 'third-wave' delegations are: ACP: Angola, Barbados, Botswana, Burundi, Central African Republic, Congo, Democratic Republic of the Congo, Eritrea, Fiji, Gabon, Ghana, Guinea-Bissau, Guyana, Haiti, Jamaica, Lesotho, Malawi, Mauritius, Mauritania, Mozambique, Namibia, Nigeria, Uganda, Papua New Guinea, Rwanda, Sierra Leone, Sudan, Chad, Zambia, Zimbabwe

⁽²⁾ Kenya, Bangladesh, Burkina Faso, Ethiopia, Georgia, Madagascar and Niger.

Deconcentrated delegations per region — 31 December 2002



Western Balkans
Albania, Croatia

The partner States of eastern Europe and Central Asia
Georgia, Kazakhstan, Russia, Ukraine

South Mediterranean, Near and Middle East
Algeria, West Bank and Gaza, Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia, Turkey

African, Caribbean and Pacific (ACP) countries
South Africa, Benin, Burkina Faso, Cameroon, Côte d'Ivoire, Ethiopia, Kenya, Madagascar, Mali, Niger, Guinea, Dominican Republic, Senegal, Tanzania

Asia
Bangladesh, China, India, Indonesia, Philippines, Pakistan, Thailand, Vietnam

Latin America
Argentina, Bolivia, Brazil, Chile, Colombia, Mexico, Nicaragua, Peru, Uruguay, Venezuela



3. Ongoing progress towards strategic goals

The previous chapter highlights progress in enhancing the efficiency and quality of the Community's development policy and external assistance programmes during 2002, as part of the management reform initiative. This chapter focuses on effectiveness: that is, how far the Community's development policy and programmes and its other external assistance is contributing to the achievement of the strategic goals outlined in Chapter 1 (and how this is being measured), and steps being taken to increase this effectiveness further.



3.1. Monitoring progress towards strategic goals

An essential tool for maximising the contribution of the Community's assistance towards its strategic goals is being able to monitor the impact of current interventions: not just in terms of inputs (e.g. financial contributions and what these are spent on) but also, ultimately, outcomes and impacts. This is not straightforward.

At the level of countries and regions, it is rarely possible to separate out the effects of any single donor's activities. The impact of any activities, whether entirely domestic or supported by donors, may also take varying amounts of time to show through in measurable form. Nevertheless, the Community is committed to a results-based approach and is working closely with others to develop methods to facilitate this.

The strategic goals mirror the complexity of EC development programmes with a broad range of goals from poverty reduction to developing and consolidating democracy and the rule of law, respect for human rights and fundamental freedoms. Naturally, the wide range of objectives pose a great challenge in constructing a coherent and transparent system for monitoring results in various areas.

3.1.1. Monitoring progress towards development goals

As explained in Chapter 1, the key development outcomes that the Community is working to achieve between now and 2015, along with the rest of the international community, are the millennium development goals.

There is an intense global effort under way to monitor progress towards these, involving many different organisations, and it is essential to ensure coordination and complementarity between them. The 'Millennium project' launched by the UN in 2002 should contribute to this, by bringing together working groups of experts to propose best strategies for meeting the MDGs. The Commission is working to support the improvement of national statistical systems, in low-income countries usually in the context of poverty reduction strategy (PRS) monitoring support, and aims wherever possible to do so in conjunction with other donors. In particular, the Commission is working closely with PARIS 21 (Partnership in statistics in the 21st century — a multi-donor initiative to support statistical and data systems in developing countries) and its task team on improving statistical support for monitoring development goals.

3.1.2. Defining core development indicators to measure progress

During 2002, the Commission has worked with an expert group of Member States and other interested

parties, including the OECD Development Assistance Committee (DAC), the UNDP and the World Bank, to develop a core set of 10 indicators drawn from the MDGs. Of these 10 indicators, six are directly related to the well-being of children, while three have a specific gender dimension.

The Commission intends to monitor progress against these indicators annually for all developing countries to which it provides assistance. In addition, country strategy papers will also measure progress against a wider range of country-specific indicators, which should reflect the focal sectors identified in the CSP as well as overall movements in poverty. For low-income countries, these should be drawn from the country's poverty reduction strategy paper (where one has been completed).

Tracking these indicators will give a solid basis for the Commission's political and policy dialogue with national authorities, as well as enhancing its ability to fine-tune the strategy in response to developments.

The indicators chosen for cross-country monitoring are the following.

Type	Indicator	Suggested periodicity
Impact	Proportion of population below USD 1 per day ⁽¹⁾	Medium term
	Prevalence of underweight children (under five years of age)	Medium term
	Under-five mortality rate ⁽²⁾	Medium term
Outcome	Net enrolment ratio in primary education ⁽³⁾	Annual
	Primary completion rate ⁽⁴⁾	Annual
	Ratio of girls to boys in primary, secondary and tertiary education	Annual
	Proportion of births attended by skilled health personnel ⁽⁵⁾	Annual
	Proportion of one-year-old children immunised against measles	Annual
	HIV prevalence among 15- to 24-year-old pregnant women ⁽⁶⁾	Annual
	Proportion of population with sustainable access to an improved water source	Medium term

⁽¹⁾ For monitoring country poverty trends, indicators based on national poverty lines should be used where available.

⁽²⁾ The under-five mortality rate is the number of children who will die before their fifth birthday out of every 1 000 babies who are born (officially defined as the probability of dying between birth and exactly five years of age, expressed per 1 000 live births).

⁽³⁾ The percentage of primary school-aged children that enrol in primary education.

⁽⁴⁾ The near-equivalent MDG indicator is 'proportion of pupils beginning the first year in the primary education and completing the fifth year.'

⁽⁵⁾ Data on 'maternal mortality ratio' are infrequent, model-based and lack quality. A good proxy is provided by 'births attended by skilled health personnel'.

⁽⁶⁾ Reported as prevalence in women in general, but in fact these data are derived from surveys of pregnant women in antenatal clinics.

GDP per capita and GDP growth will also be monitored in every country. More details of the Commission's approach can be found in its 'Guidelines on the use of indicators to measure country performance' ⁽¹⁾.

3.1.3. Analysis of progress towards the MDGs

In late 2002–early 2003, the Commission carried out a first analysis of progress towards the MDGs using the above indicators. This was done for 140 countries in eight regions where the Community provides assistance, in order to allow a cross-country and cross-regional comparison ⁽¹⁾. This analysis used data provided by international organisations including the World Bank, the UNDP, the FAO, Unicef, Unesco and the WHO ⁽²⁾. Although the availability of data is improving, there are still gaps that limit the number of countries where it is possible to measure the evolution over the last five or 10 years. The quality of data also varies between indicators. It is especially insufficient on the lead poverty indicator of ‘proportion of population below USD 1 per day’ (so the proxy of GDP per capita was used instead) and ‘primary school completion rate’.

The diamond charts below illustrate the results of this analysis for the different regions, on four indicators simultaneously: under-five mortality rate, primary school enrolment, access to improved water source and GDP per capita. The values used to build these graphs are generally those from 2000. A value of 100 represents the developing world average, so a score above this indicates that the region’s performance is above average. These averages (a score of 100) are equivalent to:

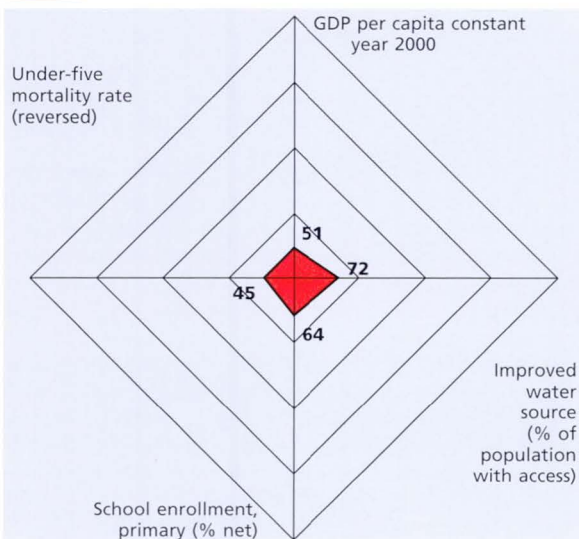
- ▶ 75/1 000 for under-five mortality rate (year 2000);
- ▶ 87 % for primary school enrolment ration (most recent year);
- ▶ 77 % for access to an improved water source (year 2000);
- ▶ USD 1 129 for GDP per capita, measured in constant 1995 dollars (year 2000).

With regard to the under-five mortality rate, a higher figure in the chart represents a better performance (a lower under-five mortality rate).

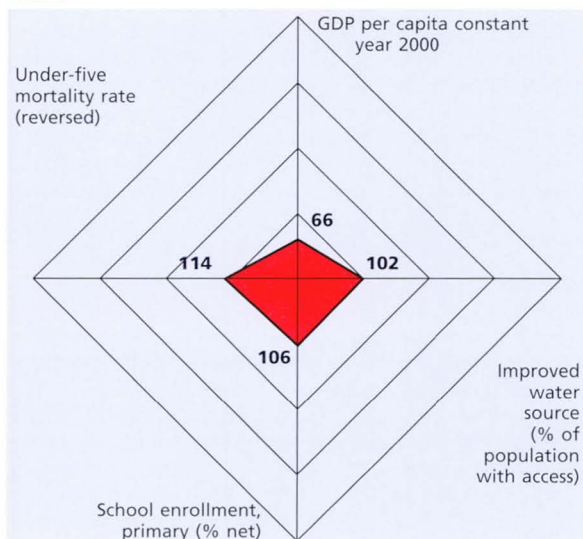
3.1.4. Key findings

The most persistent poverty and the widest gaps are found in sub-Saharan Africa, which will struggle most as a region to achieve the millennium development goals. Development efforts in the region are being undermined by other challenges, such as the spread of communicable diseases, new and ongoing conflicts and crises and, in late 2002 and 2003, serious food shortages. Whilst sub-Saharan Africa will struggle most, as a region, to achieve the MDGs, they are not just an African issue. The UN Secretary General’s 2002 report on the implementation of the UN Millennium Declaration highlighted marked differences between and within regions ⁽³⁾.

Africa



Asia

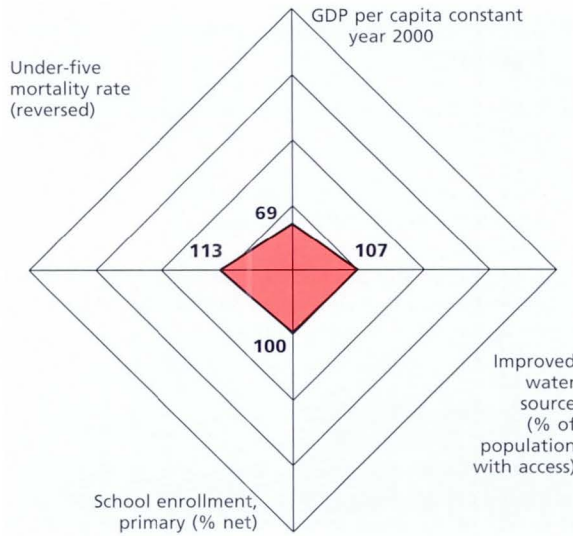


⁽¹⁾ Africa (48), Asia (19), Balkans (5), Caribbean (15), eastern Europe and Central Asia (10), Latin America (17), Pacific (14) and south Mediterranean, Near and Middle East (12). In each region, some countries are missing quite regularly. For the Asian region, indicators are calculated with or without China.

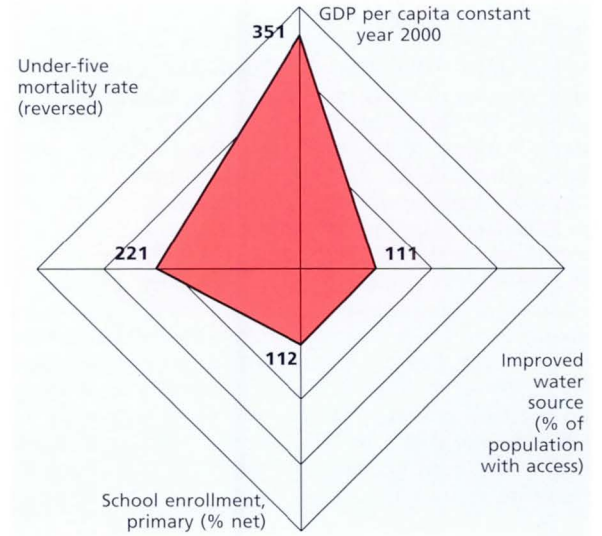
⁽²⁾ In case of significant contradiction between sources, arbitration is done taking into account general date availability, methodological notes, etc.

⁽³⁾ 2002 Report of the Secretary-General on the Implementation of the UN Millennium Declaration (A/57/270). http://millenniumindicators.un.org/unsd/mi/mi_worldregn.asp

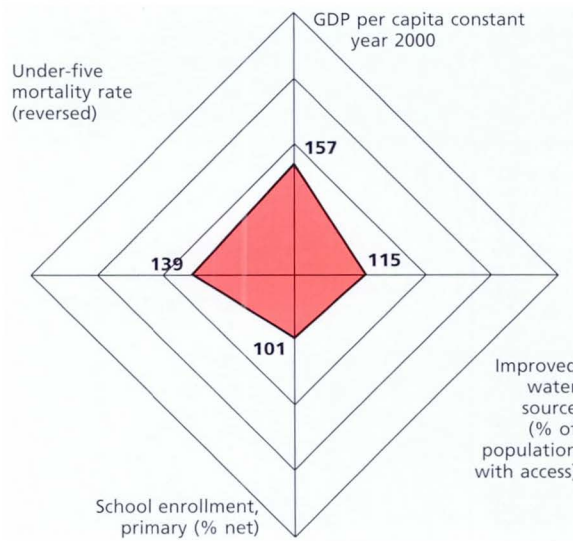
Eastern Europe and Central Asia



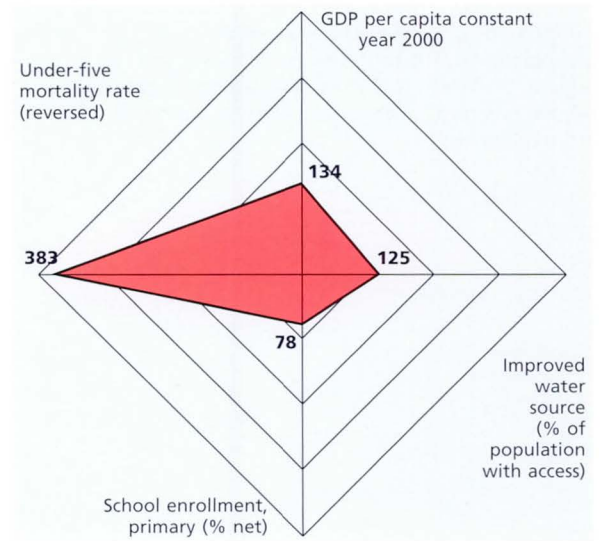
Latin America



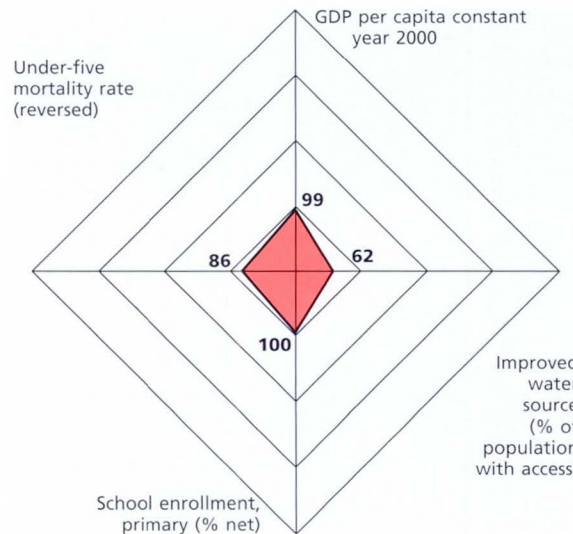
South Mediterranean and Near and Middle East



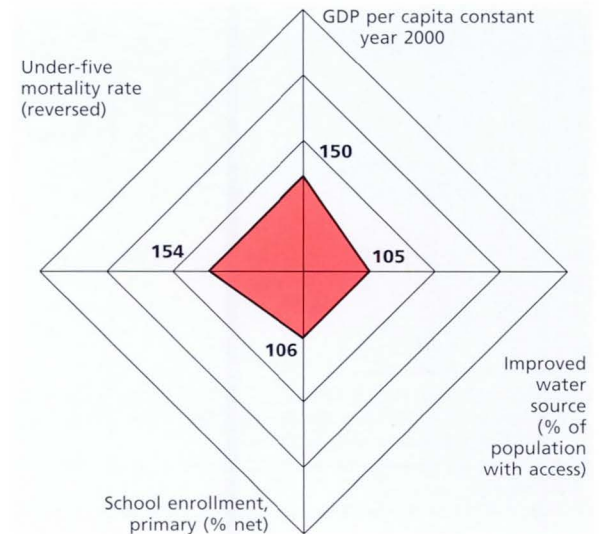
Balkans



Pacific



Caribbean



The diamond charts show that, whilst development is fairly symmetrical across the four indicators considered in regions with lower incomes, this pattern does not always apply to the more prosperous regions. In Africa, which is comprised almost entirely of low-income countries as reflected by a level of national income (GDP) at 51 % of the average, performance on the other indicators is also around 50–70 % of average, although under-five child mortality is particularly high. In Asia and eastern Europe, Central Asia and the Pacific, where income is still relatively low, overall performance on the other indicators is above average. The south Mediterranean and Near and Middle East and Caribbean regions are composed of countries that are considerably better off than average, and performance on the other development indicators is also better than average. Latin America is made up of middle-income countries, and here GDP is way above average, with performance on the indicators also well above average and near the maximum possible for school enrolment (115 %). The pattern in the Balkans shows very good performance on reducing under-five mortality in these mostly lower middle-income countries, and surprisingly poor performance on school enrolment.

The graphs show, for example, that at the end of 2000 the level of school enrolment in the Balkans, Latin America, Caribbean or even Mediterranean countries was far lower than the level of GDP per capita would have led to expect ⁽¹⁾.

Access to water remains a problem for most regions, in particular the Pacific and Caribbean countries.

Concerning the under-five mortality rate, whilst the situation in Africa and Asia is particularly worrying, the situation in Latin America and Mediterranean non-member countries is less than could be expected given their level of GDP per capita.

Key findings that relate to the six priority areas of the Community's assistance are discussed below. Water is covered in the special feature.

3.2. Maximising the impact of EC assistance

3.2.1. Defining country- and region-specific response strategies

The analysis above confirms the need for the Community to adapt its approach in each region and country, in view of differences in the scale of the challenges that these face. Chapter 6 of this report gives an overview of how the Community is responding to regional specific issues. The Commission's country and regional strategy paper process outlined in the previous chapter is designed to allow it to develop tailored response strategies. The mid-term review of

these provides an opportunity to consider if any amendments are needed, including based on the analysis above about which regions and countries are lagging behind on particular objectives.

In the same way that monitoring progress needs to be a collective effort, devising response strategies is also not something that the Commission can do in isolation. Instead, it must work with countries themselves and other donors, to help identify the key priorities in each case and how Community assistance can best help to address these. In line with its commitment to a partnership approach based on local ownership, the Commission uses countries' own national development strategies (poverty reduction strategies in low-income countries) as the starting point. The EC's country strategy papers set out the Community's response to this, taking account of other donors' plans. Regional strategy papers are similarly prepared in consultation with countries in the region, regional bodies and other donors, and provide a means for the Community to help effectively address challenges that cut across the whole region.

3.2.2. Effective targeting of resources

As part of its commitment to increasing the impact of its assistance, the Community has committed to pay particular attention to the situation of the least developed and other low-income countries. In 2000, 59 % of EC bilateral ODA went to these categories of countries; the bulk of the rest (35 %) went to lower middle-income countries ⁽²⁾.

As well as need, the Community's resource allocation decisions also take account of the efforts of governments of partner countries to reduce poverty as well as their performance and absorption capacity.

A performance-based allocation methodology was agreed for ACP countries as part of the ninth European Development Fund. There is an opportunity to consider the topping-up of allocations to countries (as well as reductions) after CSP mid-term reviews. Allocations to regions can also be revised after mid-term reviews and if necessary even before, in case of special performance. In early 2003, the Commission began discussing with EU Member States and ACP partners the possibility to use EUR 1 billion of the ninth EDF (that was held back by Member States as a reserve, conditional upon disbursement of the rest of the Fund) to establish an EU Water Fund to support implementation of the EU water initiative launched at the World Summit on Sustainable Development (see 'Special feature', Chapter 7). The objective of this Fund would be to develop innovative and flexible approaches and to leverage aid resources (ODA) with private investments.

3.2.3. Addressing debt sustainability

One of the critical elements of the MDG 'to develop a global partnership for development' is to deal compre-

⁽¹⁾ The result for the Balkans has to be read with caution since it only covers three countries of which both the Federal Republic of Yugoslavia and Croatia are amongst the worst 10 performing countries with significant drops in enrolment (– 27 % and – 12 % respectively). Figures for Central Asia and the Pacific are not representative as they are based on a single country.

⁽²⁾ OECD DAC peer review of EC aid, 2002. Table II-3. This excludes 26 % of bilateral EC ODA not allocated in this assessment.

hensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. The Community has continued to play an important role in this area during 2002, through its support for the enhanced debt relief initiative for heavily indebted poor countries (the HIPC process). As of the end of 2002, the Community's total pledge was over EUR 1.27 billion: EUR 734 million as a donor to the multilateral HIPC Trust Fund; and EUR 485 million as a creditor to finance the settlement of its own claims; plus an additional EUR 60 million, again as a creditor, to alleviate all remaining special loans granted to least developed ACP HIPCs.

The HIPC initiative is still facing important challenges, namely full financing, ensuring long-term debt sustainability and dealing with difficult country cases, essentially HIPCs emerging from conflict and/or with substantial problems of arrears. The Commission remains committed to covering the potential cost of the topping up caused by the global economic downturn and the fall of commodity prices on a fair burden-sharing basis. The Community's overarching objective is to ensure that, within HIPC, developing countries can reach and maintain in the longer term a sustainable level of debt, reinforce their efforts to reduce poverty and promote growth. For this reason, the Community has consistently stressed the importance of strengthening the link between provision of debt relief through HIPC and the process of donor support for countries' national poverty reduction strategies (the PRSP process).

3.2.4. Increased use of sector-wide approaches and budget support

The Community is increasingly providing assistance to developing countries in the form of sectoral support, as well as budget support for macroeconomic policies. This is consistent with the approach outlined in the November 2000 joint declaration on development policy, which spoke of 'increased recourse to sectoral support and to direct budgetary aid where the conditions so allow'.

This shift is based on the belief that it will help to enhance the impact of the Community's aid and increase ownership. In contrast to a stand-alone project, a sector-wide approach enables the Community to tackle a much wider range of issues that are likely to affect the intended outcome of the intervention, working closely with other donors and the recipient country. Rather than just financing the construction of a hospital, for example, the Community might provide support for the government to implement a much wider set of policy, management and financial reforms in the health sector. This shift is consistent with the Community's commitment to a partnership approach with developing countries, which promotes local ownership (which recent experience has shown to be a critical factor in the success of external assistance interventions). It also helps to build local capacity, since it works within national procedures rather than bypassing these. It also promotes coordi-

nation and complementarity between donors. The sectors where the Commission, together with other donors, is applying a sectoral approach include transport, health, education and agriculture.

Budget support goes a step further than sector programmes, in providing direct budgetary aid. The bulk of the Community's budget support is directed both to maintain a stable macroeconomic framework, an essential condition for stimulating economic growth, and to sustain progress in key policy areas such as public finance management, health and education. Community support is designed to be fully coherent with the beneficiary country's poverty reduction strategy. Further details are provided below.

In a number of countries (such as countries in crisis, or with weak administrations unable to coordinate donors) it is clear that it will be necessary to maintain a 'project approach'. However, even in these countries, it would be appropriate to accompany traditional projects with sectoral type support in those areas (e.g. subsectors) where sufficient capacity exists; and support, wherever appropriate, the building up of capacity to lay the foundations for a transition towards the programme approach.

3.2.5. Focusing on a limited number of priorities

In line with its commitment to work together with other donors to achieve its strategic objective, the Community has identified six priority areas for its assistance to developing countries. These are areas where the Commission and Council have agreed that it has a specific value added. They are as follows: the link between trade and development; regional integration and cooperation; support for macroeconomic policies and equitable access to social services; transport; food security and rural development; and institutional capacity-building in particular good governance and the rule of law. A smaller number of areas for intervention are agreed in each country and regional strategy, in consultation with the country or countries concerned and taking account of other donors' plans.

In 2002, the Commission's inter-service quality support group carried out a preliminary analysis of the extent to which country strategy paper allocations followed these six priority areas⁽¹⁾. This was complicated by the fact that the Community's classifications do not match up perfectly with the sectoral codes set by the OECD Development Assistance Committee. This also did not include allocations from horizontal and thematic budget lines. It also only looked at country programmes (the bulk of the Community's support for regional integration and cooperation comes under regional programmes — see regional chapters of this report — so it is excluded from the table below).

In so far as it was possible to compare the six areas with resource allocation by DAC sector code, the analysis suggested that the CSP process has led to a concentration of the Commission's aid in the intended areas.

(1) SEC(2002) 1279, 26.11.2002.

Concentration of Community resources in priority areas from CSPs		
Area of concentration	Corresponding DAC sector(s)	Share of total resource allocation
Trade and development	Sector 33: Trade and tourism	5.9 % <i>NB: This figure includes only those actions directly relating to trade promotion and classified as such under DAC codes. It excludes a wide range of actions addressing more fundamentally the improvement of the trade and investment environment. In addition, approximately 50 % of the resources under regional programmes are devoted to supporting trade and development.</i>
Support for macroeconomic policies	Sector 51: Structural adjustment with the World Bank and IMF	14.7 % <i>NB: This figure includes macroeconomic support with social sector conditionalities, i.e. linked to improved health and education outcomes and financing for health and education sectors (see 3.3.3 for more details).</i>
Targeted support for social sectors	Sector 11: Education; Sector 12: Health and population programmes; Sector 14: Water supply and sanitation; Sector 16: Other social infrastructure	21.4 %
Transport	Sector 21: Transport and storage	19.2 %
Food security and rural development	Sector 31: Agriculture, forestry and fishing; Sector 52: Developmental aid/food security	7.8 %
Institutional capacity-building, good governance and the rule of law	Sector 15: Government and civil society	14.9 % <i>NB: Interventions in many different areas include institutional capacity-building aspects.</i>
Total share of resources in these areas		83.9 %

3.3. Policy developments in 2002 in priority areas

This section gives an overview of central policy and programming developments in the six priority areas for EC assistance during 2002. A key issue for the Community is to ensure that its policy and interventions in each of these contribute to the overall country and global objectives that have been agreed. Therefore, the sections below also highlight key findings from the MDG analysis exercise described above that relate to these six areas. This analysis exercise was carried out in late 2002–early 2003. It will inform on Community policy and programmes going forward. The results of programme and sector evaluations carried out in 2002 will also feed into future work.

During the course of 2003, the Commission will also be working with Member States to take forward the two EU initiatives in water and energy launched at the WSSD.

3.3.1. Trade and development

The Community's key objectives in this area during 2002 remained to help make the ongoing World Trade Organisation round of multilateral trade negotiations supportive of development, in line with the principles

agreed in the Doha Development Agenda ⁽¹⁾; and to support developing countries' own efforts to integrate in the world trading system and to take advantage of opportunities. As part of this, the Community has worked to strengthen and make more precise, effective and operational the special and differential treatment provisions that apply to developing countries in the WTO context, including facilitating accession by least-developed countries. Agreement was reached on this point by the WTO General Council in December 2002, translating into action the initiative launched by the EU in 1999, taken up in turn by the third UN conference on least-developed countries in Brussels in May 2001. As part of the Doha process, the Community has also tabled in the WTO proposals for further liberalisation of trade in goods and services by itself and others and for improving and strengthening the rules of the WTO. These negotiations are due to be finalised in 2004.

In September 2002, the Commission adopted its communication entitled 'Trade and development: Assisting developing countries to benefit from trade' ⁽²⁾, which sets out the importance of the relationship between development, trade and the integration of developing countries into the world economy. The communication was endorsed by the General Affairs and External Relations Council conclusions in November ⁽³⁾ and includes proposals, ranging from measures aimed at improving the delivery of trade-related assistance in key areas to ideas for better co-

⁽¹⁾ http://www.wto.org/english/tratop_e/dda_e/dda_e.htm

⁽²⁾ COM(2002) 513.

⁽³⁾ Council conclusions on trade and development, Reference 14184/02, 19.11.2002.

ordination and policy coherence within the EU and with international organisations. Overall, the measures should help developing countries, and in particular the least developed countries, acquire institutional regulatory capacity, and the expertise to deal with the challenges of trading in a global system. At the same time, the Commission stresses the importance for developing countries to improve the investment climate for the business sector and to ensure poor people can fully benefit from trade.

One high profile trade and development issue that the Commission tackled during 2002 was how to facilitate access to essential medicines for developing countries. Increasing affordability and access is an essential part of the Community's programme for action on communicable diseases (as explained in the section on HIV/AIDS and other communicable diseases in the 'Mainstreaming' chapter of this report). A deal reached at the WTO ministerial conference in Doha in November 2001 enables developing countries facing serious problems to invoke a compulsory licence to produce essential medicines, but does not help those that lack their own pharmaceutical manufacturing capacity. The Commission has worked to try to broker a deal to improve access for these countries to imported generic medicines manufactured under compulsory licences in other countries. The Commission submitted an options paper to the March 2002 WTO Council on trade-related intellectual property rights (TRIPs) and a new communication to the WTO with a detailed proposal in June. To facilitate and reinforce these WTO discussions, the Commission published a working document in April 2002 setting out a strategy for tiered pricing ⁽¹⁾ and, in October, a proposal for a Council regulation to prevent trade diversion into the EU market of pharmaceuticals sold at tiered prices in developing countries ⁽²⁾. The Commission was disappointed that, by the end of 2002, WTO members had not been able to agree a solution for developing countries without manufacturing capacities and will continue to give this issue attention as a priority in 2003.

3.3.2. Regional integration and cooperation

The Community is the main provider of assistance for regional integration and cooperation, consistent with its strong belief in the benefits of regional integration both for itself and others. Over the past few years, there has been a gradual shift in the Community's support for what is known as 'functional regional cooperation' in several areas such as transport infrastructure, animal disease control and agronomic research to support regional integration processes. The Community is still providing support for many of these types of functional initiatives but this is now handled in the context of regional integration processes, which facilitates a more strategic approach. Attention to regional integration issues was a key part of the preparation of regional and country strategy papers during 2002.

The Community's approach recognises that trade policy is a key aspect of regional integration initiatives and that successful regional integration contributes to the multilateral trading system. EU support in the trade and regional integration areas is fully complementary and mutually reinforcing. The close linkage between trade-related assistance particularly in the context of the Doha Development Agenda and regional integration was underlined in the Commission's trade and development communication ⁽³⁾. This communication advocated a 'South-South-North' approach, whereby regional groupings of developing countries would negotiate with the EU rather than individual countries. This approach is at the heart of the economic partnership agreements (EPAs) that are being negotiated between the EU and Africa, Caribbean and Pacific countries, and is also present with Mercosur and in the Barcelona Process between the EU and Mediterranean non-member countries. The close relation between trade and regional integration has been reflected in the guidelines for regional programming that were adopted early in 2002.

3.3.3. Macroeconomic policies and equitable access to social services, including health and education

3.3.3.1 Macroeconomic and poverty reduction budget support

Macroeconomic policies potentially play a key role in creating the pro-poor growth essential for the reduction of poverty. However, in the past, adjustment programmes have not necessarily led to this end. Since the early 1990s, the Commission has led a group of international donors piloting in Burkina Faso new approaches to the provision of budget support. Since the early findings of the pilot emerged, confirming the importance of a greater focus on the outcomes of policies, the Commission has led the way in adapting its budget support operations (which still have a DAC classification of 'structural adjustment support') to link them more effectively to results. General budget support tackles key problems: transaction costs; government accountability to its national stakeholders, in particular parliament; and government ability to develop coherent planning and comprehensive budgeting. By making use of national systems, in the context of close Commission involvement in assessment of and support for public financial management, it helps to improve those systems — for donor aid and domestic resources alike.

The Commission's approach to budget support (so far, in ACP countries) has taken forward a results-oriented methodology. For low-income countries, budget support is provided to enable the government to implement its poverty reduction strategy paper, while

⁽¹⁾ http://europa.eu.int/comm/trade/pdf/med_wd.pdf

⁽²⁾ COM(2002) 592.

⁽³⁾ COM(2002) 513.

for other countries it aims to support equivalent national strategies. In addition, the Commission has developed its methodology of linking disbursements to results. In most such operations, some funds are provided in 'fixed' tranches, provided that macroeconomic management remains sound and there is acceptable progress with improvements in public financial management. The remainder is provided in 'variable' tranches, whose value is determined by the progress made by the government in achieving agreed outcomes in poverty reduction. These targets, which are drawn wherever possible from the indicators in a PRSP, are usually related to outcomes in education and health. In addition, amounts provided may be linked to the degree of achievement of targets for public financial management, such as the funding of key basic services. Linking funding to outcomes at this level, rather than imposing conditions on what governments should do to achieve them, leaves greater scope for national ownership of policies, and removes donors from micro-managing aspects of national policy. It also helps to give such outcome targets political prominence within developing countries, enhancing the accountability of governments to their citizens for the quality of services delivered.

By the end of 2002, this approach had only been fully implemented in six countries (more have such disbursements programmed for 2003). It is therefore too soon to draw conclusions about the impact of this form of support. However, the Commission has been working with other donors, notably Member States active in this area, in developing methodologies to assess the impact of budget support more generally. Working groups have been established bringing together experts from the Commission and Member States to look more closely at the relationship between macroeconomic support and outcomes in social sectors, in particular on health and education. Progress has been made within the EU towards a common approach on education and health indicators.

The overall aim of this approach is to focus government attention, and accountability to their citizens, on the basic services actually delivered. Combined with attention to the levels of funding actually provided to basic social services, this provides governments with the incentive to deliver the services, with additional resources to improve delivery, and with monitoring and assistance in directing resources to the basic services in question.

In order to further increase the efficiency and effectiveness of this approach, the Commission has sought to promote close integration between macroeconomic budget support and sector processes in education and health. This has included careful liaison with information management systems in these sectors. In addition, for countries concerned, the Commission has sought to help countries to ensure that their PRSPs fully integrate the work being done at sectoral level with the overview provided by the PRSP. The Commission has also been playing an active role in bringing together donors involved in providing budget support, thus reducing further the transaction costs associated with dealing with large numbers of donors. The Commission has pioneered the notion of the 'poverty reduction strategy cycle', which seeks to

embed the PRSP in national calendars for the budget and other planning cycles and seeks to persuade donors to use countries' PRSP annual reviews as the source of all information for budget support disbursement needs.

3.3.4. Education

3.3.4.1. Progress towards education-related MDGs

The three education indicators selected in the core set track improvements in the percentage of school-aged children who enrol in primary education; the percentage that complete this; and the ratio of girls to boys attending school (the gender rate).

Net enrolment rates (NER) have improved significantly in the past five years in Latin America and even more so in the Caribbean, but dropped slightly in Africa, Asia and the Mediterranean. The situation is particularly bad in Africa where the rate remains at about 50 %, compared to about 90 % in other parts of the world. All but one of the countries in the list of those with the lowest NER (see table below 'Developing countries with lowest net enrolment rate') is African. The fact that neither the Democratic Republic of the Congo nor Sudan are currently amongst the bad performers as far as the primary completion rate is concerned, shows how much the situation in these countries has worsened in recent years: low NER rates will eventually feed through into low PCR rates. One African country, Uganda, has the top score regarding net enrolment rate (NER). This demonstrates that clear will backed by sound policies can make a genuine difference. Over time, this will have a positive impact on Uganda's primary completion rate. In the Balkans region, the NER in the Federal Republic of Yugoslavia and Croatia has dropped significantly.

Developing countries with highest net enrolment rate

Country	Region	Income classification	Most recent year
Uganda	Africa	LDCs	109
Argentina	Latin America	UMICS	106
Peru	Latin America	LMICs	104
Belize	Caribbean	LMICs	104
Mexico	Latin America	UMICS	103
Malaysia	Asia	UMICS	101
Philippines	Asia	LMICs	101
Albania	Balkans	LMICs	100
Maldives	Asia	LDCs	100
Fiji	Pacific	LMICs	99
Cuba	Caribbean	LMICs	99

Developing countries with lowest net enrolment rate

Country	Region	Income classification	Most recent year
Bhutan	Asia	LDCs	15
Niger	Africa	LDCs	21
Angola	Africa	LDCs	27
Djibouti	Africa	LDCs	31
Ethiopia	Africa	LDCs	31
Democratic Republic of the Congo	Africa	LDCs	33
Burkina Faso	Africa	LDCs	35
Eritrea	Africa	LDCs	40
Mali	Africa	LDCs	43
Burundi	Africa	LDCs	44
Sudan	Africa	LDCs	45
Tanzania	Africa	LDCs	47

The **primary completion rate** is generally considered a good indicator of the quality of an education system, since quality is often a key factor in whether children stay in school or not. The PCR has improved in all regions, albeit at different paces. Progress has been most spectacular in Latin America and, to a lesser extent, the Caribbean (which is still below 60 % but improving). Conversely, the situation evolved only slowly in Africa and Asia. Africa lags behind by far, with a PCR of around 50 % (compared to 80 % in most other parts of the world). The fact that two African countries (Cap Verde and Zimbabwe) top the primary completion rate league table contrasts sharply with the stagnation elsewhere (such as Chad at 19 %), or even worse deterioration (e.g. the Central African Republic from 28 % to 19 %). Afghanistan is at the bottom of the country list overall, with a very low 8 % PCR (this figure will hopefully improve over the next few years).

Developing countries with highest primary completion rate

Country	Region	Income classification	Most recent year
Cape Verde	Africa	LDCs	117
Zimbabwe	Africa	Other LICs	113
Azerbaijan	Eastern Europe and Central Asia	Other LICs	101
Egypt	South Mediterranean and North and Middle East	LMICs	99
South Africa	Africa	LMICs	98
Saint Lucia	Caribbean	UMICs	97
Yugoslavia, Federal Republic	Balkans	LMICs	96
Chile	Latin America	UMICs	92
Iran	South Mediterranean and North and Middle East	LMICs	92
Indonesia	Asia	Other LICs	91

Developing countries with lowest primary completion rate

Country	Region	Income classification	Most recent year
Afghanistan	Asia	LDCs	8
Central African Republic	Africa	LDCs	19
Chad	Africa	LDCs	19
Niger	Africa	LDCs	20
Bhutan	Asia	LDCs	23
Mali	Africa	LDCs	23
Ethiopia	Africa	LDCs	24
Burkina Faso	Africa	LDCs	25
Madagascar	Africa	LDCs	27
Djibouti	Africa	LDCs	28

Over the past five years, the **gender rate** has stagnated in most parts of the world. However, there has been limited progress in Asia (5 %) and to a lesser extent Africa (2.5 %). Overall there remains a significant gap between Africa, Asia and the Pacific (where the rate is around 80–85 %) and the rest of the world (where it is close to 100 %). The data point to a clear link between development and girls' attendance of school since, in the more developed regions, the ratio is closer to 100. The high rates from South Africa and some neighbouring countries (Botswana, Namibia and Lesotho) stand out, with a higher proportion of girls than boys attending school. However, this is not necessarily an indication of an efficient school system: for instance, the net enrolment rate in Lesotho is only 58 %. In most other cases, there is a correlation between the countries with few girls in school and a low enrolment ratio. Among the few children that go to school in Afghanistan there are significantly fewer girls than boys.

Developing countries with lowest gender rate

Country	Region	Income classification	Most recent year
Afghanistan	Asia	LDCs	43
Yemen	South Mediterranean and North and Middle East	LDCs	47
Chad	Africa	LDCs	53
Guinea	Africa	LDCs	56
Benin	Africa	LDCs	61
Ethiopia	Africa	LDCs	61
Niger	Africa	LDCs	64
Burkina Faso	Africa	LDCs	66
Mali	Africa	LDCs	66
Togo	Africa	LDCs	67
Equatorial Guinea	Africa	LDCs	68
Côte d'Ivoire	Africa	Other LICs	69
Nepal	Asia	LDCs	69
Djibouti	Africa	LDCs	70

Developing countries with the highest gender rate

Country	Region	Income classification	Most recent year
Mongolia	Eastern Europe and Central Asia	Other LICs	116
Lesotho	Africa	LDCs	112
Uruguay	Latin America	UMICS	108
Grenada	Caribbean	UMICS	107
Dominican Republic	Caribbean	LMICs	103
Namibia	Africa	LMICs	103
Botswana	Africa	UMICS	102
Saint Lucia	Caribbean	UMICS	102
South Africa	Africa	LMICs	102
Colombia	Latin America	LMICs	101
Kiribati	Pacific	LDCs	101
Venezuela	Latin America	UMICS	101

3.3.4.2. EC policy in support of the education sector

On 6 March 2002, the Commission adopted a new communication on education and training in the context of poverty reduction (¹). The main policy priorities of the Commission are basic education, vocational training, and support to higher education mainly at the regional level. Important cross-cutting issues were introduced such as gender equality, the link between education and the fight against HIV/AIDS and education in conflict situations. Harmonisation of procedures among EU donors and promotion of sector-wide approaches were indicated as the preferred methods. On 30 May 2002, the Council adopted a resolution that endorsed these policy lines (²). The European Parliament adopted its own conclusions in May 2003. With this, the European Community now has a clear and reinforced education policy focused on poverty reduction and efficient implementation.

The European Community also strongly supports the education fast track initiative (FTI) which it views as a means to accelerate progress towards education for all (EFA). The FTI focuses on an initial target of 23 low-income countries with sound policies but unlikely to achieve the millennium development goals in the field of education; i.e. universal primary completion by 2015, in the absence of additional donor support. The FTI aims at implementing a partnership between donors and partner countries, or where it exists consolidating such partnership. The partnership itself rests on two complementary lines of action. First incremental strengthening of cooperation amongst donors through concrete measures (coordination group, common funding, silent partnerships, more sector-wide programmes, etc.) in order to cut costs, increase efficiency of support and simplify procedures for partner countries. Second, allocations of additional funds are made to meet the financial needs of partner

countries to reach the education MDGs. So far, 10 countries of the initial group of 23 have had their programmes endorsed under the FTI process, and donors have committed funds to these programmes.

3.3.5. Health, AIDS and population

3.3.5.1. Progress towards health-related MDGs

The core indicators in this area are: mortality rates for children under five (rates in developed countries are generally below 10 per 1 000 but rates in developing countries are often much higher); measles immunisation; HIV prevalence amongst pregnant women; and supervised deliveries (which is critical to improving maternal mortality rates).

Under-five mortality: Except for the first few weeks of life, the immediate cause of most deaths in children under five are communicable diseases (e.g. pneumonia, malaria, diarrhoea and HIV/AIDS). The occurrence and severity of these diseases is due to a wide variety of factors, including malnutrition — in turn due to lack of food, poor housing, poor water supplies, poor hygiene, low level of education of the mother and lack of access to adequate healthcare. Under-five mortality has declined markedly since the 1960s throughout the world, including during the 1990s. Progress has been particularly impressive in Asia and, if current trends continue, many Asian countries should meet the MDG goal of a two-thirds reduction by 2015. Notwithstanding this progress, in 10 countries more than one in every five children born does not reach their fifth birthday (seven of these were affected by serious internal conflict during the 1990s). On the other hand, some of the world's poorest developing countries have demonstrated that it is possible to bring about dramatic reductions in under-five mortality. For example, Bangladesh has shown remarkable progress in reducing under-five mortality from 144 in 1990 to 82 in 2000. While some of this may be attributed to an increase in income, it mostly reflects the effectiveness of placing special emphasis on basic interventions such as immunisation, oral rehydration for diarrhoea, treatment of pneumonia, improved sanitation and better access to safe water. Improved female education and expanded microcredit for women have also been important. Rates of malnutrition in Bangladesh have improved too, although they remain very high by global standards. Every effort must be made to sustain the gains achieved in the 1990s. Worsening under-five mortality rates in several countries since 1990 have shown that the achievements of the past 40 years can be easily reversed. Apart from Iraq, which is clearly a special case, the worst reversals have been seen in eastern and southern Africa. Undoubtedly the main factor responsible has been the increasing number of childhood deaths due to HIV/AIDS in these countries (see below).

(¹) COM(2002) 116.

(²) Development Council conclusions, 30.5.2002, Reference 8958/02.

Countries with under-five mortality rates of above 200 per 1 000 live births in the year 2000

Country	Under-five mortality rate
Sierra Leone	316
Angola	295
Niger	270
Afghanistan	257
Liberia	235
Mali	233
Somalia	225
Guinea-Bissau	215
Democratic Republic of the Congo	207
Zambia	202

Countries with the steepest decline in under-five mortality between 1990 and 2000

Country	Under-five mortality rate		
	1990	2000	Decrease 1990–2000 (%)
Egypt	104	43	59
Malaysia	21	9	57
Indonesia	91	48	47
Tunisia	52	28	46
Morocco	85	46	46
Ecuador	57	32	44
Bangladesh	144	82	43
Turkey	78	45	42
Chile	20	12	40
Bhutan	166	100	40

Countries with the greatest increases in under-five mortality between 1990 and 2000

Country	Under-five mortality rate		
	1990	2000	Decrease 1990–2000 (%)
Iraq	50	130	160
Botswana	58	101	74
Zimbabwe	80	117	46
Swaziland	110	142	29
Kenya	97	120	24
Algeria	53	65	23
Cambodia	115	135	17
South Africa	60	70	17
Kazakhstan	67	75	12
Côte d'Ivoire	155	173	12
Cameroon	139	154	11

Measles immunisation: Immunisation is an important intervention for improving child survival and provision should be a basic priority for every national health service. It is cheap but very effective: it costs less than EUR 1 to immunise a child against measles. Before 1980, measles epidemics regularly devastated young children in developing countries but, following the introduction of the expanded programme on immunisation, the incidence has declined steadily and death rates faster still. Despite this success, measles still accounts for around 800 000 deaths per year ⁽¹⁾. Progress in increasing coverage has been especially good in Latin America where measles deaths have been reduced by 99 % ⁽²⁾. Forty developing countries had measles immunisation rates of 90 % or higher in 1999. However, sustaining good coverage can prove difficult: a new cohort of babies has to be immunised every year. Falling rates in Asia are due to a decline in coverage in several countries, including China and India. Twenty-five African countries recorded a decline in coverage between 1995 and 1999. In Nigeria, coverage fell throughout the last decade, dropping from 85 % in 1990 to 41 % in 1999. Falling coverage rates are very serious: as the number of children with no immunity increases a serious epidemic becomes inevitable. Unicef and the WHO have included countries with measles immunisation coverage rates below 50 % (except North Korea) in a list of 45 priority countries where deaths from measles are most prevalent and where efforts to boost coverage will be concentrated.

Countries with measles immunisation coverage rates below 50 % in 1999

Country	Percentage
Democratic Republic of the Congo	15
Djibouti	21
Congo	23
Equatorial Guinea	24
Somalia	26
Ethiopia	27
Chad	30
North Korea	34
Niger	36
Central African Republic	39
Afghanistan	40
Nigeria	41
Togo	43
Angola	46

⁽¹⁾ WHO estimate.⁽²⁾ Unicef data.

HIV prevalence in pregnant women: HIV/AIDS and malaria are singled out for special focus in the millennium development goals. Progress towards the target 'to halt and begin to reverse the spread of HIV/AIDS' will be monitored by changes in the prevalence of HIV infection in pregnant women. During the 1990s, HIV prevalence rose steeply in many parts of the world, but particularly in sub-Saharan Africa where at least 13 countries now have prevalence rates above 10 %. HIV prevalence rates are also increasing rapidly in parts of Asia and eastern Europe.

The impact of HIV/AIDS on under-five mortality has already been noted above. It has caused an unprecedented drop in life expectancy. It may also be partly responsible for the increase in maternal mortality observed in some countries. While the overall picture is very gloomy, there have been a few successes. Best known is Uganda, where the HIV prevalence rate in pregnant women has been falling since 1992, when it peaked at 29.5 %, to 11.3 % in 2000 (amongst the 15- to 24-year-old age group, the prevalence rate is lower still at 7.8 %). More recently, Unaided has reported evidence of falling rates of HIV infection amongst pregnant women under 20 years old in Zambia.

Countries with HIV prevalence above 10 % in pregnant women aged 15–24 years

Country	HIV prevalence (%)
Botswana	34
Lesotho	26
South Africa	25
Zimbabwe	25
Namibia	20
Zambia	18
Malawi	15
Mozambique	15
Central African Republic	14
Kenya	13
Ethiopia	12
Burundi	12
Rwanda	11

Supervised deliveries: Maternal mortality rates in developing countries are as much as 200 times greater than those in the developed world, reflecting above all lack of access to basic maternity care — particularly at the time of delivery. The main strategy for achieving the millennium development goal of a three-quarter reduction in maternal mortality by 2015 is through increasing the number of deliveries undertaken by trained personnel, such as a midwife or doctor, and not by traditional midwives (programmes aimed at improving the skills of traditional midwives have not had a positive impact on maternal mortality). The data available on this indicator are limited, and it is difficult to discern any meaningful trends in the different regions. Rates are generally lowest in the world's least

developed countries. Some countries have demonstrated good progress during the 1990s, but generally there is still a long way to go in most regions — especially Africa and Asia.

Countries with lowest rates of supervised deliveries (most recent data available)

Country	Percentage of supervised deliveries
Nepal	10
Chad	11
Bangladesh	14
Niger	18
Eritrea	21
Republic of Yemen	22
Mali	24
Burkina Faso	27
Cambodia	31
Guinea	35
Tanzania	35

3.3.5.2. EC policy in support of health, AIDS and population

The impact of the Commission's ambitious target to increasingly prioritise in-country/regional allocations for improved 'health' outcomes, in partnership with developing countries and other partners, will take time to show. At the policy level, however, a number of results have been achieved during 2002.

In March 2002, the Commission adopted a communication on health and poverty ⁽¹⁾. The communication represents one single EC policy framework to guide investment in health, AIDS and population for attainment of the millennium development goals. The framework has four strands: (i) to improve health, AIDS and population outcomes at country level, especially among the poorest; (ii) to maximise health benefits and minimise potential negative health effects of EC support for other sectors; (iii) to protect the most vulnerable from poverty through support for equitable and fair health financing mechanisms; and (iv) to invest in the development of specific global public goods.

Subsequently, a Council resolution on health and poverty was adopted on 30 May 2002 ⁽²⁾. This referred to increasing the volume and improving the delivery of aid. It stated: '...in view of reaching better health outcomes and attaining the internationally agreed health development goals, the EU will strongly support those developing countries who agree to work towards the targets set by themselves for investments in health, such as in Abuja (15 % of national budget)...'; and: 'In this context, the Council recalls its conclusions on the UN Conference on Financing for Development in Monterrey, agreed by Foreign Minis-

⁽¹⁾ COM(2002) 129.

⁽²⁾ Health and poverty — Resolution of the Council and the representatives of the governments of Member States, Development Council conclusions, 30.5.2002, Reference 8958/0.

ters on 14 March and endorsed by the European Council in Barcelona whereby the Member States collectively commit themselves, as a first significant step, to increasing their overall ODA volume in the next four years. A substantial share of that increase should go to support for social development in developing countries with special emphasis on improving health and education outcomes.¹ Discussions in the European Parliament on the health and poverty communication started in October 2002 and remain in progress.

The EC programme for action on accelerated action against AIDS, tuberculosis and malaria (1)¹ remains a comprehensive, forward-looking and coherent EU policy framework making a significant contribution towards improved country, regional and global action against the three major communicable diseases. The Commission has now developed a new communication outlining progress in implementation of the programme for action, and this should be adopted in early 2003. As this will show, the Commission has worked on a number of fronts to achieve the objective of 'increasing affordability', including efforts in the context of the multilateral World Trade Organisation discussions on trade-related intellectual property rights and the Commission's strategy towards tiered pricing (see 'Trade and development' above). In terms of 'increasing investment in research and development', substantial resources have been allocated from the research framework programmes for HIV/AIDS, malaria and TB research, including the establishment of the new European and developing countries' clinical trials partnership (EDCTP). The overall goal of the EDCTP is to accelerate the development and evaluation of new vaccines, drugs, and other preventive or therapeutic tools against HIV/AIDS, malaria and TB. It will have a target budget of EUR 600 million. One third of the budget will be contributed by the Community, whereas another EUR 200 million will be provided by Member States and Norway with an additional EUR 200 million expected from the private sector, R & D industry, foundations and charities, and Community development funds (EDF or special budget line).

The EDCTP is expected to be operational during the second half of 2003. In line with the Doha declaration, the developing countries should have access to the products developed by the EDCTP. A carefully balanced management structure ensures that the developing countries are important stakeholders and equal partners in strategic decisions. In line with this, African partners will both participate in prioritising new interventions and in the development of strategic clinical trials action plans.

Where progress with the programme for action has been less visible, this was due to a lack of appropriate resources, in particular in-country resources, within the Commission and/or the Member States to take forward large-scale programmes in specific areas, for example, local manufacturing capacity, technology transfer, social marketing partnerships with civil society, innovative research and development, and working through true partnerships with the developing countries concerned. In this regard, the EDCTP clearly constitutes a pilot programme and a new step forward as it contributes to a

unified voice to represent European research contributions in the fight against the three diseases in developing countries. Additional direct and indirect incentives for research and development of specific global public goods to fight the three diseases require primary focus in the coming years. All actions from the programmes are directly or indirectly linked to other Community policies and actions, in particular trade, research and development for improved health, AIDS and population outcomes in developing countries.

Although authoritative economic research has been focusing on relationships between local conditions of poverty and global communicable diseases such as malaria, tuberculosis and HIV, the relationship between local poverty dominance and locally highly prevalent vector-borne and other communicable diseases is also well known. In this respect, the Research DG has been promoting research and new knowledge and technologies against infectious burdens represented by schistosomiasis, filariasis, Chagas' disease, etc. and other neglected communicable diseases. Work on a vaccine against childhood pneumonia, by far the largest killer in Asia, is far advanced and entering final population trials.

Research on reproductive health was expanded as well through collaborative North-South projects.

At the end of 2001, programming guidelines for health, AIDS and population were shared with Commission delegations. All EC country strategy papers and national indicative programmes (except for the 'non-notified ACP countries') were finalised by the end of 2002. The 2002 level of allocations for 'health as a focal sector' programmed under the ninth EDF was 3.7 % (EUR 280 million), and 22.3 % from the ninth EDF (EUR 1.6 billion) was programmed for 'macroeconomic support with social development conditionality'. During 2002, regional and intra-ACP funds were programmed for 'health' in ACP countries from the sixth to the ninth EDFs (EUR 104 million in total: EUR 60 million for the GFATM from the sixth and seventh EDFs and EUR 44 million for reproductive health and malaria from the eighth and ninth EDFs). Additional funding from the ninth EDF intra-ACP regional funds and from ninth EDF reserves is currently being discussed with the ACP countries. Mediterranean non-member country programming for 'health' for 2002-04 represents 2 % of available resources, in Asia (2002-04) 14.1 % and in Latin America (2002-06) 1.9 %. The 2002 multi-annual provisions for all developing countries total EUR 423.2 million for 'health and population', less than 3.3 % of total EC development aid programming.

Health is one of the sectors where the Commission is pursuing a more coordinated approach with Member States as part of its in-country pilot exercises (see the section on the 'three Cs'). The Commission's initiatives in favour of increased untying of Community aid (described in the same section) also include a focus on health. The Commission has proposed to use medicines and supplies/products for HIV/AIDS, malaria and TB as a pilot exercise. The first EC dossier to benefit from untying was an international tender for provision of drugs and medical supplies in Zimbabwe.

(1) COM(2001) 96, February 2001.

3.3.6. Transport

The results of the programming process carried out in 2002 confirm that transport remains one of the main areas of Community support, in particular in the ACP region where transport represents 31 % of programmed resources under the ninth European Development Fund (as detailed in that regional chapter). This focus partly reflects the fact that many other donors (particularly bilaterals) have largely withdrawn from transport, and builds on the Community's long experience and comparative advantage in this sector.

Sustainable transport systems can play a crucial role in promoting poverty reduction and development, by facilitating the mobility of the poor and providing physical access to jobs, health and education. Appropriate access is essential for economic growth and trade, and fosters integration. Achieving these development goals requires transport to meet stakeholder needs, be safe, affordable and efficient, and have minimal impact on the environment. To deliver sustainable transport, partner countries need to adopt a sectoral approach that integrates sectoral and cross-cutting issues. Such an approach must build economic, financial and institutional sustainability as well as being environmentally sound and socially aware.

Programming in the transport sector during 2002 was guided by the 'Transport programming guidelines' as well as the Commission's communication 'Promoting sustainable transport in development cooperation' ⁽¹⁾. In the future, the Commission will be strengthening its support to its delegations to help ensure that sound policies and sustainable strategies are pursued through country sector programmes as well as developing guidelines for the upcoming mid-term review of indicative programmes. The Commission will also draw on the results of the second independent evaluation of EC interventions in the transport sector launched in mid-2002 (see the section in this report on 'Monitoring and evaluation'). This covers all geographical regions of Community development cooperation (unlike the first sector evaluation in 1993–94 which covered only the ACP countries). The outcome of the preparatory phase highlights the past and present focus on the ACP region, which is likely to continue.

Policy and strategy coordination with EU Member States remains an essential element of the Community's sectoral dialogue for ensuing coherence and complementarity of EC interventions. In 2002, the Commission increased its coordination with the transport experts' group by organising two meetings. These discussions resulted in agreement on the indicators for assessing the performance of the transport sector and its impact on users and beneficiaries of transport services. The meetings also paved the way for developing a simple methodology for improving the monitoring of indicators as well as examining the options for providing some EC finance through budget support mechanisms in transport sector programmes.

During 2002, the Commission also participated actively in the reorientation of the sub-Saharan Africa transport

policy programme (SSATP), which brings together several EU Member States, the UN Economic Commission for Africa (UNECA), the World Bank and Norway as well as 30 African countries. The Commission raised its visibility and contribution to the programme by its direct representation on the SSATP Board, increased involvement in planning of its long-term development as well as reaching agreement, in principle, to provide core funding to the programme. These coordinated interventions will lay the foundations for allowing the SSATP to facilitate processes that ensure transport policies and strategies are fully integrated into poverty reduction strategies and plans. At a regional level, the SSATP will, by working through regional economic communities, facilitate transport strategies that better contribute to regional integration and intra- and international trade.

3.3.7. Food security and sustainable rural development

3.3.7.1. Progress towards related MDGs

Underweight children: Lack of food remains a scourge for poor families in most of the developing world. This has been highlighted in the MDGs, which include a commitment to halve the proportion of people who suffer from hunger by 2015. This will be monitored chiefly by changes in the prevalence of children under five that are underweight for their age. Malnutrition not only predisposes the child to communicable diseases, but it also affects subsequent growth and development, retarding adult intellectual capability. Thus, poor nutrition in childhood helps to perpetuate the cycle of poverty.

Good data are not available on all countries, but what information there is shows that progress has been made in all regions since 1995, but that current rates are not fast enough to reach the 2015 target. Rates of malnutrition are particularly high in a number of countries in Asia, which has eight of the 14 countries with the highest rates of malnutrition worldwide.

Countries where at least 40 % of children are underweight for their age

Niger	40
Laos	40
Mali	43
Maldives	43
Eritrea	44
Burundi	45
Cambodia	46
Yemen	46
Ethiopia	47
India	47
Nepal	47
Afghanistan	48
Bangladesh	48
North Korea	60

⁽¹⁾ COM(2000) 422.

3.3.7.2. Food security

Food security was a major issue during 2002, in particular because of the serious food situations in several developing countries — including Afghanistan, southern Africa and, towards the end of the year, the Horn of Africa. The Community has worked closely with others to ensure an effective response to the food crises (the Commission's efforts regarding the crises in Africa are outlined in the ACP regional chapter later in this report).

Another reason for the focus on food security during 2002 was the international conference to take stock five years after the World Food Summit (known as the 'World Food Summit — Five years later'). The Commission and EU Member States played a prominent role in the preparations for this event, which took place in Rome in August under the auspices of the UN Food and Agriculture Organisation (FAO). The main objective was to review progress towards the target set during the 1996 World Food Summit to halve the number of undernourished people worldwide by 2015. Given that the annual rate of reduction of the undernourished since 1996 is below that which would allow the achievement of the target on time in 2015, the FAO's Secretariat had identified two principal areas where the Rome Summit could play a role in accelerating progress towards the goal, namely, by fostering political will and mobilising financial resources. The Commission's contributions to the preparation process included the presentation of a report on the follow-up of the plan of action of the 1996 World Food Summit. Together with Member States, the Commission also participated in an open-ended working group that negotiated the summit's declaration. The final declaration, which was adopted by Heads of State or Government at the summit and was called 'International alliance against hunger', called on all parties to reinforce their efforts 'so as to act as an international alliance against hunger to achieve the WFS targets no later than 2015'. The declaration also called for the establishment of an intergovernmental working group on the voluntary guidelines to progressively realise the right to adequate food. President Prodi and Commissioner Nielson represented the European Commission. In his intervention, President Prodi reiterated the importance the EU attaches to trade within the development agenda. Commissioner Nielson participated at one of the ministerial-level round tables on the theme 'The World Food Summit plan of action: Results achieved, obstacles met and means of overcoming them'.

During 2002, the Commission continued to make progress in translating into action the policy and strategic approach to food security that it adopted in 1996, including through the programming and implementation of the food aid/food security horizontal budget line (1). It also took on board the major findings and recommendations of the 2000 evaluation of the food aid/food security regulation and its communication to Council and Parliament on the future orientation and application of the budget line. The food security interventions undertaken are designed to be consistent with the Community's overall development policy as well as the country and regional support

strategies which build on nationally-owned strategies for poverty reduction. The Community has continued to stress the need for careful use of food aid. Whilst it can be an important and essential part of the immediate response to food crises, it is not an effective way to end famine in the long term. Famines have complex origins that require complex answers. Famine prevention requires a broad-based policy approach, which tackles the root causes of the problem — one of which is poverty and under-development. Poor governance, natural disasters and conflict can also create the conditions for famine. Where food aid has been provided, the Commission has sought to ensure that priority be given to local and regional purchases. In post crisis situations, particular attention was given to linking relief, rehabilitation and development.

As part of its effort to ensure a more effective approach to famine prevention, taking account of the different factors that can be involved, the Commission has sought to deepen its policy dialogue with national authorities in a number of beneficiary countries, and to encourage them to integrate food security objectives further into national poverty reduction strategies. The implementation of ongoing programmes and projects as well as the appraisal process of new operations are increasingly benefiting from the results of programme reviews and audits. The Commission has used a number of criteria to guide its decisions about priority countries: countries (and specifically least-developed countries) with a high incidence of poverty and a high degree of food insecurity; those with a long-term food security policy in place; and those where the conditions are right for effective utilisation of Community funds.

As a result of the exceptional and unforeseen food crises during 2002, the Commission has had to constantly review its programming and targeting processes. A much higher percentage of the overall budget allocation went to food aid than was initially foreseen. As a result, support for structural food security was reduced. The table below presents a comparison of the initial 2002 programming and the actual allocations as at October 2002.

(1) COM(2001) 1; COM(2001) 473.

Summary of initial and final 2002 allocations by instrument and partner (EUR million)		
	Initial	Final
Financial support for structural food security	241.8	185.4
Support to government programmes:	212.8	126.3
programme aid	(176.8)	(100.1)
project aid	(36.0)	(26.2)
NGO cash projects	20.0	33.2
Others (FAO + CGIAR)	9.0	25.9
Food aid — through annual allocations	154.0	231.5
Channelled through:		
WFP	90.0	132.0
EuronAid	50.0	60.5
UNRWA		15.0
Others	14.0	8.0
Government		16.0
Capacity-building	23.0	34.1
Technical assistance	20.0	32.3
Policy and strategy support	3.0	1.8
Commodity price contingencies	5.0	2.6
Reserve	11.2	1.4
Overall total BL 2002	435.0	455.0⁽¹⁾
⁽¹⁾ Budget line allocation increased to EUR 455 million with the following breakdown: B7-2000: EUR 151 125 000, B7-2010: EUR 291 572 000, B7-2010A: EUR 12 303 000.		

Food aid: A response to a major food crisis in 2002

Severe drought in the Horn of Africa

Deficient rainfall during the last crop seasons in the Horn of Africa have seriously aggravated the already fragile humanitarian situation of an estimated 13.6 million people in Ethiopia and Eritrea. In addition to the emergency assistance previously provided for the needs of the last quarter of 2002 (EUR 32.8 million), the Commission adopted a EUR 55 million emergency food aid assistance programme at the end of the year. Together with an additional food aid allocation of EUR 25 million to the two countries in early 2003, it brought the EC total contribution to the relief of the most vulnerable population of Ethiopia and Eritrea to EUR 112.8 million (412 000 metric tonnes of food aid). If we include the EU Member States' bilateral contributions (EUR 46.5 million), this brings the total EU response to the crisis in the two countries to EUR 159 million.

While relief is crucial to save lives, both governments and donors agree that the situation over the long term will not improve just with emergency food aid. The crisis can only be adequately addressed if, in parallel to the emergency response, substantial efforts are devoted to tackle the structural problems. This long-term support is the focus of the EC's assistance, both through its food security and budget

support programmes. There are two ongoing food security programmes in the Horn of Africa: one of EUR 60 million in Ethiopia (from which EUR 25 million is a budget support for food security interventions), and another ongoing programme of EUR 16 million in Eritrea.

Food crisis in southern Africa

In response to the continuing humanitarian crisis in southern Africa, the European Union announced in December 2002 that its contribution had risen to EUR 328 million for the six most affected countries (Zimbabwe, Zambia, Malawi, Swaziland, Mozambique, Lesotho). EUR 117 million of this amount is managed directly by the European Commission food aid and food security budget line and is made up of food aid and emergency distribution of seeds and fertilisers (277 000 tonnes). Food aid is already being delivered to countries in the region via partners such as the World Food Programme, NGOs or beneficiary governments. It will continue to be targeted to the poorest and most vulnerable groups including HIV/AIDS victims as well as to internally and externally displaced persons including refugees.

This emergency assistance comes in addition to two long-term ongoing food security programmes in Mozambique (EUR 60 million) and in Malawi (EUR 42 million).

Food security: Recipient countries	
Country	EUR
Ethiopia	99 300 000
Zimbabwe	51 400 000
Afghanistan	46 300 000
Palestine	30 000 000
Zambia	23 000 000
Armenia	20 300 000
Azerbaijan	20 300 000
North Korea	20 000 000
Kyrgyzstan	20 000 000
Malawi	16 000 000
Angola	15 000 000
Mozambique	14 800 000
Haiti	13 800 000
Moldova	10 400 000
Eritrea	9 700 000
Madagascar	6 900 000
Tajikistan	6 600 000
Niger	6 500 000
Liberia	5 500 000
Equatorial Guinea	2 500 000
Democratic Republic of the Congo	2 400 000
Cuba	2 000 000
India	2 000 000
Sierra Leone	2 000 000
Sudan	1 600 000
Pakistan	1 300 000
Burkina Faso	1 100 000
Burundi	500 000
Guatemala	200 000
Honduras	200 000

3.3.7.3. Rural development

Seventy percent of the world's poor live in rural areas and the livelihood of the majority among these depend on agriculture. Lack of access to resources and services increases dramatically their vulnerability to shocks. Rural development, by improving access to food through better and more diversified income and services and availability of food through better performing agricultural and commercial systems, is paramount in the fight against poverty and in sustainably improving food security for the poor.

In 2002, the Commission presented to the Council the communication entitled 'Fighting rural poverty: European Community policy and approach to rural development and sustainable natural resources management in developing countries' ⁽¹⁾. In its conclusions,

the Council welcomed the communication and stressed the importance of collaboration between the Commission and the Member States in implementing it. The communication, which stresses the multi-sectoral character of rural development and the linkage of poverty reduction with livelihoods in rural areas, was presented and discussed in a forum in Montpellier in September 2002, which brought together more than 200 participants from Member States and the Commission. During the forum a number of substantive development issues which have a bearing on rural livelihoods were addressed and a road map for further analytical work was outlined.

During the EU Rural Development Forum it became clear that one of the key issues faced by developing countries is the review of their land policy and the design and implementation of sound, pro-poor land reform and redistribution programmes. To address land reforms in a more coordinated manner and as a further elaboration of the rural development policy, under the guidance of the EU rural advisory group, an EU-wide task force was established in 2002. The task force, entrusted with the responsibility of developing common EU guidelines to support land policy development and land reforms, is coordinated by the Development DG. EuropeAid collaborates actively in its work. It is envisaged that a final draft of the guidelines will be released for wider consultation in the first half of 2003.

3.3.8. Good governance and institutional capacity-building

The Community's development cooperation policy recognises that good governance can be decisive in strategies to reduce poverty. Governance issues are also critical for the achievement of several of the Community's other external objectives, including peace and security and human rights.

In view of its importance, the Community addresses good governance and institutional capacity-building as both a priority sector in its own right, and an issue to be mainstreamed across other sectors (such as trade, economic policies, the social sectors and regional integration). Through its development cooperation and external assistance programmes, the Community is providing direct support in a wide range of areas that fall under the 'good governance and institutional capacity-building' heading. These include civil service reform, judicial reform, financial management and audit, parliamentary activities, civil and political rights, freedom of expression and the media, the fight against corruption and money laundering, an anti-drugs campaign (and conflict prevention — see separate section), training for ethical review of clinical studies.

One element of the Community's potential added value in this area is the political dialogue that it has with its external partners. This provides a forum to address what can be sensitive issues. Community action is also thought to be more neutral than action by Member States, which have their own history and are bound by a specific legal system.

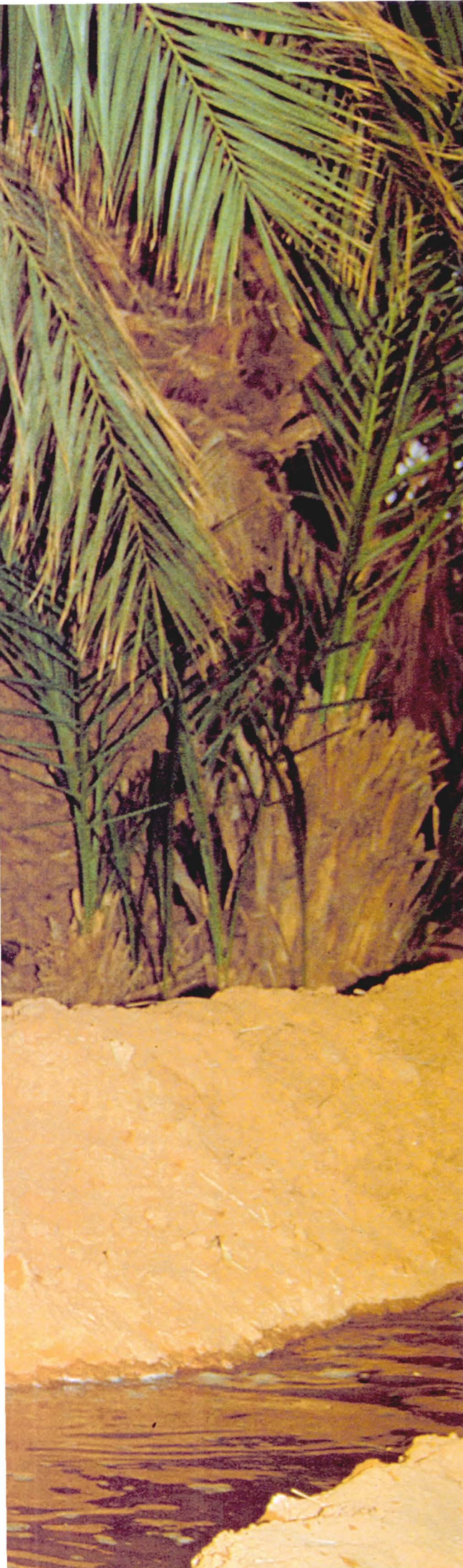
In 2002, the Commission recognised the need to develop a more strategic framework for its work on good governance. On 30 May, the Development Council adopted a set of conclusions on 'good governance, democracy and development'. These welcomed the Commission's intention to deepen its work in this area, as well as the Commission's proposal to establish a working group with EU Member States to define a consistent and common EU approach to governance issues.

Building on the outcome of the first such meeting between governance experts from the Commission and Member States in February 2003, the Commission will review its policy framework on governance and development, examining the links between governance and poverty reduction. The Commission's approach acknowledges that the way public functions are carried out as well as the way public resources and public regulatory powers are used is critical to the achievement of its broader development objectives. Poverty reduction depends largely on whether or not public institutions carry out certain key functions in an efficient and accountable manner. These include: facilitating the capac-

ity of poor people to increase their incomes and assets; ensuring their access to public services; and guaranteeing their security and access to redress, as well as the protection and promotion of their rights. Overall, the political and institutional context is critical for poverty reduction policies and has a major influence on citizens' confidence in public institutions. Civil society can also play a key role in helping to promote improved governance and accountability (more detail on the Community's approach to working with non-State actors is given in the 'Horizontal activities and mainstreaming' chapter of this report).

Defining an EU approach to governance and development will reinforce coordination and complementarity mechanisms between the Commission and Member States. It will also facilitate EU dialogue with partner countries to define pro-poor governance agendas and support their implementation. This common policy approach, consistent with the UN Millennium Declaration and the Monterrey conclusions, should aim at supporting pro-poor institutional development in partner countries: that is, better functioning, more efficient, responsive and accountable State institutions.





4. Looking for results: monitoring and evaluation

The Commission is in the process of moving increasingly towards results-oriented external assistance. This paradigm has been translated on different levels and this chapter deals with the two main approaches to the appreciation of results (effects, impact) of EC-funded actions through:

- ▶ evaluation of strategies, themes and sectors; and
- ▶ results-oriented monitoring of projects and programmes.

4.1. Evaluation

Evaluation of external assistance is an important cornerstone in the results-oriented approach to EC policy and its implementation.

The evaluation service produces thematic, sectoral and 'geographical' (countries and regions) evaluations as well as evaluations of regulations and instruments. It also ensures the role of methodological guidance, whereas project evaluations are the remit of operational services and delegations. The evaluation service responds directly to the Board of Directors of Europe-Aid and is thus integrated into the decision-making process at the highest level.

4.1.1. The 2002 evaluation programme

The Evaluation Unit's work programme for 2002 is part of a long-term strategy to cover systematically the priorities of the European Community's external cooperation, including the programming process itself and the 'policy mix'. The programme is articulated along two main lines: evaluations of themes and sectors and evaluations of country and regional strategies. The aim is to cover the main sectors once every six years.

It is in the nature of evaluations that both lines of investigation will cross-fertilise each other: country strategy evaluations always focus on sectors within the countries and sector while thematic evaluations take place within the parameters of a country or region, usually in combination with cross-cutting issues, namely gender, environment, good governance, human rights and conflict prevention.

By the year's end, 10 evaluations had been completed or nearly completed and 14 evaluations had been launched or were ongoing, including three joint evaluations with Member States and the Bretton Woods institutions.

4.1.2. Findings from the 2002 evaluations

While the diversity of evaluations undertaken in 2002 to a large extent precludes any sectoral or thematic grouping, the various sets of findings from the studies completed in 2002 continue to point to broad issues already identified in the evaluations completed in 2001, namely the need for clearly-defined objectives and a coherent strategy while allowing for responsiveness through the choice of the best intervention instrument, and through rapid and simple administrative implementation procedures.

Findings and conclusions are summarised below ⁽¹⁾.

4.1.2.1. Evaluations of sectors and themes

The evaluation of the **ALA Regulation** 443/92 noted that the regulation, with its very broad scope, had

required further interpretation through more comprehensive policy documents relating to Asia and Latin America (these regions in themselves are subject to major internal disparities). The report found that the regulation itself was therefore somewhat distanced from the prioritisation of resource allocation and did not stress certain key principles, for example relating to coherence, coordination and accountability. The limited resources dedicated to the regions concerned were considered inappropriate to the ambitious stated goals set out in policy documents. The evaluation recommended that the new regulation should be of legal character and should not define in detail those strategic objectives better covered by regional and country strategy documents and other declarations on cooperation policy and aid management.

A study of the **definition of economic cooperation** indicated that economic cooperation is one of the dimensions of EC cooperation with third countries and underlined that there was no official definition of economic cooperation. The study attempted an operational interpretation through regional cooperation strategies and identified some elements that are common to economic cooperation: trade facilitation, direct support to private enterprises, improving institutional and economic environments.

The evaluation of **mobility grant awarding programmes** (scholarships) consisted in a comparative analysis of two categories of EC-financed programmes which have been judged effective instruments to foster cooperation between the EU and third countries in the field of higher education. However, the report shows that such cooperation requires more efficient and flexible procedures to match the heterogeneity of target countries. Current programmes remain rather modest given the magnitude of the target group and the report recommends to increase the number of grants awarded to all academic staff (those having a spill-over effect) as well as to students. The report found significant added value brought by the EU fostering regional cooperation between universities.

An evaluation of **fisheries agreements and their relationship with country programmes** suggests that fishery agreements (FAS) would be coherent with the development objectives of country programmes if they were carried out in a context of sustainable fishing practices. As this is not the case and as the institutional framework is not conducive to the use of sustainable fishing practices (SFP), it is recommended to conclude FAS only with partners ready to cooperate to set up and enforce sustainable fishing practices. It is also recommended to establish an appropriate institutional framework and support institution-building.

The evaluation of the **fight against illicit drugs and addiction** found that the majority of projects had positive, short-term effects for the beneficiaries, but long-term effects of assistance may be marginal. The evaluation recommended to clarify the objectives and strategy in the fight against drug abuse and to focus on a limited number of countries and key sectors. Recommendations included restricting projects to countries where drugs are a serious impediment to

development, and to the production areas or trafficking routes. It was also recommended that institutional development should focus on strengthening national capacities to develop and operate coherent and coordinated drugs policies.

An evaluation was made of the **institutional support to the national and regional authorising officers** (NAOs) in ACP countries. This evaluation found that, while support has yielded some encouraging results, these have sometimes been compromised by a lack of sufficient analysis either of the local institutional structures or of the political environment in which NAOs operate. The study concluded that the projects did help to strengthen the institutional capacity of the authorising officers to play their role, but also that the most important part of the assistance was directed to improving the administration of EDF projects. Future projects have to draw the line more carefully between institutional strengthening and operational support to the management of EC aid. NAO performance criteria should be extended from essentially financial indicators to measurements more clearly related to the quality of development.

In 2002, two evaluations were finalised of two linked sectors: one covering interventions in the **health sector (in the ACP/ALA/Mediterranean non-member country regions)** and one on **education in the ACP regions** financed under the EDF.

Both evaluations underlined the pivotal role of the sectors concerned in the fight against poverty and the fact that the activities financed are well integrated into the national development strategies. Both evaluations identified a number of successful interventions and drew out common factors for success. There is a wide range of possible instruments (projects, programmes and budget support) in the education and health sectors, and both evaluations underlined that for each objective and each country the right instruments should be carefully considered. Budget support and sector-wide approaches have significant advantages, but can only be successful if certain conditions in the surrounding institutional environment are met.

Both evaluations considered the possible anti-poverty impacts of health and education measures as well as the implication on gender equality, and noted great room for improvement. The education evaluation underlined that an education policy in itself does not guarantee universal access to education. While education sector reform may target poverty reduction, it does not necessarily target the poor as a special group. Effectiveness of the health sector programmes was found to be variable, but overall positive, especially in the areas of institutional strengthening, improvements to peripheral health systems, provision of essential medicines, and improved safety in transfusion programmes.

4.1.2.2. Evaluations of country strategies

Evidence from two **country strategy evaluations** (South Africa and Morocco), both substantially completed in 2002, suggests that the current strategies are basically sound and relevant to the needs of the

partner countries insofar as the programmes are in line with national policy priorities. In both cases the strategies are more tightly focused, across fewer sectors, than previously, indicating greater awareness of the need for coordination and complementarity with other donor inputs in the name of efficiency and freedom from duplication.

4.1.3. Outlook on the 2003 evaluation programme

The work programme for **2003** also foresees the completion of the following evaluations launched in 2002.

The ongoing evaluation of **trade-related assistance** considers the impact of actions undertaken between 1996 and 2002 (where this can be measured) and assesses the approach taken to programming trade-related assistance in country/regional programmes since 2000, in the light of the focus provided by the Doha Development Agenda. The assessment and judgement of the current approach will take account of the capacity to learn lessons from the past, the effect of the reform of the management of external cooperation and the emergence of a truly multilateral approach in EU trade policy.

The **evaluation of Commission interventions in the transport sector in third countries** addresses the impact of Commission assistance in relation to the range of goals and higher objectives which apply to transport policy in different regions (trade facilitation, regional integration, poverty reduction, security), including for institutional aspects. The quality and impact of transport policy dialogue and accompanying policy actions are given particular importance, along with the evolution of the sector approach and the importance of cross-cutting issues.

The Board of the EuropeAid Cooperation Office requested the **evaluation of the integration of gender in Commission cooperation within third countries** in November 2001. The evaluation is nearly completed and includes an assessment of how the Commission gender commitments have been put into practice, the mainstreaming of gender into procedures, instruments and country strategies and an assessment of the contribution of Commission-financed actions to redress and improve gender balance.

The evaluation of **rehabilitation and reconstruction** will assess globally the policy and strategic frame of the budget line and its adequacy in view of the EC's objectives and will have a close look at the link between emergency, rehabilitation and development, as well as at conflict prevention.

The objective of the evaluation of **population and development** is to provide the Commission with an assessment of the nature and evolution of the objectives and policies concerning population (including settlement and migration) in external cooperation programmes. The evolution and volume of programmes concerned will be considered as well as their relevance, effectiveness, efficiency, sustainability and impact and internal/external coherence. The primary purpose of the evaluation is to help improve impact and coherence in

the application of the Commission's approach to population and development in partner countries.

The evaluation of **economic cooperation MEDA** aims at assessing how far economic cooperation initiatives with Mediterranean non-member countries contributed to achieving the objectives of MEDA and assisted the partner countries in addressing the main obstacles to increase the competitiveness of their economy, develop economic links with the rest of the world and achieve sustainable growth. This evaluation is part of a series of evaluations that covers aspects of economic cooperation in different geographical areas.

Also, at the end of 2002, evaluations of country strategies for the **Ukraine, Bangladesh and Malawi** were well under way. Two evaluations treating cooperation and strategy in the **Mercosur and Balkan (CARDS) regions** have recently been launched. All five evaluations are expected to be finalised in 2003.

The joint **donor evaluation on the three Cs** (coherence, coordination and complementarity) had been initiated by the Netherlands in late 2000, and initial scoping and pilot stages had indicated the need for a fundamental rethink of the parameters and objectives of the evaluation. Accordingly, a workshop was convened in early 2003 and the main conclusion drawn was that an assessment of the application and impact of the 3 Cs would be better and more rapidly achieved by means of a loose framework within which a series of smaller-scale evaluations can be carried out.

Participation in the joint donor evaluation on external **support to basic education** (chaired by the Netherlands) and the **comprehensive development framework** under the chairmanship of the World Bank will also continue in 2003.

The evaluation programme for 2003 comprises 14 new evaluations and studies; the final version is published on the EuropeAid Internet web site.

4.1.4. Improving evaluation methods

4.1.4.1. Developments in evaluation methodology and feedback

As foreseen in the 2002 programme, the Evaluation Unit has continued the work on evaluation quality by developing terms of reference and updating methodological approaches. At the heart of the approach is a set of key 'evaluation questions', each with its assigned judgement criteria and indicators. Each stage of an evaluation is subject to detailed discussion with a group of key Commission services. This approach allows sharper focus on important issues and ensures that evaluations yield relevant and well-founded conclusions and practical recommendations.

The Evaluation Unit's work on feedback mechanisms focused on increasing the awareness of evaluation results, the uptake of evaluation recommendations and the application of lessons learned. Three initiatives to

strengthen the feedback function were launched during 2002: (i) a mapping of experiences of the current feedback work of the unit and identification of best practices (ii) an inventory of project/programme evaluations managed by delegations and geographical units; (iii) the systematic use of a three-column *fiche contradictoire*, listing key evaluation recommendations, the Commission services' responses to each of them, and the action finally taken.

Methodological work for the provision of revised guidelines and new tools, notably on sectoral and thematic topics, as well as on improving further the quality of country strategy evaluations, started in October and will continue through its three-year workplan.

4.1.5. Priorities for action highlighted by the 2002 evaluations

Overall the studies concluded with positive results and constructive insights for further improvement. Viewed globally, they suggested the Commission should pursue its efforts to develop further the following areas:

- ▶ establishment of clear objectives, focusing on (a limited set of) priorities and integrated into an overall strategy;
- ▶ within a clear and coherent strategy, selection by the Commission and the partner country, of the most appropriate instrument or the most appropriate mix of instruments;
- ▶ identification and exploitation of links and synergies between interventions in the different priority areas;
- ▶ flexible, and rapid financing mechanisms, as well as simple and rapid administrative mechanisms to foster efficiency and effectiveness.

4.2. Project results: Results-oriented monitoring

The **results-oriented monitoring** system (ROM) allows a rapid appreciation of a project or programme's performance, as well as of its wider implications and provides the Commission with independent advice on its project portfolio. The system was initially developed and tested in 2000–01 before expansion during 2002 to all regions of the Commission's external cooperation. Having one consistent approach ensures that the Commission has comparable data for all regions where it provides external assistance.

4.2.1. Achievements in 2002

In the light of the promising outcome of the test phase ⁽¹⁾ (see the Annual Report 2001), the results-oriented monitoring system was extended to cover all regions concerned by the EC's external cooperation. In

⁽¹⁾ For a more detailed description of the methodology, please refer to the Annual report 2001, Chapter 10.3: <http://europa.eu.int/comm/europeaid/reports>

the last quarter of 2002 and slightly ahead of schedule, the input activity monitoring system in Tacis countries (newly independent States and Mongolia) made the transition to the results-oriented approach.

Five teams, organised along geographical lines (Tacis and the Balkans (CARDS) being covered by one team) were put into place and fulfilled their first-year work-plans:

- ▶ 603 projects were monitored ⁽¹⁾;
- ▶ 743 reports ⁽²⁾ were written;
- ▶ a total of EUR 6 144.1 million financial volume was covered.

The **results of Commission projects produced are globally good**. A significant majority of projects record

good effectiveness, i.e. benefits actually received by the people as well as promising impact. The **performance** of projects and programmes was good, and on average, the ⁽³⁾ projects assessed were progressing **'according to plan' or better**.

Although it is too early to establish any trend, especially as the project samples are quite different, nevertheless, a slight improvement over 2001 project performance may be noted.

4.2.2. Insights from the first year of the consolidation phase

A quantitative overview is presented below, further data for each region are in the regional chapters.

2002	Tacis	CARDS/Western Balkans	MED	ACP	ASIA	LA	Total
Countries visited	10 (3) ⁽¹⁾	4	20	40	13	15	102 (3)
No projects covered	17 (349) ⁽²⁾	33 ⁽³⁾	108	262	79	104	603 (349)
No reports	22 (578)	37	187	298	95	104	743 (578)
Million EUR covered	38 (736.5)	73.5	1 172.7	2 911	1 171.5	777.4	6 144.1 (736.5)

NB: The small size of the sample may impede statistical significance.

⁽¹⁾ Numbers in brackets refer to the previous Tacis monitoring system and are additional.

⁽²⁾ The ratings are a: very good, b: good, c: some problems, and d: major problems.

⁽³⁾ The majority (30) of the monitored projects were financed under the Phare and Obnova programmes. The data should therefore not be used to judge the performance of the CARDS programme.

Each of the five main monitoring criteria below is thoroughly defined and then broken down into its components (subcriteria), which the monitor has to consider carefully before giving a rating ⁽⁴⁾. For purposes of qualitative analyses, use is made of the textual explanations contained in the report and notes monitored. **Whilst the analysis has been made with due care, it must be emphasised that the limited size of the sample impedes statistical significance.** The results presented in this report should be considered with care and should not be taken out of the context in which they are presented. Some of them may, at best, provide orientation for the preparation of further, more in-depth investigations into specific aspects of project performance.

Projects are generally **relevant (2.62)**. Their original design is adequate, but usually the weakest point considered for this criterion. Exception is made for Tacis and Balkan countries where the original design is rated as relatively good; this may be due to the fact that during an extended inception phase projects are thoroughly reconsidered. In the Latin American region it is noted that recent projects are paying more attention to the decentralisation processes and strengthening of civil society during the design phase, thus fostering effective basic democracy.

Project **efficiency** showed the weakest performance, although still slightly better (2.56) 'than planned' (2.5), timeliness of inputs and activities often being pointed out as problematic. Results achievement and flexibility, the latter an essential factor for project success have mostly positive ratings, each above ⁽⁵⁾ the regional average. Overall, projects are therefore sufficiently efficient, in spite of a certain tardiness of payments and activities.

4.2.2.1. Analysis by monitoring criteria

The five criteria assessed are relevance, efficiency, effectiveness, impact and sustainability.

⁽¹⁾ In addition to these, 349 projects were monitored through the Tacis input activity system.

⁽²⁾ The difference between projects visited and reports written in a single year is mainly due to regional projects which are counted as one, but which entail the visit of several national components to assess the programme in its entirety.

⁽³⁾ Including six countries in the EU, location of head offices of regional projects.

⁽⁴⁾ The ratings are a: very good, b: good, c: some problems, and d: major problems. To calculate averages and compare, these have been given numerical values, a: 4 points, b: 3 points; c: 2 points and d: 1 point. The hypothetical middle line (of a numerical value of 2.5) has been chosen as being 'on track', thus a project on the statistical average follows the programmed course and performs well.

⁽⁵⁾ Please refer to the geographical chapter for more information.

Average ratings for main criteria, by region

	Tacis (only ROM)	Western Balkans	MED	ACP	Asia	Latin America	Average ⁽¹⁾
Relevance	2.6	2.4	2.80	2.51	2.5	2.83	2.62
Efficiency	2.4	2.4	2.68	2.39	2.6	2.86	2.56
Effectiveness	2.3	2.05	2.85	2.60	2.8	2.93	2.69
Impact	2.4	2.1	2.82	2.52	2.6	2.83	2.62
Sustainability	2.3	2.1	2.91	2.38	2.7	2.78	2.60
	2.4	2.2	2.81	2.48	2.6	2.85	

NB: The small size of the sample may impede statistical significance.

⁽¹⁾ The average across regions is weighted by the number of projects. Methodological note: when a criterion scores in the exact middle, the lower score is systematically given in the monitoring report (e.g. b/c or 2.5 becomes c or 2). Therefore, when averages are calculated over the subcriteria, overall ratings improve by 0.5 to 1 point compared to averages calculated over criteria ratings.

Effectiveness (2.69), meaning the actual benefits received by people, scores best overall in most regions, notably Latin America (2.93) and the Mediterranean (2.85). Successful projects were characterised by good beneficiary involvement, participation and awareness, based on clear project objectives. Good performance was also fostered by the capacity of projects to adapt to changing outside parameters and underlying assumptions.

Projects and programmes generally have a good **impact (2.62)** in all regions (up to 2.83) with the exception of the Balkans (2.1) and to a lesser extent the Tacis countries (2.4). Reports also indicate very positive 'unplanned wider effects', with ratings between 2.8 and 3.02. Good impact performance was fostered by projects' capacity to adapt to changing outside circumstances, on the level of overall goals.

Concerning the assessment of impact, it has to be underlined firstly that often the contribution of the projects and programmes is small relative to the needs to be solved, and secondly that several other factors beyond the direct control of the projects must turn out favourably if overall goals are to be met. In some cases, impact will become apparent more slowly than

originally expected or only after project completion. Recently launched projects tend to initiate long-term sustainable dynamics of change rather than immediate and direct visible changes.

With an overall average of 2.6 across all regions, the general picture for **sustainability** is positive. The scores differ very much from region to region (2.1 to 2.91) and also among the subcriteria; the highest for environmental adequacy in the Mediterranean non-member countries (3.24) and the lowest for technical adequacy (1.8) in the Balkans. Generally, projects score well on policy support and socioeconomic or technical adequacy, but financial sustainability is constantly identified as potentially problematic. Indications are that both the design and the implementation of new generation projects reveal higher attention to people participation, gender equity, cultural adequacy, ethnic minorities, etc. Hence beneficiaries tend to show a more active attitude in the determination and preservation of project effects.

For further information and analysis on results in the regions, please refer to the respective regional chapter.

The Commission has defined six priority areas for its cooperation

	Trade and development	Regional integration	Macro-economic social sectors	Transport	Food security	Institutions, capacity, good governance	Other	Total/Average
No of projects monitored	35	88	119	24	165	155	17	603
Budget (EUR million)	337.3	742.3	1 704.0	839.1	1 616.4	818.4	86.6	6 144.1
Relevance	2.60	2.64	2.58	2.83	2.64	2.62	2.65	2.62
Efficiency	2.51	2.58	2.55	2.67	2.65	2.49	2.40	2.56
Effectiveness	2.63	2.66	2.69	3.00	2.75	2.61	2.95	2.69
Impact	2.54	2.65	2.62	2.71	2.65	2.50	3.00	2.62
Sustainability ⁽¹⁾	2.40	2.73	2.53	2.50	2.63	2.49	2.70	2.60
	2.54	2.65	2.59	2.74	2.66	2.54	2.74	2.62

NB: The small size of the sample may impede statistical significance.

⁽¹⁾ Sustainability is analysed along six lines which have the same weighting: policy support, institutional and capacity-building, socio-cultural issues/gender, adapted technology, environmental issues, financial and economic soundness. For further details, please refer to last year's report.

4.2.2.2. Results by sectors

TRADE AND DEVELOPMENT

Projects within this sector are relevant and effective but weaker in the area of sustainability. The sample is relatively small (35 projects, or 5.6 % of all projects monitored) and conclusions from the data have to be drawn with great caution. Most projects visited were in the ACP (14) or the Balkans (9) regions. Detailed data show that projects have very good policy support and show good socio-cultural and technological adequacy fostering sustainability, but the expected financial sustainability is very weak and puts the continuity of benefits or services in question.

REGIONAL INTEGRATION

Performance of regional projects is good (2.65), but the overall result masks great disparities. Virtually all projects monitored were in the ACP (41) or in the Mediterranean non-member country region (44). Whereas regional projects in the ACP are, on average, very low performers (2.3), they show excellent performance in the Mediterranean non-member country regions (2.87). Analysis shows certain commonalities in the structure of performance: efficiency was the relatively weakest spot for all projects (ACP 2.18 and Mediterranean non-member countries 2.78), with activity and input timeliness as particular problems. A short analysis of sustainability presents similar parallels: financial sustainability was in all cases the weakest whereas environmental adequacy was the best performing subcriterion.

MACROECONOMIC POLICIES AND SOCIAL SECTORS

This sector figures prominently in the portfolio monitored, with nearly 28 % of budget covered and 20 % of projects. The performance of projects is rather uneven across the regions, with results excellent in Latin America (2.91), not quite 'on target' in the ACP (2.46) and very weak in the Mediterranean non-member countries (2.29) ⁽¹⁾. Projects were globally effective, with very positive 'secondary effects' (excepted in the Mediterranean non-member countries), but seem to suffer with respect to their original design and to the timeliness of implementation. Expectations for sustainability differed also, from Latin America showing a strong 3.0, to the ACP's unpromising 2.28. All projects have in common excellent socio-cultural quality but weak prospects concerning financial sustainability.

The sample — as large as it is, is not representative as particularly in this sector a large share of the budget is channelled through budget support and sector-wide approaches. These instruments go beyond the classical project approach and are not (yet) covered by the results-oriented monitoring.

This sector includes subsectors on education and health, for which a separate analysis follows below.

TRANSPORT

The transport sector has few projects (4 % of those monitored) but relatively large ones (13.6 % of financial volume covered) and, together with the category 'others' shows overall the best performance (2.74). Transport projects with a score of 3.0 are exceptionally effective (benefits to the people), and very relevant (2.83). This performance is the more interesting as the large majority of projects (20) have been implemented in ACP countries. Sustainability is overall acceptable, (2.5) but not quite 'as planned' in the ACP (2.38). Projects are very good in terms of socio-cultural, technological and environmental quality, but the financial sustainability has been signalled as potentially problematic.

FOOD SECURITY AND RURAL DEVELOPMENT

This sector also figures prominently in the portfolio monitored, with 23.6 % of the budget covered and more than 27 % of the projects. Performance is globally good (2.66) in all regions on or above 'target' (2.5 to 2.79, depending on the region). Projects are very effective, are relevant and promise good impact and efficiency (2.65). Sustainability is mostly promising, with the same characteristics as observed in other sectors: good or very good socio-cultural, technological and environmental adequacy and good policy support, but weak probable financial sustainability.

This sector includes the subsector 'Water supply and sanitation', for which a separate analysis follows below.

INSTITUTIONAL CAPACITY-BUILDING AND GOOD GOVERNANCE

This sector is also rather important in the portfolio monitored, with nearly 26 % of the projects, though only 13.3 % of the budget covered. With nearly half of the projects monitored, the ACP is the preponderant region in this analysis. Projects in this sector score close to the average performance, but they perform better than the average ACP project. The strongest aspect is relevance for all projects. Secondary and wider unplanned effects score very good ratings, well above average. Appreciation of sustainability aspects differs in performance, but the financial side was generally signalled as being (potentially) problematic. Most services promoted by projects do not show sufficient self-financing perspectives or project authorities seem to lack the capacity to assume long-term costs.

The projects included in this sector are relatively diverse, due also to the fact that all NGO co-financed projects are included, independent of the specific subject area in which they are engaged.

'OTHER'

Projects in this category are 'multi-sector', 'not allocated' or 'urban development'. The sample is very small: 2.8 % of projects or 1.4 % of budget covered, and an analysis by the three categories would not be statistically relevant.

⁽¹⁾ Please see footnote 3 in the table on page 57.

Subsectors of specific interest (EUR million)

	Education	Health	Water	Total or average all projects for comparison only
	712	593	264.3	6 144.1
No of projects monitored	48	35	29	603
Relevance	2.76	2.30	2.74	2.62
Efficiency	2.65	2.33	2.77	2.56
Effectiveness	2.89	2.47	2.81	2.69
Impact	2.78	2.38	2.76	2.62
Sustainability	2.67	2.18	2.68	2.60
	2.75	2.33	2.75	2.62

EDUCATION

The education sector is rather important in the project portfolio, with 16.5 % of the financial volume covered and 7.6 % of all projects monitored. Performance is very good, but not evenly so in all regions. Education projects in the ACP, Latin American and Asian regions (a total of 41 projects for EUR 479.2 million; performance 2.74 each) are excellent performers. Despite very good results for the other criteria, projects tend to have slightly lower levels in probable sustainability. This seems to be due mostly to financial sustainability; even where projects are perfectly embedded in local structures serious doubts about financial sustainability can arise because the follow-up costs may not be met without donors' assistance. On the other hand, education is not among the strongest sectors in the Mediterranean non-member country region (six projects, EUR 230.4 million; performance 2.37).

The sample, as large as it is, is not representative, as a large share of the budgets in this sector are channelled through budget support and sector-wide approaches. These instruments go beyond the classical project approach and are not (yet) covered by the results-oriented monitoring.

HEALTH

Comparison shows that health is one of the weakest performers. Its overall average performance is 2.33; 11 % lower than the overall average performance of all sectors. The structure of the findings shows that effectiveness and impact are the relatively strongest areas, with relevance and efficiency weaker and sustainability very doubtful. A finer analysis of the attribute on the subcriteria level shows better secondary and wider unplanned effects, as well as good technological and environmental quality, while the weakest area is financial sustainability.

The sample is not very large nor necessarily representative for EC activities in this sector. As in the case of education, a large share of the budget is channelled through budget support and sector-wide approaches.

WATER SUPPLY AND SANITATION

The projects in the water sector are generally performing very well (2.74). It is one of the strongest sectors in the Mediterranean non-member countries (seven projects, EUR 30.2 million; performance 2.98) and the ACP countries (seven projects, EUR 75.3 million; performance 2.74) regions. In Latin America, however, where the largest share of the sample is executed (11 projects, EUR 144.9 million), performance is adequate (2.59). The structure of performance shows parallels, with good relevance, efficiency and effectiveness, but findings diverge in sustainability where Mediterranean non-member countries report very good prospects, but less so Latin America and ACP countries.

The analysis of causes in the Mediterranean non-member countries concludes that the good performance of the sector can be attributed to a number of facts, notably that the awareness among the local actors and the populations in the Mediterranean non-member country region of the seriousness of the water problem appears to have created consciousness and willingness to contribute to the effort to find solutions.

The analysis of causes in Latin America relates that water supply and sanitation projects appear to be relevant as they address a crucial and easily identifiable set of problems. For the same reason, efficiency and effectiveness are acceptable due to the fact that results are usually tangible. Sustainability is a difficult question, as rural water projects developed under foreign assistance tend to suffer deterioration if they do not guarantee the required self-sustaining mechanisms.

4.3. Conclusions

Results achievement and performance of EC-funded projects and programmes have been judged, generally, as being good. Analysis of the structure of performance suggests the following lessons to be learned.

- ▶ Flexibility and capacity to adapt to changes tends to enhance the performance of projects. There are also indications suggesting a review of the project concept when it actually starts implementation did foster better performance.
- ▶ Good integration in local structures, policy support, and beneficiary involvement clearly foster effectiveness and sustainability and should be given attention in the design of projects.
- ▶ Financial sustainability is identified most often as a potential source of problems for projects.
- ▶ Timeliness of inputs and activities is suboptimal in many projects, the narrative comments in monitoring reports indicate heavy (EC) procedures and quality of project management as reasons in many cases.





5. Horizontal activities and mainstreaming

In addition to its activities in the six priority areas described in Chapter 3, the Community has identified crosscutting themes that should be 'mainstreamed' (integrated) at every stage and within all of the Community's development cooperation and external assistance programmes.

These are:

- ▶ the promotion of human rights;
- ▶ equality between men and women;
- ▶ the environment; and
- ▶ conflict prevention.

As well as integrating these considerations into policy dialogue and into interventions in its six priority sectors, the Community has access to a number of horizontal or thematic budget lines which it can use to fund targeted activities. These funds are not allocated to any particular region, unlike the main financial instruments that exist for external action (the European Development Fund and the budget lines for cooperation with each region). They can be useful in several ways. For example, in conflict-affected countries or in post-conflict situations, the rapid reaction mechanism can be used to conduct rapid one-off actions and to kick-start projects or programmes. They can also provide complementary funds, for example, the HIV/AIDS budget line is being used to step up assistance in this area as part of the Community's programme for action on communicable diseases in the context of poverty reduction. They can also facilitate pilot initiatives, for example, to test a new approach before it is integrated into country and regional strategies (at which point funding should be taken over by the Community's core financial instruments).

The Commission recognises that complementarity between country strategy papers and horizontal budget lines needs to be improved in order to bring about greater coherence in the Community's external actions. One of the problems is that the horizontal budget lines are programmed on a different time horizon (biannual or annual) than the main financial instruments. As a step towards improved complementarity, in 2003 the inter-service quality support group will be developing quality standards for the programming of horizontal budget lines.

5.1. Mainstreaming human rights and democracy issues within the EU

In order to promote greater coherence in the Commission's approach to human rights and democracy at country and regional levels, human rights and democracy concerns have been systematically covered at inter-service strategy meetings and in country strategy papers. Particular emphasis has been accorded to countries focused on in the European initiative for democracy and human rights (EIDHR) set out in the 2002–04 programming document. Human rights country profiles have also been prepared for use within the Commission and advice has been given on the policy implications of particular human rights cases in non-member countries.

Commission officials regularly participate in meetings of the Parliament on human rights issues, including the Committee on Foreign Affairs, Human Rights and Common Security and Defence Policy, and a liaison link has been created with the Parliament election unit. A number of MEPs have headed missions in Sierra Leone, Pakistan, Ecuador and Kenya.

The Commission has regularly contributed to geographical Council working groups to promote the

coherence of human rights policy, including the Council working group on human rights (COHOM) and the working groups for Asia, Latin America, the Mediterranean region and Africa. A survey of Member State activities in the field of human rights and democracy training for civil servants was carried out in 2002. On the basis of this information and its own research, the Commission has designed programmes of basic, advanced and specialised training which will be launched in 2003. Member States were also consulted in the possibility of renewing the 'human rights regulations' which provide the legal basis for financing operations under the EIDHR.

5.1.1. Improved programming

As required by the 2001 Commission communication on human rights and democratisation in third countries, the 2002–04 EIDHR programming document was updated in 2002, following 22 EIDHR programming identification missions. The numerous missions provided an important opportunity to seek to complement activities identified in the CSPs and mainstream the protection of human rights in national indicative programmes.

The Human Rights and Democracy Committee, the European Parliament, Commission delegations and geographical desk officers, and human rights NGOs were all consulted on the EIDHR programming update (1).

5.1.2. Enhanced dialogue with partners on human rights and democracy issues

A human rights dialogue was ongoing with China and started with Iran in 2002. Human rights NGOs were consulted in regular meetings of the NGO network in Brussels and through the EU human rights discussion forum under the Danish presidency in December 2002. Regional meetings were held in Jordan and Morocco to communicate the human rights and democracy work to civil society organisations in non-member countries. The dialogue with partner countries was enhanced by the EIDHR programming identification missions in 2002.

5.1.3. Action in international forums

The Commission participated in and contributed to EU positions in the UN Commission on Human Rights in March–April and on the UN General Assembly Third Committee in October–November 2002. In both forums the Commission drafted and delivered statements on behalf of the European Union. The Commission also contributed to EU positions concerning human rights and democracy in the Organisation for Security and Cooperation in Europe (OSCE) and Council of Europe, and participated in and contributed to the annual OSCE human dimension review.

(1) http://europa.eu.int/comm/europeaid/projects/eidhr/documents_en.htm#eidhr

5.1.4. Promotion of human rights education

Human rights education and training are a major focus of EU human rights policy. The Commission in 2002 provided support to the European Masters in human rights and democratisation (EMA), which is coordinated by the European Inter-University Centre for Human Rights and Democratisation (EIUC), an association of EU universities in all 15 Member States with its seat in Venice, Italy. After an intensive six-month training period by leading experts at the seat of the EIUC, 90 students from the EU and the candidate countries were allocated to a university in another Member State to continue specialised research. The EIUC also provides internships in international organisations, including the UN Office of the High Commissioner of Human Rights and EU delegations around the world, ensuring that the human rights skills of EMA graduates can be put to immediate use. Commission and EU experts participated in the teaching programme of the EMA.

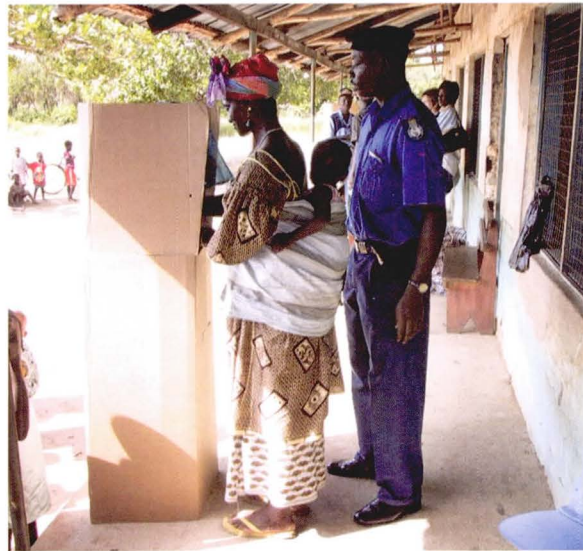
The Commission also participated in regular training programmes for EU election observers and core staff, organised by the 'Needs' project.

5.1.5. Training for ethical reviews

More and more clinical trials are conducted by pharmaceutical industries in developing countries and as part of publicly funded research projects such as those of the EDCTP to fight poverty-related diseases like malaria, tuberculosis and HIV. It is important that the clinical trials undertaken in this context comply with normal European ethical standards. Therefore, Action 33 of the science and society action plan provides for the development of an international dialogue on ethical principles through a series of conferences and workshops. An important aim is to build capacity for ethical reviews of clinical studies in developing countries. A number of workshops have already been held, mainly in collaboration with the US National Institutes of Health (NIH).

5.2. European initiative for democracy and human rights (EIDHR)

Chapter B7-70 of the budget, 'European initiative for democracy and human rights (EIDHR)' supports projects in the fields of human rights, democratisation



The EU is actively supporting the democratic process through election observations — Sierra Leone

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and conflict prevention, usually carried out in partnership with NGOs and international organisations. Council Regulations (EC) No 975/1999 ⁽¹⁾ and (EC) No 976/1999 ⁽²⁾ provide the legal basis. In 2002, some EUR 104 million went to human rights, democratisation and conflict prevention projects. The Commission communication of 8 May 2001 on the European Union's role in promoting human rights and democratisation in third countries ⁽³⁾ recommended a strategic approach for the EIDHR that was longer term and more focused on certain priorities with a view to greater impact and effectiveness. It also stressed the need for value added and complementarity with other financial instruments. Lastly, it recommended selecting just a few thematic priorities and target countries.

In follow-up to the Council conclusions of 25 June 2001 ⁽⁴⁾, which welcomed 'the Commission's approach to reform of the programming and implementation of the EIDHR', the Commission adopted on 20 December 2001, a 2002–04 programme for the EIDHR taking into account these requirements. The activities financed in 2002 have been broken down globally and by region and by target country.

EIDHR priorities for 2002: Objectives were identified following numerous consultations with the geographical departments of the directorates-general concerned and the Commission's delegations in non-member countries. Certain issues of key concern to the EU, such as rights of the child and equality of the sexes were incorporated into all the identified sectors.

⁽¹⁾ Council Regulation (EC) No 975/1999, 29.4.1999, laying down the requirements for the implementation of development cooperation operations 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, OJ L 120, 8.5.1999.

⁽²⁾ Council Regulation (EC) No 976/1999, 29.4.1999, laying down the requirements for the implementation of Community operations, other than those of development cooperation, which, within the framework of Community cooperation policy, 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 in third countries, OJ L 120, 8.5.1999.

⁽³⁾ COM(2001) 252 final.

⁽⁴⁾ The Council welcomed and encouraged 'the Commission's resolve to adopt a more strategic approach to the European initiative for democracy and human rights (EIDHR) so that the programmes and projects match the EU's commitments and policies and contribute to the implementation of core human rights instruments. It welcomes the Commission's approach to reform the programming and implementation of the EIDHR and the overall reform of EC external assistance'.



Israeli (Jewish and Arab) girls participating in a workshop for a regional cultural project

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proposals were received, of which seven were financed for a total of EUR 4.9 million: two in the ACP countries, one in Asia and four of global reach.

5.2.2. Combating racism, xenophobia and discrimination against minorities and indigenous peoples

This issue is of major concern to the EU and is an integral part of its human rights' activities. It is engaged in promoting the principle of equal treatment, whatever the person's race or ethnic origin, and in promoting and implementing the rights of people belonging to minorities and indigenous peoples. In response to the call for proposals in April 2002 there were 273 proposals, of which 32 were financed for a total of EUR 21 million: 11 in the Balkans, eastern Europe and Central Asia; four in the southern Mediterranean/Middle East region, four in the ACP countries, five in Asia and eight in Latin America.

THEMATIC PRIORITIES

A restricted number of priorities were chosen for 2002:

- ▶ support for abolition of the death penalty;
- ▶ combating racism, xenophobia and discrimination against minorities and indigenous peoples;
- ▶ support for efforts to combat torture and impunity and to set up international tribunals and the International Criminal Court;
- ▶ support for democratisation, good governance and the rule of law.

Five calls for proposals were issued in 2002: four in April concerning abolition of the death penalty; combating racism, xenophobia and discrimination against minorities and indigenous peoples; prevention of torture and rehabilitation of the victims of torture; and support for the work of international tribunals and for the setting up of the International Criminal Court. The fifth, for democratisation projects, was published in July.

5.2.1. Abolition of the death penalty

The EU has long waged an ambitious campaign in international forums and in dialogue with all non-member countries against the death penalty. The EU's primary objective is the universal abolition of the death penalty⁽¹⁾. Its commitment was reaffirmed in Article 2 of the Union's Charter of Fundamental Rights. Following the call for proposals in April 2002, 46

5.2.3. Prevention of torture and support for the rehabilitation of victims of torture

The EU Charter of Fundamental Human Rights stipulates that no one can be subjected to torture or inhuman or degrading treatment. In April 2001, the Council adopted guidelines for EU policy for non-member countries⁽²⁾. The EIDHR objectives include reducing the incidence of torture, improving implementation of international standards in non-member countries and improving the quality of aid for rehabilitation centres and institutional capacity. The 2002 call for proposals led to 141 proposals, 24 of which were financed for a total of EUR 17.8 million: eight in Europe, three in the southern Mediterranean, two in Latin America, five in the ACP countries and one of global scope (EUR 12.7 million). In addition, five projects were financed under the B5-813 heading for rehabilitation centres in EU Member States (EUR 5.1 million).

5.2.4. Action against impunity and promotion of international justice

In 1996, Parliament created a specific budget heading (B7-702) to support the United Nations' tribunals for Rwanda and for the former Yugoslavia and the setting-up of the International Criminal Court⁽³⁾. The call for proposals elicited 70 responses, of which three of global scope were financed for a total of EUR 3 518 169.

(1) The EU's aims are set out in the guidelines adopted in 1998.

(2) They stress that, 'Combating and preventing torture and ill-treatment will be considered a priority in bilateral and multilateral co-operation for the promotion of human rights, *inter alia* in collaboration with civil society, including the legal field and the field of training. Particular attention should be given to such cooperation within the framework of the European initiative for democracy and human rights'.

(3) The Statute of the International Criminal Court entered into force on 1 July 2002.

5.2.5. Support for democratisation, good governance and the rule of law

The fifth call for proposals, issued in July 2002, concerns 29 target countries mentioned in the 2002–04 EIDHR programming document ⁽¹⁾. For each country there, a factsheet was annexed setting out the specific objectives and the results to be achieved. The 573 proposals received will be evaluated and selected for financing in 2003 ⁽²⁾.

Twelve projects from the reserve list set up following the 2001 call for proposals were also financed for a total of EUR 7.5 million: these projects concern Algeria, Israel, the Democratic Republic of the Congo, Sierra Leone, Burundi, Cambodia, Indonesia, Pakistan, the Philippines, Colombia, Russia and Turkey.

Targeted projects: Procedure systematically used for projects drawn up with international and regional organisations, including the specialised agencies of the United Nations 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 serving specific objectives which cannot be achieved with calls for proposals. All the projects financed under this heading have, in line with the programming document, mainly concerned support for democratisation, good governance and the rule of law. In 2002, 51 projects were financed for a total of EUR 41.3 million in the following fields.

5.2.5.1. Strengthening the capacity of civil society

A worldwide project costing EUR 1 762 400 was approved to better protect and promote human rights in countries which ratified the relevant international instruments. It is carried out with the Office of the High Commissioner for Human Rights and will encourage the participation of local actors in drawing up reports and implementing the conventions. It will thus intensify the involvement of civil society in the work of bodies set up by the conventions. Other projects were approved which will be implemented in Russia, the Balkans, Africa, Latin America and Asia.

5.2.5.2. Education and training in human rights

The EIDHR financed the continuation of the Masters in human rights and democratisation for 36 students from Palestine, Lebanon, Malta, Libya, Egypt, Algeria, Tunisia, Morocco, Turkey, Cyprus, Jordan and Israel. Other projects were approved which will be implemented in Russia, the Balkans and Latin America.

5.2.5.3. Support for elections

In 2002, the EIDHR spent some EUR 14 million on election support. At the request of the governments concerned, it financed EU election observer missions in Kenya, Cambodia, Madagascar, Ecuador, Pakistan, Sierra Leone, East Timor and Congo. Support was also given to the OSCE–ODHIR election observer mission for the general elections in the Former Yugoslav Republic of Macedonia. A decision had been taken to finance an EU election mission for the general elections in Nepal scheduled for November 2002 but, owing to the postponement of the elections, it was cancelled. The funds for an EU election observer mission in the Palestinian Territories of the Gaza Strip and the West Bank were committed, and the mission will be deployed when conditions allow. A civics programme for communities in these territories was also approved. In Colombia and Jamaica two projects were approved to strengthen the participation of civil society in free and fair elections.

5.2.5.4. Legal system and institutional capacity-building

A joint programme of the Council of Europe and the European Commission to strengthen democracy and the rule of law will support six projects for a total of EUR 3.3 million. These projects are designed to promote the independence of the judiciary and a more humane prison system. Other projects were approved for the Democratic Republic of the Congo, Fiji, Haiti and Iran.

5.2.5.5. Good governance

A worldwide project costing EUR 1.5 million was approved to develop tools and methods that will improve reports on human rights and the evaluation of good governance and democracy. Other projects were approved in the Balkans, Zimbabwe and Ethiopia.

5.2.5.6. Conflict prevention and dealing with the aftermath of conflict

In 2002, the EIDHR supported five projects in Africa and one project in the Andes region. It also funded the regional offices of the International Criminal Tribunal for the former Yugoslavia. EUR 1.2 million will go to a worldwide pilot project to establish an informal network of national organisations responsible for civilian staff training throughout the EU; the existence of well-trained civilian experts ready to be deployed within a short time will be vital for the EU's capacity to undertake the complete range of conflict prevention activities and crisis management in the framework of the European security and defence policy. In the context of promotion of international justice, the EIDHR supported two projects for the setting-up of the International Criminal Court.

⁽¹⁾ Algeria, Bosnia-Herzegovina, Burundi, Cambodia, the West Bank and Gaza Strip, Colombia, Côte d'Ivoire, Eritrea, Ethiopia, Fiji, Georgia, Guatemala, Haiti, Indonesia, Israel, Mexico, Mozambique, Nepal, Nigeria, Pakistan, Democratic Republic of the Congo, Federal Republic of Yugoslavia, Russia, Rwanda, Sierra Leone, Sudan, Tunisia, Turkey, Ukraine, and Zimbabwe.

⁽²⁾ See the list of all proposals submitted at http://europa.eu.int/comm/europeaid/projects/eidhr/calls-for-proposals/cfp-state-of-play-general-call-annex_en.pdf

5.2.5.7. Micro-projects

Micro-projects are a way of financing democratisation activities at a cost of between EUR 3 000 and 50 000. The aim is to top up aid for initiatives of local civil society and to strengthen their contribution to the democratic process. They are designed to increase mutual understanding and a sense of local 'ownership'. They will be selected after a local call for proposals and managed directly by the Commission delegations (devolution of powers) in the countries listed below.

Country	EUR
Algeria	500 000
Bosnia-Herzegovina	500 000
Colombia	500 000
Ethiopia	400 000
Indonesia	800 000
Côte d'Ivoire	400 000
Mexico	500 000
Russia	1 000 000
Tunisia	250 000
Turkey	600 000
Ukraine	600 000
Total	6 050 000

5.3. Equality between women and men

Gender equality is crucial for sustainable development and poverty eradication. The main operational framework for ensuring that the gender dimension is mainstreamed in all EC development cooperation initiatives remains the programme of action for the mainstreaming of gender equality in Community development cooperation, adopted in June 2001 ⁽¹⁾. This outlines a number of measures aimed at preventing the well-known phenomenon of 'gender policy evaporation' (that is, a gap between policy statements and implementation). Whilst a number of interventions have been initiated since the Commission adopted this programme of action, progress with implementation has been constrained by the lack of appropriate human resources needed for this rather ambitious work programme. However, **positive developments took place in 2002. Two significant measures were initiated by the EuropeAid Cooperation Office and will be fully implemented in 2003:** (i) the drafting of a concise manual setting out the essential principles and guidelines for gender mainstreaming; (ii) the setting-up of a vast training programme for staff in both Commission headquarters and delegations, including staff of beneficiary countries.

Within the Commission a coordinating group has been established. Meetings are convened on a regular basis to exchange experiences and expertise on methodology and instruments for implementation of the

programme of action. In 2002, the Commission also took steps to improve coordination and cooperation with Member States. An existing network of gender experts from Member States was reorganised and relaunched at a meeting in June 2002. Objectives under discussion mainly relate to sharing experiences in the field of gender mainstreaming. The Commission is also working to introduce gender equality considerations in new areas. In the course of the year the Commission participated in innovative policy initiatives on gender equality with respect to trade relations (in particular as part of the Commission's work on sustainability impact assessments for trade agreements), corporate social responsibility and core labour standards and labour relations.

5.4. Combating drugs

A negative consequence of the fall of the Taliban regime in Afghanistan in late 2001 was that the country resumed its role as the world's main producer of opium and heroin. The Commission's efforts in 2002 were mainly aimed at reducing the cultivation of opium and the production of heroin in Afghanistan. This was part of the efforts to support the rebuilding of the country and its rural economy. Projects for a total of nearly EUR 40 million, financed through the corresponding geographical budget line, were devoted to poppy-growing areas in the country. The emphasis was on support to rural recovery, which should help promote rural economic growth and provide farmers with sustainable, alternative livelihoods to poppy production. To enhance Afghanistan's institutional capacity to tackle drugs, technical support was provided to the Counter Narcotics Department of the National Security Council, through the financing of a drug expert.



Magdalena Medio 'peace laboratory' in Colombia supports the Community initiative 'Marchamos juntos' which runs training programmes and a food store for the local population

To complement these actions in Afghanistan, the Commission has continued to strengthen its initiatives in the NIS region, particularly Central Asia. As part of its Central Asia drug action programme, the Commission provided financing of EUR 4.5 million for *inter alia* an EU drug regional coordination office, the establishment of national anti-drug information networks and an airport-seaport control project. Parallel programmes, which cover both demand and supply control, were financed with a contribution of EUR 4.5 million in the southern Caucasus and in Belarus, Ukraine and Moldova. These programmes are all financed by the Tacis programme, which also supports Russia's and Ukraine's anti-money laundering efforts.

Still in Asia, a major project for a value of EUR 5 million, financed by the corresponding geographical budget line, was signed in December 2002 to support the fight against HIV/AIDS in Myanmar. The drug component of this project will focus on demand prevention and harm reduction of drug abuse in institutional and non-institutional settings.

As for the cocaine route, support to Colombia has remained the main Commission priority. A major project called the Peace Laboratory in the Magdalena Medio, which provides for Commission financing of EUR 34.8 million over eight years, was launched in March 2002. The Commission also supports the improvement of cartographic knowledge in Colombia so as to enable the government to better identify the coca and poppy growing areas. Efforts are also being made in Bolivia and Peru, all financed by the corresponding geographical budget lines. The overall aim of the projects in this region is to reduce, and eventually eliminate, farmers' dependence on growing coca as well as to discourage people from neighbouring areas to migrate to these regions. In Bolivia, the second phase of the project on alternative development in mining regions will receive Commission support amounting to EUR 7 million over six years.

Due to the small allocation of EUR 1.6 million to the horizontal drugs budget line for 2002, only one project could be financed. It focuses on the Andean region and will finance activities to prevent the diversion of chemical precursors to the manufacture of cocaine and heroin. The project aims to increase the awareness of administrative authorities and chemical industries and to improve their cooperation in preventing the diversion of chemical precursors as well as cooperation with the EU in this field.

5.5. The environment and tropical forests

There is a growing international consensus on the links between poverty and the environment. In fact, environmental problems are a significant cause of poverty, and generally hit the poor hardest. On the other hand, the poorest often contribute to environmental deterioration due to a lack of alternatives. Deteriorating agricultural lands, shrinking forests, diminishing supplies of clean water, dwindling fisheries, and the



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EU-financed forestry management project run by the WWF — Fort Dauphin, Madagascar

threat of growing social and ecological vulnerability from climate change and variability and loss of biological diversity have the most severe impacts in the developing world where most of the poor live. Better environmental management is therefore essential to lasting poverty reduction.

In order to address these issues, the Commission participated, in 2002, in the Poverty and Environment Partnership with a number of other donors and agencies. Two concrete products of this partnership were a paper on 'Linking poverty reduction and environmental management', which was presented at the World Summit in Johannesburg in September 2002⁽¹⁾, and a similar but more specific document to analyse the linkages between poverty and climate change, the first draft of which was presented at the eighth conference of the parties in Delhi in November 2002. These joint papers seek to draw out the links between poverty and the environment and poverty and climate change respectively. They also aim to demonstrate that sound and equitable management of the environment is integral to achieving the millennium development goals, in particular to eradicating extreme poverty and hunger, reducing child mortality, combating major diseases, and ensuring environmental sustainability. The papers also present measures that can be taken at both national and international level to reduce poverty and enhance environmental quality.

Over the year, the Commission also developed a draft communication that set out a strategy and an action plan for the integration of climate change into development cooperation, which has now been adopted. Through this action plan, the Commission will propose measures to be taken by the Commission, the Member States, partner countries and other stakeholders in order to enhance the resilience of partner countries to climate change and variability.

Furthermore, the Commission, on behalf of the Community, submitted in May 2002 to the Secretariat of the UN Convention to Combat Desertification, the

⁽¹⁾ http://europa.eu.int/comm/development/body/publications/descript/pub1_6_en.cfm

report on EU activities carried out in 2000–01 in support of the preparation and implementation of action programmes under the convention.

Mainstreaming is also a question of ongoing awareness-raising and persuasive activities to enhance in-house capacity and the partner countries' knowledge of environmental issues so that they are tackled on a routine basis. To this end, a document summarising the various multilateral environmental agreements and opportunities for cooperation deriving from them has been finalised. Moreover, the 'mainstreaming' message has been conveyed through various channels, in particular by active participation in international negotiations, the organisation of consultation and coordination meetings and input into EC draft legislation having an impact on the environment in developing countries. Further work was also done to mainstream environment in the country and regional support strategies. A review of 60 CSPs undertaken in 2002 highlights the fact that environmental issues are not yet consistently addressed in these CSPs/RSPs.

5.5.1. Horizontal activities in the field of environment

In 2002, new environmental projects for a total of EUR 8.5 million were approved for financing under the budget line for environment in developing countries. Information on those projects that have a geographical focus is given under the respective geographical chapters. In addition, a number of global projects are supported in close cooperation with international organisations. These projects aim to contribute to improved capacity in developing countries to analyse and cope with the interaction of trade and environment, and with the impact of climate change; to cleaner air in cities of the developing countries; to improved biodiversity conservation; and to better management of environmental resources.

5.5.2. Forests

Forests formed an important part of the Commission's contribution to the Johannesburg World Summit on Sustainable Development, and the sector has been identified as a priority for post-Johannesburg follow-up. The Commission is taking an active role in helping to shape two major partnerships for forests that were launched at the WSSD: the Asia Forest Partnership and the Congo Basin Forest Partnership. The Commission is also examining how best to support a second phase of the pilot programme to conserve the Brazilian rainforest. These three initiatives are an integral part of the EC's post-summit strategy. Together, they address the three greatest remaining tracts of tropical forest in the world and the richest forests in terms of biodiversity, where forests are a valuable source of income to rural people and where the poverty-environment interface at the centre of the Johannesburg Summit is so evident.

In Johannesburg, the Commission hosted a side event on illegal logging, which brought together ministers and senior officials from key wood-producing and

wood-consuming countries to affirm their commitment to address this important issue. In some countries, illegal logging has become such a serious problem that it weakens the rule of law and principles of good governance in specific areas, and so jeopardises the wider objectives that the Commission hopes to achieve through its trade relations and development cooperation programmes. To address this problem, the European Commission is currently developing an action plan for forest law enforcement, governance and trade, which should be finalised in 2003.

The European Commission is also actively supporting complementary initiatives for forest law enforcement and governance in Asia and Africa. These initiatives are designed to build strong local political commitment to address the underlying causes of illegal logging in wood-producing countries.

5.5.3. Horizontal activities in the field of forestry

In 2002, new forest-related projects for a total budget of 39.4 million were approved for financing under the budget line for environment in developing countries and tropical forests. Information on those projects that have a geographical focus is given under the respective geographical chapters. In addition to these, a number of projects with a global nature are supported in close cooperation with internationally-operating organisations. These projects will contribute to improved inventories and conservation of biological resources; to more sustainable management practices in important forest complexes; to the introduction of sustainable management of bamboo into South America by transferring experience from Asia, and to the African forest law enforcement and governance process.

5.6. Conflict prevention, rapid response to crisis and the fight against terrorism

5.6.1. Conflict prevention

Conflict prevention is not a 'sector' for intervention in the traditional sense. Instead a conflict-sensitive approach is required in all external assistance programmes, and indeed in other areas such as economic, trade and environment policy and diplomatic activity. In parallel, funding is needed for specific activities targeting the prevention or alleviation of conflict situations. In 2002, the Commission continued to implement this strategy for conflict prevention, which was first set out in an April 2001 communication (1).

The Commission's country and regional strategy paper process is a vital means by which to ensure 'mainstreaming' of a conflict prevention approach. Mainstreaming is dependent upon appropriate resources and training being made available to geographical services. In 2002, the main resource was the set of

conflict indicators (the so-called 'check-list of root causes of conflict'). This check-list looks at issues such as the balance of political and economic power, the control of the security forces, the ethnic composition of the government for ethnically-divided countries, the human rights situation, the potential degradation of environmental resources and so forth.

Using these indicators, geographical services completed country conflict assessments for more than 120 countries. Desk officers and delegations have so far expressed satisfaction over the usefulness of this tool and it has been an effective means for raising awareness of the conflict prevention approach.

Country conflict assessments served to draw attention to conflict prevention-focused activities that should be targeted by external aid. In programming assistance (in the CSP/RSP section dealing with the 'EC response strategy'), the Commission has put more emphasis on strengthening the rule of law, support for democratic institutions (e.g. election monitoring), development of civil society, reform of the security sector and specific post-conflict measures. These sectors of intervention were identified in the conflict prevention communication as key to up-planting conflict or preventing its re-emergence (1).

As the CSP process is not yet finalised, it is difficult to present reliable statistics at this stage. CSPs were not finalised for some countries and regions which have been troubled by some of the most complex conflicts (Sri Lanka, Angola, Afghanistan, Central Asia, etc.). They will undoubtedly have a strong conflict prevention focus. But it is notable that, for example, in the ACP region, under the new ninth European Development Fund, programmes in most countries where CSPs were finalised in 2002 have included support relevant to areas such as good governance, institutional capacity-building, rule of law, civil society and the judiciary.

There are also earmarked funds from other sources for non-focal sector interventions to support activities in the field of conflict prevention. A case in point is that of the regional strategy papers which also attempted to include conflict prevention as a significant intervention sector. The west Africa regional strategy, for example, makes support (tentative global allocation of EUR 5 million) for regional conflict prevention and good governance a non-focal sector involving confidence-building activities and strengthening the capacity of subregional organisations. These regional approaches will be able to build on the EC programme in support of African Union (AU) peace-building and transition activities which has been under preparation. The aim is to target the operational activities of the Peace and Security Council, including special envoys, mediation/facilitation activities and AU election observations. Similarly, the European initiative for democracy and human rights has been a source of support for regional conflict prevention activities.

In other cases, it has been more appropriate to incorporate measures targeting conflict prevention in sectoral programmes in fields as diverse as transport,

rural development, energy, environment, health, research and education. As an example, the CSP for Papua New Guinea, states that regions affected by the recent conflict (Bougainville) will have to receive a fair share of the funds earmarked for education, rural water supplies and good governance programmes.

As a way of helping geographical departments to mainstream conflict prevention in programming, the Commission also launched the concept of 'deployment of conflict prevention teams'. This allows the deployment in a given country or region a multidisciplinary team of independent experts, with horizontal competence in anthropological/historical, security, governance, development or regional issues. Those experts, drawn from a wide variety of backgrounds, are asked to bring a complete picture of potential conflict issues and to propose a medium-term conflict prevention strategy to be integrated into existing and planned cooperation activities (in the framework defined by the country strategy or regional strategy paper).

In 2002, utilising the rapid reaction mechanism, such conflict prevention teams were deployed to Nepal, Indonesia and three South Pacific States. The timing of these missions was intended to ensure that a rigorous analytical input on the conflicts in these countries was included in the respective country and regional strategies. Due to unstable situations there, the missions were also mandated to identify possible short-term measures to address immediate needs.

The culture of conflict prevention needs to be further rooted in the day-to-day work of the Commission services. In this respect, seminars and workshops on mainstreaming of conflict prevention or on specific conflict issues are arranged to ensure adequate expertise within delegations and geographical services of the Commission. Work is ongoing to further develop training opportunities and programming guidelines to meet desk officer needs.

5.6.2. The rapid response to crisis

As part of a wider effort to improve flexibility and speed of response to crisis, the rapid reaction mechanism (RRM) was established in 2001 (2). It enables the European Community to respond in a timely manner to the needs of countries undergoing crisis situations (man-made or natural). Its main purpose is to support short-term (maximum duration six months) civilian measures aimed at safeguarding or re-establishing the conditions under which the EC partner countries can pursue their longer-term development goals.

The 2002 RRM programme (budget EUR 25 million) provided assistance in the following fields (3).

- ▶ **Assessment of possible Community responses to a crisis.** In 2002, a number of technical assessment missions were launched to assess the situation on the ground and provide information enabling the Commission's policy making and planning.

(1) These sectors are also consistent with the sixth priority area for EC development policy: rule of law, good governance and institutional building.

(2) Regulation (EC) No 381/2001, 26.2.2001.

(3) More details are included in Section 6 on activities in 2002.



Street in Kabul, Afghanistan

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- ▶ **Preventive action during emerging crises.** Based on assessment missions financed by the RRM, conflict prevention/mitigation programmes have been launched in Indonesia and Nepal.
- ▶ **Acute crisis management.** The RRM has supported mediation efforts in developing crises, for example in Côte d'Ivoire and the Central African Republic.
- ▶ **Post-conflict reconciliation.** Confidence-building measures in support of an emerging or established peace process have included direct support to peace agreement monitoring (for example in Aceh), information/media support and measures to strengthen civil society.
- ▶ **Post-crisis reconstruction.** With the second emergency programme in Afghanistan as an example, these actions spearhead long-term Community cooperation programmes in the immediate aftermath of a war or other emergency, supporting the re-establishment of civil administration and the rule of law, as well as subsequent rehabilitation and development programmes.

Considering the short-term nature of the RRM crisis assistance, it is clear that this support must not contradict the longer-term development objectives and activities. The need to link short-term relief assistance to longer-term development, rehabilitation, stabilisation and reconstruction has long been promoted by the Commission ⁽¹⁾ and strong efforts are made by the RRM to ensure the necessary linkage to EC overall development and external assistance programmes.

Although the RRM programme is managed by the Crisis Management Unit, early involvement of other relevant services in the Commission is standard procedure. Often the use of RRM is triggered by the country desk officers, coordinating EU development activities, or by the dele-

gation in the respective countries. Even in situations where there is no direct initiation from these partners, their immediate involvement in the design of the operations is arranged on a routine basis. The Commission delegations often play a key role in coordinating with other donors and they normally also ensure the direct monitoring of the actions in the field.

There are usually three types of linkages between the RRM activities and major EC development, rehabilitation and reconstruction efforts.

- ▶ **Preparations for large-scale EC actions.** For example, in post-war Afghanistan the RRM-financed capacity-building of the ministries that would subsequently implement longer-term and larger-scale Commission reconstruction assistance.
- ▶ **Implementation of the first stages of major EC efforts.** Many RRM activities in the Former Yugoslav Republic of Macedonia (financed from the 2001 budget but implemented in 2002) were continued in the CARDS programme and taken over by the European Agency for Reconstruction (EAR).
- ▶ **Integration of a crisis** and its economic, social and environmental consequences into EU development programming (country strategy papers). The findings of the conflict prevention missions and the subsequent RRM follow-up measures (indicated above) have enabled the EC development projects, notably in Nepal, to better integrate the consequences of the civil unrest into their actions, both on programming and at field implementation level.

5.6.3. Assistance to non-member countries in the fight against terrorism

With regard specifically to the prevention of terrorism, the Commission has identified a significant number of existing technical assistance projects and programmes which contribute to capacity-building in areas relevant to counter-terrorism, thereby meeting some of the provisions of UN Security Council Resolution 1373 on the fight against terrorism. In March 2002, the Commission provided a factual overview of such existing programmes ⁽²⁾.

The Commission also began developing additional, more focused assistance in response to the General and External Affairs Council conclusions of 22 July 2002, which put a strong emphasis on the need for the EU to assist non-member countries in implementing their obligations under UN Security Council Resolution 1373.

The Council requested consideration of **pilot projects** that could be launched in a few countries. The conclusions implicitly invite the Commission, as the main provider of assistance, 'to consider further actions through the relevant programmes'. Countries for such pilot projects were chosen on the basis of agreed criteria, including: relevance to the fight against terrorism;

⁽¹⁾ COM(2001) 153 final.

⁽²⁾ Summarised in a Commission staff working paper that has been made available to Member States and submitted to the United Nations. SEC(2002) 231, 'EC external assistance facilitating the implementation of UN Security Council Resolution 1373: an overview', 25.2.2002 (<http://www.un.org/docs/sc/committees/1373/EC>).

Rapid reaction mechanism, 2002 (EUR)					
Commitment appropriations	Committed	Committed (%)	Payment appropriations	Payment made	Payment (%)
25 000 000	23 510 251	96.5	30 800 000	26 074 499	85.5

RRM programme 2002	EUR million
Administrative management, all countries	2.25
Policy advice, mediation facility, all countries	3.00
Afghanistan stabilisation II	5.95
Peace-building, Horn of Africa	2.60
Palestinian territory, reconstruction	5.00
Conflict mitigation, Nepal	0.62
Peace-building, Sri Lanka	1.80
Support to cessation of hostilities, Aceh, Indonesia	2.30
Total	23.5

relevance to the EU's foreign policy; need for and willingness to accept assistance and the existence of an EC comparative advantage. During 2002, this led to a mission to the **Philippines** and also planning of missions to **Pakistan** and **Indonesia** in early 2003. The aim was to identify specific measures in the areas of terrorist financing, law enforcement and judicial reform. In each case the assessment was coordinated with EU Member States who would be able to take the findings into account in their own assistance programmes and so ensure overall EU coherence. Modification of existing programmes and the possibility of additional actions in other countries according to the same criteria will be considered.

5.7. Science and technology cooperation — Policy dialogue and capacity-building

Since the early 1980s, the European Community has been supporting research cooperation in the field of scientific and technological (S & T) development between institutions in the Member States and their counterparts in developing countries in Asia, Africa, the Mediterranean basin and Latin America.

This cooperation is part of the Community's wider international research and technological development cooperation programme and is complementary to the aid programmes. It covers research on sustainable crop, livestock and fish production and processing, human health and the sustainable management of natural resources in developing countries. Most were also relevant to aspects of food security.

The role of S & T cooperation is irreplaceable in developing the knowledge to promote socioeconomic development and global competitiveness. The global partner-

ship covers not only research projects but also research fellowships for training and support for the organisation of workshops. This enables interaction and exchanges on regulatory and policy matters. The expertise gained contributes to better national strategies, plans, policies and processes for achieving sustainable development.

The evolution of scientific cooperation programmes between the EU and the developing countries made it easier to draw up a Community strategy; one was adopted by the European Council in 1997 which lays the foundations for greater coherence and complementarity between Community development and research policies.

For the World Summit on Sustainable Development in August–September 2002, Johannesburg, South Africa, the international S & T cooperation programme prepared and disseminated, in collaboration with the other Commission DGs involved with external policies, four brochures on 10 years of EC scientific cooperation on the transition towards sustainability, entitled 'Capitalising on people and institutions', 'Managed land ecosystems', 'Aquatic ecosystems' and 'Healthy societies'.

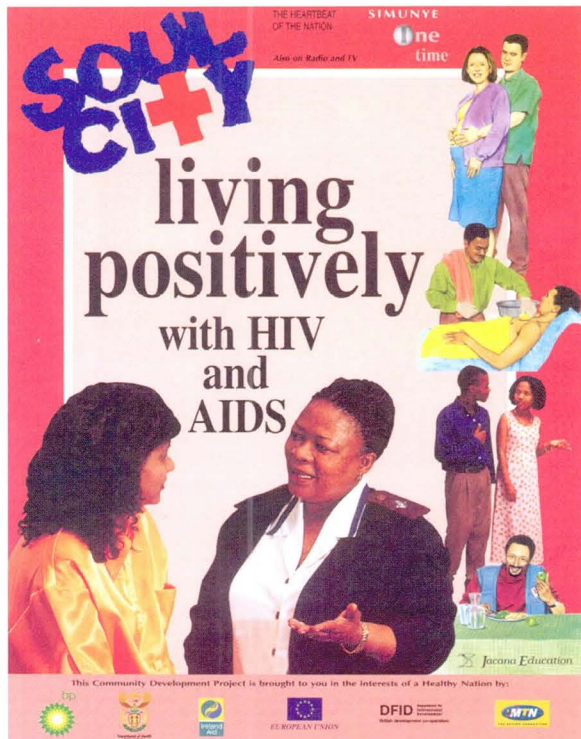
The sixth framework research programme was launched officially at a major international conference in November 2002 that attracted hundreds of delegates from developing and emerging economies. Specific activities under the eighth international cooperation priority focus on food security, health issues and the management of natural resources in partner regions, all of which are crucial to creating wealth and starting to meet the millennium development goals. Sustainability and the 'knowledge society' will be important parts of the new framework programme, which is open to international participation in all its priority themes with earmarked funding for developing country partners. The intention is to mobilise on a global scale the critical mass of expertise needed to achieve ambitious objectives. The consolidation of the European research area open to the world will create a vast intellectual, scientific and cultural 'space', which the European Union is willing to share with other countries and regions for the benefit of sustainable and equitable development (!).

5.8. Health, AIDS and population

The scale of the development challenge in this area and the policy framework for the Community's interventions have already been outlined in Chapter 3 of this report.

The Community has two horizontal budget lines that it can draw on to reinforce action undertaken through

(!) Details on collaborative research programmes supported by the international cooperation component of the framework programme can be found on www.cordis.lu.



Health in southern Africa: Soul City uses the media to raise awareness about the AIDS campaign — South Africa

country and regional programmes: B7-6311 (Aid for poverty-related diseases in developing countries) and B7-6312 (Aid for population and reproductive health-care). In 2002, the Commission programmed support to innovative initiatives in the fields of HIV/AIDS and sexual and reproductive health and rights under these budget lines. Areas where there had been little progress towards achieving the relevant millennium development goals and other international targets were prioritised. For HIV/AIDS, the Commission focused on prevention, linked with treatment and care of the young population in the countries most affected. A number of proposals related to innovative interventions were also selected. Other areas programmed were preparedness work for the AIDS vaccine, regional networking such as the Asia Pacific leadership forum. Priority was also given to interventions aimed at reducing maternal mortality and initiatives for the prevention of female genital mutilation.

In 2002, the Commission reformulated the two regulations for the special budget lines B7-6311 and B7-6312, and they were thoroughly discussed in Council and Parliament. Significant achievements for the latter regulation were the agreement reached at EU level to uphold the principles of the programme of action adopted at the International Conference on Population and Development held in Cairo in 1994. The Commission proposed substantial financial increases for both regulations. It is expected that the two new regulations will be adopted by Parliament and the Council at the beginning of 2003. This would allow the EU to take concrete measures to help save thousands of lives by improving maternal health, and by contributing to the fight against diseases of poverty in some of the poorest countries in the world.

If we add the increased R & D on clinical trials into these diseases, EUR 200 million from the Commission, EUR 400 million expected from the Member States and other sources of public and private funds, plus a further EUR 200 million in new pre-clinical research projects under the sixth framework programme for RTD 2002–06, total financing available for these initiatives is over EUR 1.2 billion.

5.9. Cooperation with non-State actors including NGOs

Non-State actors are gradually becoming one of the key partners in the Community's development cooperation policy. It is recognised that broad dialogue between institutions and citizens provides the possibility for valuable input into the design and implementation of poverty reduction strategies and policies centred on the millennium development goals and also promotes good governance, democratisation and respect for human rights. NSA participation is mainstreamed in all thematic/horizontal budget lines and geographical instruments. NSAs can either carry out projects/programmes that implement directly the CSPs and/or fit in with the sectoral and geographical priorities set by the Commission (in which case they act as 'implementing partners'), or they can put forward their own initiatives/proposals for Community financing (this is known as 'NSA own initiative' support). Two specific budget lines are dedicated to support NSAs' initiatives:

- ▶ co-financing operations with EU non-governmental development organisations (budget heading B7-6000), which covers both operations in developing countries and operations to raise European public awareness; and
- ▶ support for decentralised cooperation in the developing countries (budget heading B7-6002).

In 2002, the Commission prepared a communication on the participation of non-State actors in EC development policy (¹). The communication, which was adopted in November 2002, clarified the Community's expectations of non-State actors' participation. This, in turn, has helped informed debate with partner countries. The communication illustrated the way in which non-State actors are increasingly being involved in the Community's development policy through the various cooperation programmes and policy dialogue with partner countries. The communication also recognised the need for the Community to develop a flexible and differentiated approach that can ensure an adequate level of consultation and participation with and by non-State actors, whilst acknowledging the likelihood of differences between regions.

These differences are partly due to the different regional frameworks for the Community's cooperation. The Cotonou Agreement, which provides the framework for relations between the EU and African,

Caribbean and Pacific countries, is the only one in which the involvement of non-State actors is a legally binding obligation for both parties. In 2001, the Commission drew up jointly with the ACP Secretariat comprehensive guidelines to assist Commission staff and national authorising officers working on programming for ACP countries in promoting the participation of non-State actors. A quantitative and qualitative analysis of country strategy papers was undertaken to assess the extent of non-State actor participation in the programming process and progress of implementing the relevant provisions in the Cotonou Agreement. Although the results were encouraging, this analysis did identify a number of bottlenecks and challenges requiring further attention, which are being addressed.

Building on the guidelines that were developed for ACP countries, the Commission intends to develop guidelines for staff working on development programmes in all regions. This intention was announced in the conclusions of the 2002 communication and work has already begun. The new guidelines will complete and clarify some aspects of the programming guidelines produced for ACP countries (which remain valid). They will encourage and assist Community delegations in all regions to explore all possibilities for the gradual involvement of non-State actors in the development process, where this is possible with the authorities of the country concerned. They will provide advice based on best practice, including different approaches to promote confidence-building and trust between governments and NSAs. Guidelines on financial decisions and financial support to non-State actors, which relate to the different instruments, will be developed separately.

5.9.1. Assessment of non-State actors' participation in the programming process

As part of its work to assess progress in enhancing cooperation with non-State actors, and in particular the provisions of the Cotonou Agreement regarding involvement of non-State actors in the programming process, the Commission carried out an analysis of 47 draft ACP CSPs approved and/or signed by November 2002.

This found that, in the vast majority of cases (45 countries), a process of consultation was conducted with non-State actors. It also suggested that the Community's involvement could contribute to improving the quality of existing wider consultation processes (such as the poverty reduction strategy paper (PRSP) process). In some countries innovative modalities have been applied and the programming process has led to the creation of new functional bodies involving State and non-State actors. In those cases, there is an evident concern for ensuring inclusiveness (for example, by opening-up the consultation forums to new members) and transparency. In 27 countries, the draft country strategy paper was modified following the consultation process.

The analysis also found that different types of strategies have been adopted to involve NSAs in future



© Frank Jacobs

EU-NGO Movimondo co-financed environmental project in northern Mozambique

cooperation. In a number of countries, the response strategy is geared at enhancing NSA participation in all sectors of Community cooperation and by different means (mainstreaming). In others, provision for NSA involvement is mainly in the focal sectors. A third type of strategy proposes to provide support to NSAs in non-focal sectors, either as a means for targeting poor population groups or as a contribution to good governance and conflict prevention. Out of the three possible sources of funding (access to funding, participation in the implementation of focal or non-focal sector programmes, EC thematic budget lines) it is often unclear which source is going to be mobilised. It is also often the case that a provision for direct funding is provided but the amount proposed is not precise. However, in 26 country programmes a 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 EUR 114.69 million out of a total programming envelope of approximately EUR 2.8 billion. In only 20 countries ⁽¹⁾ the eligibility criteria for NSA funding have been discussed with the NAO. Finally, 36 of the 47 CSPs surveyed mention follow-up arrangements for future consultation and monitoring.

As for the quality of the consultation process, the Commission identified key questions to assess the progress of NSAs' involvement in the development process and to spot constraints and best practices to overcome them. Evaluations by NSAs in the South and the inputs from EC delegations provided useful assistance for this exercise. Some of the key questions examined and the findings were as follows:

- ▶ information provided to NSAs — this was given out late in some cases;
- ▶ selection of participants — this was done jointly by the national authorising officer and the EC delegation, or on the basis of a study, or through a local specialised NGO appointed to organise the consultation; and

⁽¹⁾ Gambia, Gabon, Kiribati, Jamaica, Saint Lucia, Chad, Vanuatu, Burkina Faso, Guyana, Guinea-Bissau, Tanzania, Comoros, Swaziland, Botswana, Angola, Ethiopia, São Tomé and Príncipe, Seychelles, Sudan and Uganda.



Education programme in Pakistan — EU-Agha Khan Development Network

5.9.3. Activities in 2002: Partnership with NGOs

In 2002, the Commission selected 223 projects or sets of actions proposed by European non-governmental organisations to be executed by them in least developed countries or where the beneficiary populations are the most vulnerable, for a total EC contribution of EUR 177.3 million.

The Commission also selected 45 operations designed by European NGOs to raise the awareness of the European public opinion (i.e. in Member States) to development issues, for a contribution of up to EUR 21.4 million.

The Commission contributed EUR 0.5 million to the operational budget of the representative organisation of the European NGOs helping them to restructure and improve their networking capacity at a time of great change.

And as part of its endeavours to reinforce the capacity of the non-State actors of the South (i.e. actors of civil society in the developing countries), the Commission contributed EUR 3 million to the organisation that supported the participation of the civil society delegates from developing countries in the World Sustainable Development Forum that took place in Johannesburg in August.

This gave a 99.23 % utilisation rate of the commitment appropriations for 2002 and it was achieved following the evaluation and selection rules established to ensure the transparency demanded by Commission reform; proposals were submitted to the Member States on the NGO Co-financing Committee.

Another salient achievement of the Commission in 2002 was the genuine communication successes with stakeholders; for example, a new web site integrated into the EuropeAid Cooperation Office site, visits and seminars with platforms representing national NGO communities, and the publication of the *Infoguide on co-financing*, a reference document covering most practical and administrative aspects of project co-financing.

5.9.4. NGO financing in 2002

The remit of the Commission is to determine the criteria of selection of proposals presented by the European NGOs using their right of initiative. It is therefore important to monitor the geographical spread of aid funds disbursed under its responsibility in order to detect distortions and attempt to correct them if necessary.

At the time of writing, the 2002 figures mentioned in the table above do not take into account the results of the block-grants. These sets of actions **executed in various countries** would increase the total to EUR 177.3 million and affect the geographic breakdown accordingly.

The Commission recognises the increasing trend towards sub-Saharan Africa, which validates its claim that it directs its actions to the poorest and most vulnerable beneficiaries.

- ▶ follow-up to the consultations — feedback was generally given to NSAs.

In conclusion, it seems that important attempts have been made by all parties concerned to involve NSAs for the first time in the programming process. The quantitative outcomes of the consultation process are very encouraging. The main challenge for the future is to promote progressively structured forms of dialogue. The rolling nature of the programming exercise will help to facilitate this.

5.9.2. Corporate social responsibility (CSR)

In addition to stepping up cooperation and consultation with non-profit-making civil society groups, the Community has also recognised the important role that the private sector can play in helping to achieve (or inhibit) the millennium development goals and other sustainable development objectives. Corporate social responsibility is a very broad term that applies to the overall framework for stakeholder consultation and benchmarking among companies that are proactive in sustainable development (including social, environmental and economic aspects). It is a tool that can be used to enhance the private sector's contribution. In July 2002, the Commission published a new communication setting out its approach and priorities in this area entitled 'Corporate social responsibility: A business contribution to sustainable development' ⁽¹⁾. Amongst the key recommendations was a proposal for the creation of an EU multi-stakeholder forum on CSR, to help foster a dialogue between the business community, trade unions, civil society organisations and other stakeholders. The Commission participates actively in the activities of the Coordination Committee of the Stakeholder Forum. In 2003 and the first half of 2004, a 'Development round table' will examine best practices in the context of the international dimension of CSR.

(1) COM(2002) 347.

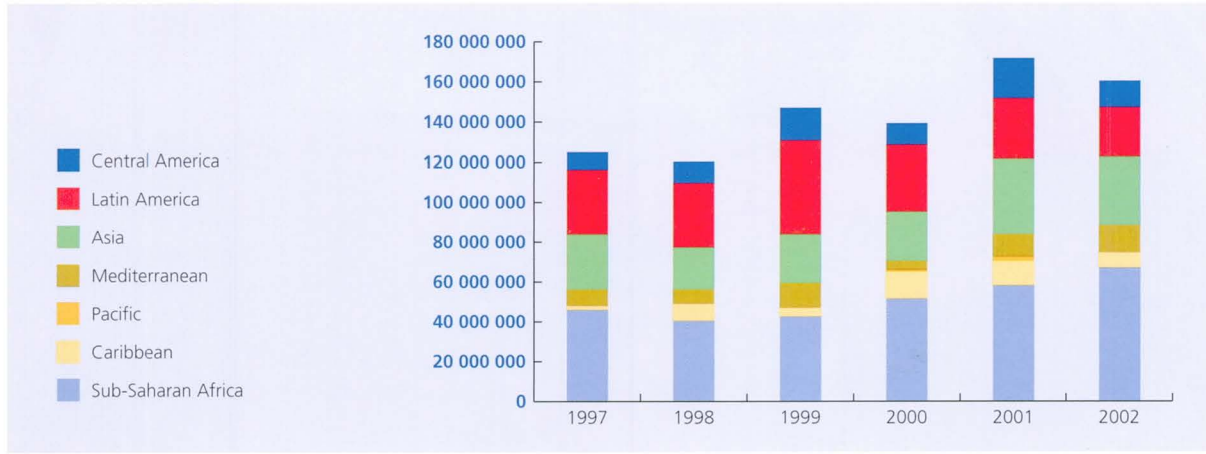
The two tables below show trends in terms of utilisation of budgetary resources and number of contracts over the years (whereby BG stands for block grants, ED stands for education to development, and PVD stands for developing countries).

In 2002, the Commission evaluated 1 304 new grant requests and elected to co-finance 263 new projects

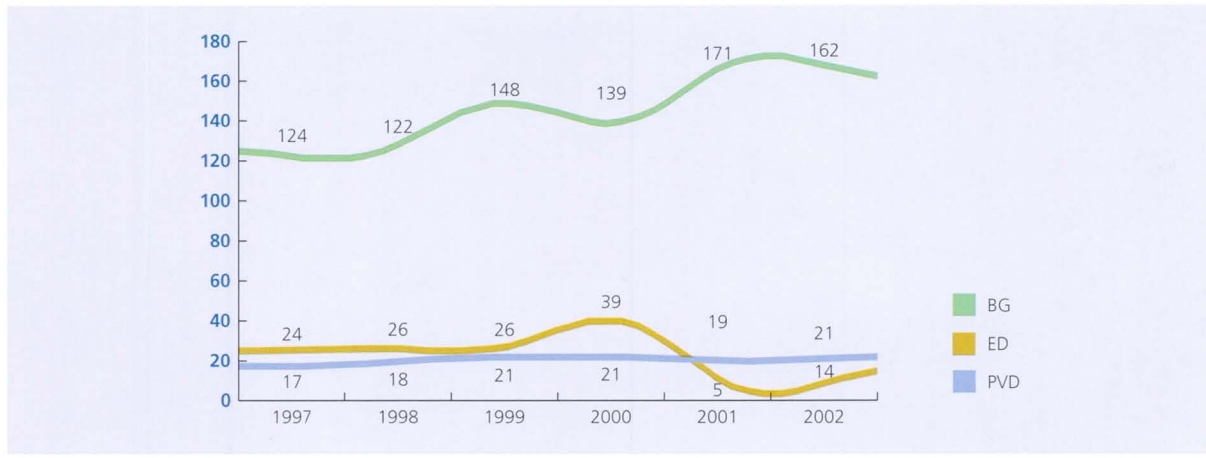
plus 11 projects which were already approved in 2001. This five to one ratio is similar to 2001 and will not improve in future.

At the end of the year, 20 task managers thus had a portfolio of 2 450 contracts. The average value of the 274 new contracts in 2002 was some EUR 0.73 million, an 8 % increase on the average value for 2001.

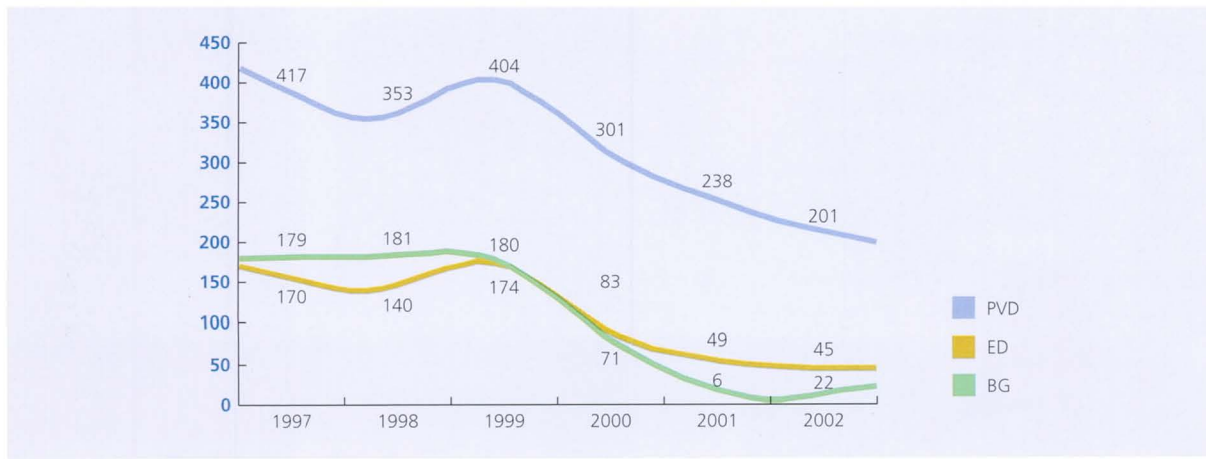
B7-6000 Projects' geographical breakdown (1997-2002)



B7-6000 Commitments (EUR million)



B7-6000 Number of grants







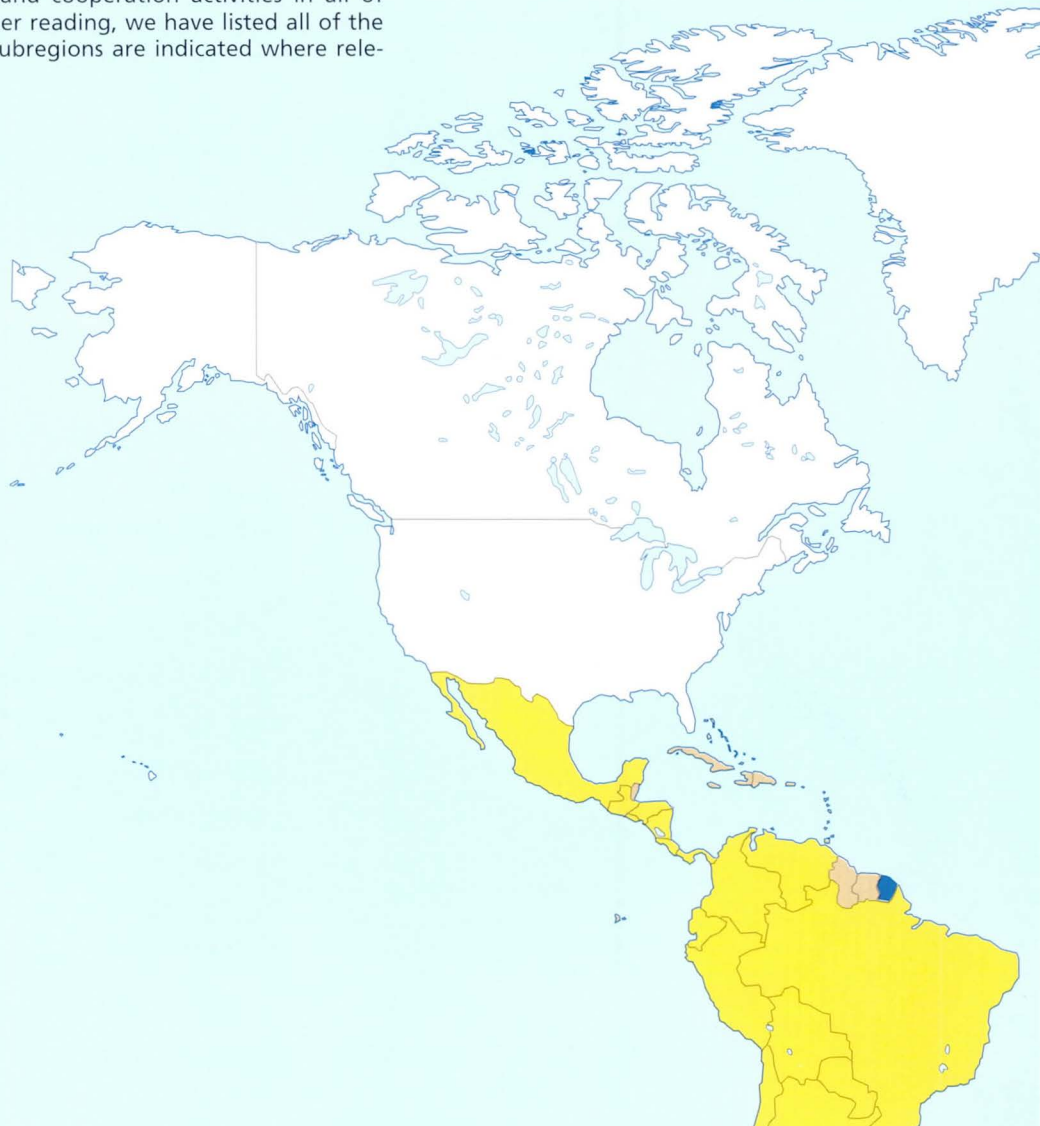
6. Activities in 2002

This chapter covers the essential activities of EC external assistance in 2002 on a geographical basis. Each section covers one region, including the 'geographical budget lines' and some of the other EC 'horizontal' initiatives which can be regionally disaggregated. As well as the political and programming background, this chapter presents results of projects and programmes committed in previous years and the most significant trends in 2002 commitments. Complete data for commitments in 2002, per region and per sector, can be found in Chapter 8, 'Financial tables'.



REGIONS COVERED BY EC EXTERNAL ASSISTANCE

EC external assistance covers all regions of the world. The following sections describe the EC partnership and cooperation activities in all of them on a geographical basis. For easier reading, we have listed all of the countries of each region below. The subregions are indicated where relevant.



■ Western Balkans

Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, the Federal Republic of Yugoslavia (FRY)

■ The partner States of eastern Europe and Central Asia

Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, 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 (*).

■ African, Caribbean and Pacific (ACP) countries and overseas territories (OCTs)

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, Suriname, Trinidad and Tobago.

Pacific

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

West Africa

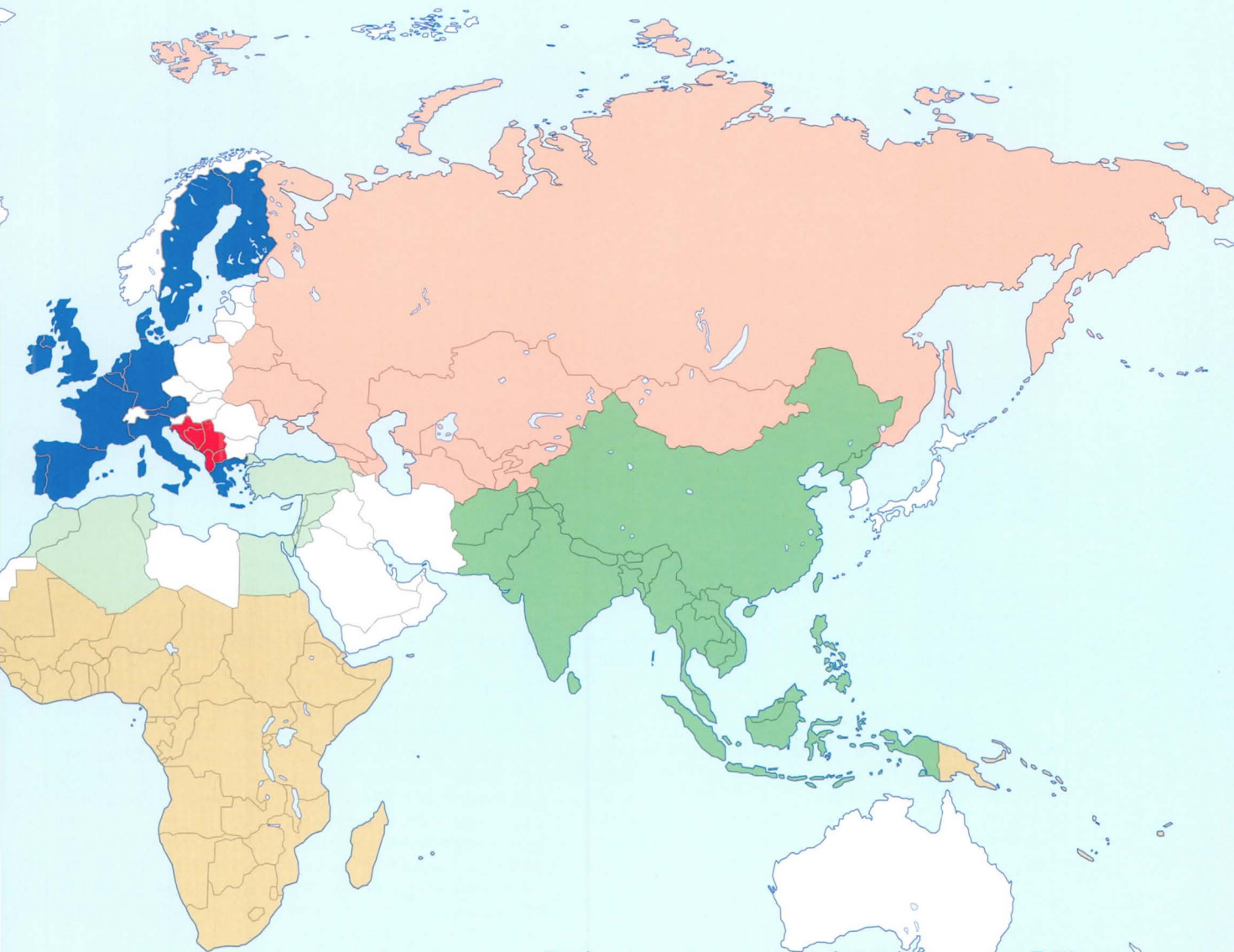
Benin, Burkina Faso, Côte d'Ivoire, Cape Verde, Ghana, Guinea, Liberia, The Gambia, Guinea-Bissau, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo.

Central Africa

Cameroon, Central African Republic, Chad, Equatorial Guinea, Gabon, São Tomé and Príncipe.

(*) Originally Euromed countries, now EU candidate countries.

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



Eastern and southern Africa and Indian Ocean

Angola, Botswana, Burundi, Comoros, Congo, Democratic Republic of the Congo, Djibouti, Eritrea, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, Somalia, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe.

Overseas countries and territories

Anguilla, Aruba, British Antarctic Territories, British Indian Ocean Territory,

British Virgin Islands, Cayman Islands, Falkland Islands, French Polynesia, French Southern and Antarctic Territories, Greenland, Mayotte, Montserrat, Netherlands Antilles, New Caledonia, Pitcairn Islands, Saint Helena and Dependencies, Saint Pierre and Miquelon, South Georgia and the South Sandwich Islands, Turks and Caicos Islands, Wallis and Futuna.

■ 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, Macau.

■ 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.

■ EU

Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom.

(*) Yemen, Iran, and Gulf countries are dealt with in the Mediterranean section of the report.

6.1. Western Balkans



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In 2002, the stabilisation and association process (SAP) continued to be the driving force behind the developing relationship between the European Union and the countries of the Western Balkans, namely Albania, Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia ⁽¹⁾ and the Former Yugoslav Republic of Macedonia.

The instruments of the stabilisation and association process — the stabilisation and association agreements, CARDS assistance, autonomous trade measures ⁽²⁾ and regional cooperation — are all designed to facilitate the development of this relationship. The instruments are mutually reinforcing so as to maximise their impact and ensure consistency of Community action in the different countries. The CARDS programme has continued to play an important role by providing assistance in the key area of reform and institution-building.

6.1.2. Strategic goals and achievements

Broadly speaking, assistance under the 2002 annual programmes was gradually directed towards areas at the heart of the stabilisation and association process. Institution-building (e.g. strengthening of administrative capacity, advice on drafting of new legislation to meet European standards, etc.) as well as justice and home affairs received particular attention.

Clearly, the countries involved are at different stages of legal and administrative development, and at different stages of the stabilisation and association process. For this reason, CARDS assistance has an in-built capacity to deal with a heterogeneous situation and adjust to the

existing situation in each country by focusing on their specific needs. At the same time, a regional programme has also been launched to ensure greater synergy, coherence and complementarity at regional level.

Much progress was made over the year in the area of regional cooperation. While the quality and dimension of this cooperation depends to a large extent on the countries themselves, the CARDS programme has contributed substantially in key areas such as trade facilitation and development of regional infrastructures. Community assistance in the area of customs administration has provided important practical results such as supporting reform in the lead ministries, increasing revenues for the State budget by establishing mechanisms to prevent fraud and facilitating regional trade cooperation.

6.1.3. Programming priorities

Following the approval in late 2001 of the country strategy papers and the multiannual indicative programmes included in them, CARDS assistance for the countries of the region has been structured along the following priority lines: (i) infrastructure, with a substantial amount devoted to energy; (ii) economic and social development, including measures to support trade; (iii) justice and home affairs; (iv) administrative capacity-building; (v) democratic stabilisation, including support to refugee returns; and (vi) environment and natural resources.

In 2002, support for infrastructure still represented the largest component of assistance, mainly due to the conclusion of reconstruction efforts in Bosnia and Herzegovina and in the FRY. But 2002 was also a

⁽¹⁾ Following the adoption and promulgation of a new constitutional charter on 4 February 2003, the Federal Republic of Yugoslavia has changed its name to 'Serbia and Montenegro' (in Serbian: Drzavna Zajednica Srbija i Crna Gora).

⁽²⁾ Autonomous trade measures are unilateral initiatives, aimed at granting special trade preferences to developing and less wealthy countries.

CARDS commitments and payments in the region (2002) (EUR million)				
Programmes	Commitments		Payments	
	2002	2001	2002	2001
<i>Countries/bilateral</i>				
Albania	44.9	37.5	25.7	56
Bosnia and Herzegovina	85.21	118.1	104.93	143.2
Croatia	59	60	17.22	14.5
FRY — Serbia/Montenegro	204.7	230	259.56	195.8
FRY — Kosovo	166.6	171.5	133.83	402.1
Former Yugoslav Republic of Macedonia	41.5	56.2	67.93	28.1
Regional cooperation				
Subtotal	601.91	673.3	609.16	839.7
Regional	43.5	20	3.99	1.7
Total bilateral/regional	645.41	693.3	613.15	841.4
Other budget lines/BA lines (ATA), etc.	8.44	8	3.95	4.7
Total	653.85	701.3	617.1	846.1

CARDS commitments and payments (1995–2002) (EUR million)									
	1995	1996	1997	1998	1999	2000	2001	2002	Total
Overall commitments	440	581	584	462	988	1 062	1 035	654	5 806
<i>of which:</i>									
CARDS (Obnova-Phare CARDS budget lines)									
Commitments	81	320	330	305	455	843	796	654	3 784
Payments	73	298	254	146	237	624	618	617	2 867

turning point in this area; support to the infrastructure and energy sectors will be gradually wound down in subsequent years in favour of other sectors more closely linked to the SAP reform agenda, in particular justice and home affairs and administrative capacity-building. This is also consistent with the increasing involvement of the international financial institutions, whose long-term lending represents a more suitable type of support for this sector.

The European integration process has been a particular focus for European Community support. All the countries of the region have embarked on a process of closer integration with the EU and are setting up suitable structures to support it. Usually they are in European integration offices, in some cases ministries of European integration, in addition to several specialised departments within line ministries. This approach has proved its worth in the enlargement context and the Community has recognised its usefulness, mobilising technical assistance specifically devoted to training and providing capacity to departments responsible for this function.

6.1.4. Main results in 2002

6.1.4.1. Country strategies

The Community's financial support is not provided in isolation but follows strategies to meet major challenges for the region as set out in the country strategy papers and the regional strategy papers. All country strategy papers and regional strategy papers were prepared and approved at the end of 2001, and the 2002 annual programmes for the Western Balkan countries, including the regional programme, were prepared and approved according to the strategic orientations defined in them.

No new country strategy papers were drafted nor were any changes made to existing strategies in 2002.

6.1.4.2. Implementation

The level of disbursements fell from EUR 972 million in 2001 to EUR 617 million in 2002. This was primarily due to a reduction of EUR 168 million in payments for Kosovo following the slowdown in emergency assistance. The 2002 payments accounted for 93 % of the available budget. The balance was to be reprogrammed in favour of the energy sector in Kosovo

after a fire in Kosovo's main power plant in July 2002. The reprogrammed amounts were contracted in December 2002.

CONFLICT PREVENTION, GOOD GOVERNANCE AND RULE OF LAW

The resolution of the political and security crisis in **the Former Yugoslav Republic of Macedonia** in 2001, and continued efforts during 2002, have proved the value of a combination of important elements in defusing a crisis with potentially highly damaging effects for the country and the region at large: political leverage, adjustment of financial support mechanisms and effective coordination with donors and the international community in general. It is a clear example of how Community instruments can be used in a coherent and effective manner to facilitate conflict resolution.

Community support has also contributed to significant progress in promoting human rights and fundamental freedoms in the region. CARDS assistance focused on a limited number of areas in cooperation with other more specialised donors and institutions. Resources were mobilised to develop necessary legislation in the areas of human rights, media and civil society. In recognition of the importance of independent media and the availability and provision of genuine public services, CARDS supported media outlets in some countries and at regional level. Furthermore, recognising the importance of an active civil society and NGOs, the Commission established support programmes using resources of both the CARDS programme and the European initiative for democracy and human rights (EIDHR) ⁽¹⁾. Efforts were also devoted to transforming State-owned media operators into efficient public service providers in several countries.

The Community also provided important financial support to the Office of the High Representative in Bosnia and Herzegovina and to the UNMIK (United Nations Mission to Kosovo).

In **Bosnia and Herzegovina**, increased focus was placed on the sector of **justice and home affairs** with notable achievements in the field of policing (e.g. technical assistance support for procurement), the restructuring of courts and prosecutors' offices and the reselection of judges and prosecutors through EC support for the Independent Judicial Commission. Renovation of the Sarajevo Police Academy, which will train police cadets, was completed in 2002 and Commissioner Patten laid the foundation stone of the Banja Luka Police Academy in September. The EU helped the Bosnia-Herzegovina State Border Service to establish full control of the country's borders by donating vital equipment such as 130 vehicles, temporary offices, computers, boats and radio communication equipment.

In the area of conflict prevention, good governance and rule of law in the Balkans, six projects were closed and seven are ongoing. Out of closed activities, the EC contribution to supporting the democratisation

process in the Former Yugoslav Republic of Macedonia is to be highlighted. For the general elections on 15 September 2002, a group of observers of the European Union, made up of a team leader and 100 short-term observers, joined the electoral observation mission of the OSCE-ODIHR. In 2002, the EIDHR supported projects for more than EUR 10.6 million in total.

EC support to the European Union Police Mission in Bosnia and Herzegovina

The European Union Police Mission (EUPM) started work on 1 January 2003. With extended and re-focused objectives and mission statement, the EUPM follows on from the United Nations International Police Task Force whose mandate terminated at the end of 2002. The EUPM represents a historical step, as it is the first civilian crisis management operation under the common foreign and security policy (CFSP).

With 900 staff, including 500 police officers, 80 % of whom come from Member States, the EUPM will use its three-year mandate to bring the police forces of Bosnia and Herzegovina up to the highest international standards.

In designing this operation it was recognised that efficient police must be integrated into a general and strengthened rule-of-law environment. Therefore the European Commission with its CARDS programme and the Council of the European Union are working hand in hand towards that goal in their respective areas of competence, i.e. institutional building and the CFSP. Under CARDS, EUR 10 million was committed in 2002 to support reform of the police forces, and develop sustainable institutional structures for policing. The CFSP budget (second pillar but implemented by the Commission) provided EUR 14 million in 2002 to procure the necessary equipment before the actual start of the Mission in 2003. In addition, the EC has become the main donor for reform of the justice system. In all these activities, a special focus was placed on the fight against organised crime, one of the main issues blocking the development of institutions and the rise of a citizen-based democracy.

The EU can be proud of tackling a series of issues — reform of the justice system and operations concerning taxation and customs, asylum and migration, border management and the EUPM — that will help promote law and order and the sustainability of institutions in Bosnia and Herzegovina, so increasing the chances of economic regeneration in this country recovering from war.

Training the Albanian police forces

In 2002, the European Commission laid the foundations for major police projects. It signed a partnership contract worth EUR 6 million with the Spanish Ministry of the Interior to set up a long-term EC police assistance mission to Albania (Pameca) that would follow up the EC assistance that has been provided to the Albanian police forces since 1998. The programme provides advice, training and technical assistance not

⁽¹⁾ Bosnia and Herzegovina and FRY are two target countries of the EIDHR support.

only for the Albanian police forces (fight against organised crime, public order, and so on) but also to the judiciary (improving cooperation between the police and prosecutors' offices). Pameca's work covers all the key areas needed to make the Albanian police more efficient and professional and imbued with the required ethical principles and morale.

Regional cooperation with Interpol

Under the 2001 regional CARDS programme, the Commission signed at the end of the year a EUR 1.4 million contract with the Secretary General of Interpol for the modernisation of the equipment of its national offices in five Balkan countries. The project, which includes adequate training, will improve the exchange of information between the partner countries of the Interpol conventions.

INSTITUTION-BUILDING

The number of ongoing projects (121) involving institution-building reflects the shift of the EC assistance from reconstruction to capacity-building. Twenty projects were closed in 2002.

In the CARDS focal area of **administrative capacity-building in Bosnia and Herzegovina**, EC assistance brought significant results. A **Customs and Fiscal Assistance Office (CAFAO)** was set up in 1996 to assist in the implementation of the customs-related provisions of the general framework agreement for peace (GFAP) through a programme of modernisation and development. In 2002, the CAFAO's activities resulted in substantial increases in customs revenue and decreases in related fraud and corruption.

The customs programme, except for issues linked to integrated border management, can be seen as having been largely delivered at the technical level, in that the necessary skills have been transferred to local officials. The automated system for customs data (Asycuda) was rolled out Bosnia-Herzegovina-wide, making it possible for the first time to collect complete import and export statistics.

Reviews of the Federation and Republika Srpska tax administrations have been completed, and recommendations for the implementation of modern organisation and management structures presented to the respective governments. The recommendations are being implemented with CAFAO assistance. The assistance has facilitated the creation by the Entity Taxation Services of large trade control, debt management, intelligence and investigation units. These are already having a positive effect on the revenue yield, with cases of evasion totalling in excess of BAM 500 million (EUR 250 million) detected over the period 1 January to 31 August 2002.

The CAFAO taxation programme is now being enlarged to include a VAT planning and implementation project. This project will enable the EC to take the lead donor role in supporting the local authorities during the decision-making process on the structure of the new tax and eventually in its implementation.



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The EU is actively supporting reform of the police in Bosnia-Herzegovina as part of the effort to develop viable institutions

In **civil aviation**, EC assistance through the International Civil Aviation Organisation (ICAO) has strengthened the institutional and professional basis of the Department for Civil Aviation; this included the appointment of a director-general. Bosnia-Herzegovina now has control of its own lower air space with air traffic control operations at Sarajevo International Airport, and a national search and rescue service has been established in Banja Luka. The three **statistical offices** were fully computerised in 2002 and professional staff trained. This has brought the material and human resources to a sufficient standard to improve the poor quality of Bosnian and Herzegovinian statistics in coming years.

EC support to **government institutions** of Bosnia-Herzegovina has rationalised their work. The EC contributed to the drafting of the State civil service law, setting up the Bosnian and Herzegovinian Parliament and Presidency Secretariat and to the review of drafting procedures and establishment of a drafting code. A training programme for 120 government civil servants focused on issues such as public management, public administration, human resources management and leadership. Furthermore, EC assistance had a major impact in setting up the civil service agency at State level. A central registry with a personnel database was created, and a complete set of by-laws for implementing the civil service law and basic rules for financial management and the budget were prepared for 2003. Draft rules and procedures for the selection panel for the recruitment of civil service agency staff were prepared. All this will enable the civil service agency to fulfil its tasks from early 2003.

Economic and social development in Bosnia and Herzegovina: the EC continued to promote regional and **local economic development (LED)** through direct support of six LED agencies, which are now showing an economic dividend, including employment generation. The EU quick impact facility has been successful in bringing together the private and public sectors and creating some 2 000 jobs, over 50 % of which for returnees with a nominal cost of EUR 1 620 per job. The EC further contributed in 2002 to the successful **privatisation** of nine public enterprises in 2002 and support to the **restructuring** of 35 private and State enterprises.

Assistance was also provided to promote **foreign direct investment** in Bosnia-Herzegovina and 'unbundle' the State-owned electricity industry. The EC's assistance to the Bosnia-Herzegovina **insurance sector** led directly to a coherent legal framework and draft legislation, which is a significant contribution to the creation of a single economic area in Bosnia-Herzegovina. Furthermore, an additional commercially operated EUR 10 million **credit line** for small and medium-sized enterprises (SMEs) was launched, further augmenting the European Fund to Bosnia-Herzegovina.

The **Institute of Statistics in Albania** (INSTAT) has been supported through two EC-funded technical assistance projects. One of the highlights was the population and household census and its follow-up. The EU financed the recruitment of nearly 10 000 census-takers and the transport of the census materials (questionnaires, etc.) to the 36 districts of Albania and back to Tirana. The project improved the basic statistical infrastructure, which is needed to improve the provision of appropriate statistical data for decision making and governance in the country.

An instrument for institution-building: CARDS twinning

Until 2002 the twinning instrument was used in programmes for the EU candidate countries. It has now been exported to the CARDS programme, albeit in adapted form to reflect the SAP countries' different level of association with the EU. Twinning supports and finances the secondment of civil servants from EU Member States to work as advisers in beneficiary institutions for a period of at least 12 months. This assignment is complemented by a variety of measures such as seminars, workshops and training sessions. It is an efficient means of transferring know-how but also of creating partnerships between institutions. These partnerships will outlast the twinning assignment and contribute to further cooperation between Member States and partner countries. Current candidate countries are eligible to participate in CARDS twinning as junior partners and have shown great interest in providing their expertise for institutional change in the CARDS region.

Twinning should be considered as an additional instrument for implementing the CARDS programme. It complements existing instruments and plugs a gap between private sector consultants (often short-term) and the larger-scale 'missions' of public sector assistance, such as those for current CARDS police and customs programmes.

Twinning is mainly used in the following sectors:

- ▶ justice and home affairs, notably in three areas, justice and prosecutor systems, policing and border guards and migration policies;
- ▶ public sector financial management in terms of taxation, budgeting, financial control/audit and public procurement;
- ▶ general civil service reform in terms of basic civil service laws and restructuring;
- ▶ approximation towards some core *acquis* legislation, notably in the four basic freedoms of movement of goods, services, capital and establishment. Freedom of movement of workers is far more problematic. In consequence, customs and trade facilitation (i.e. norms, standards, veterinary and phytosanitary controls) are focus areas in all countries, as is competition and State aid for the more advanced States.

In 2002, there were five twinning projects, four in Croatia and one in Albania. Twinning will continue in Croatia in 2003 and will be extended to the other CARDS partner countries.

REGIONAL COOPERATION

One project in the CARDS 2001 regional programme, namely the 'Regional Balkans infrastructure study on transport' (REBIS transport, EUR 2.45 million) was closed.

A major component of institution-building and public administration reform in the Western Balkan countries consists of the broad area of **justice and home affairs** (JHA). In order for the EU and national authorities to create a coherent and comprehensive reform programme of JHA institutions for the future, it was necessary to conduct an updated overview of the situation, initiatives and problems in that area, both in individual countries and at regional level. The Commission accordingly undertook, as part of the 2001 CARDS regional programme, to finance JHA assessment missions of experts nominated by the EU Member States to all five countries in the region in May and June 2002.

A detailed report was issued for each country. The reports contain a thorough assessment of the state of play in the area of JHA, plus some conclusions and recommendations for reforming the legal and institutional arrangements. They also suggest possible areas for financial support by the EU. The reports were presented to the visited countries and international organisations in November 2002 (in English and local languages to facilitate the exchange of information). The recipients sent in comments in January and



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February and the reports were finalised in April 2003. The final results will help the Commission in selecting specific projects in this area.

TRANSPORT, INFRASTRUCTURE AND ENERGY

In this sector eight projects are ongoing. Of the 14 closed in 2002 the following are particularly important.

The European Commission contributed to significant improvements in the interconnectivity of the Bosnian and Herzegovinian transport network with the completion of the Samac and Kostajnica bridges. Together with the Ploce-Samac rail electrification, the pan-European V-c Corridor through Bosnia and Herzegovina is now operational for both road and rail. The air traffic control tower of the Mostar Airport was inaugurated. The commissioning of two 110kV lines between Pale-Gorazde and Srebrenica-Konjevic marked the final contribution of the EC energy programme to the rehabilitation of the electricity grid. The European Agency for Reconstruction (EAR) ⁽¹⁾ is particularly involved in rebuilding infrastructure. The agency has been managing massive EC investments in rehabilitation and related training in the Kosovo energy sector and helped to make substantial progress in Montenegro in developing municipal government and completing local investment projects throughout many towns and cities. It has helped to develop cultural centres, rehabilitate local roads, improve water pipelines and sewerage networks, and build a new fire brigade building and a school. In the Former Yugoslav Republic of Macedonia, the EAR is upgrading several important transnational road corridors. Work was completed on the first phase of upgrading the E-75 motorway linking the country with Greece (Corridor X). A bypass has been finished around Tetovo, on the E-65 motorway (Corridor VIII that links Albania and Bulgaria through the Former Yugoslav Republic of Macedonia).

Significant steps to link the region to the neighbouring countries were taken in the second half of 2002 when a number of regional infrastructure projects were started. Efforts were concentrated on investments to upgrade infrastructures to EU standards and importantly, led to an agreement between the south-east European countries on a rail and road network. The regional programme has *inter alia* helped mobilise strategic resources, which have led to the signing by the countries of the Balkan region of the Memorandum of Understanding on the regional electricity market.

FOOD SECURITY AND RURAL DEVELOPMENT

There have been two separate programmes of budgetary assistance for food security in **Montenegro**. The willingness of the Montenegrin authorities to implement the reforms played a great role in their success.

The food security programme (FSP) has been successful in introducing a coherent programme of reforms in the areas of food security policy, agricultural reform and in the management of public finances. One of the key achievements of the programme has been the reform of social entitlements, which should ensure that the most vulnerable receive benefits. The process has in fact proved to be so successful that other donors have decided to finance this kind of project. The good progress made in implementing reforms means that the second FSP has been able to focus on measures to consolidate policy reform.

In **Albania**, the EC assistance to economic and social development included support to improving the quality of life in rural areas through a local community development programme. In the **FRY**, the assistance targeted at private sector and agricultural development has contributed importantly to job creation and to a much-needed resurrection of a vibrant private sector.

HEALTH

The structure of health manpower and hospitals in the Western Balkans is the result of extensive, hierarchical, and disease-oriented healthcare systems. The wars have had long-term physical and psychological effects and there is a need to strengthen institutions, human resource training, population health research and social cohesion. Healthcare for refugees and internally displaced persons is extremely rudimentary. Certain areas possess a serious health risk due to increased population movements resulting in the highest reported incidence of tuberculosis in Europe. The real scale of the environmental damage and its consequent impact on human health has not been clearly established. In **Croatia, Serbia** and **the Former Yugoslav Republic of Macedonia** the once flourishing pharmaceutical industry has not yet fully recovered from the war. In **Kosovo**, the health infrastructure is fragile. Communicable diseases threaten vulnerable groups. Rural areas and minority enclaves are being increasingly isolated. The Serbs depend on the Kosovo Force (KFOR) for security when in need of medical help.

The European Commission is trying to improve the situation with specific health projects to reform healthcare systems and improve the pharmaceutical sector and its regulatory framework. A number of ongoing projects target the quality of basic services in hospitals and health centres by rehabilitating or procuring priority equipment. Supplies of essential drugs, reagents, medical consumables, together with training and technical assistance for medical education and capacity-building for health services management, are an important part of the EC's aid to the region.

EDUCATION

In 2002, the Tempus programme continued to support in each Balkan country the overhaul of teaching pro-

⁽¹⁾ The European Agency for Reconstruction in Thessaloniki is responsible for the management of the main EU assistance programmes in the Federal Republic of Yugoslavia and the Former Yugoslav Republic of Macedonia. EC assistance funds delegated to the Agency for management in 2002 totalled EUR 480 million. At the end of 2002, the Agency was overseeing a cumulative portfolio of over EUR 1.6 billion across its four operational centres (Pristina, Belgrade, Podgorica and Skopje). See <http://www.ear.eu.int>

grammes in universities, university management reform and the strengthening of links between universities and society at large, primarily through joint European projects. Five major projects were closed, two are ongoing.

The EC contributed to the development of the Bosnian and Herzegovinian strategy paper for education reform presented to the Peace Implementation Council on 21 November 2002. In 2002, support to vocational education was continued. A first countrywide labour market survey focusing on cooperation between the labour market, vocational schools and SMEs was completed; this will help to improve cooperation between these three partners and make vocational training more responsive to the demands of the labour market. Concerning primary and general secondary education, recommendations to the education ministries concerning reform of the general education system were well received. Drafting of a Green Paper has started with broad participation of all stakeholders in the education sector.

ENVIRONMENT AND NATURAL RESOURCES

In the focal area of **environment and natural resources**, two projects have been completed and six are ongoing. Important results were achieved with the nationwide implementation of the rural credit scheme in Bosnia and Herzegovina. In Brcko alone some **169 jobs** have been saved and **94 created** as a direct result of the EC loan. In the veterinary sector, the EC supported the adoption of the State veterinary law and the institutionalisation of the State veterinary office, the implementation of the animal identification and movement control scheme and the equipping of veterinarian laboratories. EC funds have supported the Bosnia-Herzegovina extension services through 12 offices providing advice and essential assistance to farmers. In the water sector, despite considerable difficulties, river basin bodies for the Bosna and Vrbas were established. The EC contributed to the ratification of the environmental law and the development of the environmental framework law at State level.

PARTNERSHIP CIVIL SOCIETY AND NGOS

In **Albania**, the EC helps to strengthen local associations and institutions and to foster the development of services provided by NGOs. In **Croatia**, institution-building support is given to environmental NGOs and to State institutions and civil society organisations for improving social service delivery in social care, health and education. EC assistance in the **Former Yugoslav Republic of Macedonia** promotes inter-ethnic relations and the strengthening of civil society. In **Bosnia and Herzegovina**, small-scale operations and EIDHR grants supported **35 civil society** actors, including youth and women groups, returnees and displaced persons, disabled people, and community and cross-entity groups, thus contributing to the growth of a more active civic society, democracy and human rights. The EC also assisted the Bosnia-Herzegovina **Election Commission** to finance polling station committees during the general elections in October 2002.

REHABILITATION/LANDMINES

Mine action projects aim at improving the economic and social conditions in the countries of south-east

Europe, as well as stabilising and normalising the population's conditions of life. **Border mine clearance** is a project implemented by the international trust fund for demining and mine victims assistance that supports the de-mining activities in the region of south-east Europe and result in the clearance of at least **1 200 000 m²** along the borderlines. The project, for which the Community contribution is EUR 2 850 000, aims at increasing the security and freedom of movement of the populations living in the border areas, enabling the return of internally displaced persons and refugees, simplifying police controls at the borders, releasing land for agricultural purposes and stimulating economic activities in the border areas. Mine clearance will take place in the border areas between the Federal Republic of Yugoslavia and Croatia, between Albania and Kosovo, as well as in the border area between Bosnia and Herzegovina and Croatia.

Demining activities in former conflict areas were also funded in the Former Yugoslav Republic of Macedonia as part of the process of stabilisation of the country and in order to enable the return of refugees and internally displaced people to their pre-conflict dwellings.

REFUGEES/POPULATION

The displacement of populations is one of the major consequence of the wars that tore the Balkans during the 1990s, and therefore remains one of the main priorities of EC assistance. It is not only important that the refugees and internally displaced persons (IDPs) can go back to their homes, but also fundamental for the achievement of peace that displacement by force is not accepted and recognised as permanent. Therefore, the EC has put special emphasis on the return of properties to their pre-war occupant. With the implementation of the property laws and an increased stability, return has finally seen a real take-off. Some areas, however, remain difficult with real political and/or legal obstacles to people and property return. Within the countries of former Yugoslavia (excluding Kosovo), 1 250 000 persons are still displaced.

In **Croatia**, the rehabilitation of the technical infrastructure complements the reconstruction of houses. One of the recently completed projects is the rehabilitation of the water distribution network in the town of Knin (EUR 200 000). With the construction of a one million-litre water tank, up to 15 000 inhabitants of Knin will be provided with potable water, including 8 500 returnees to this population centre. This kind of project prepares the ground for the return of an additional 5 000 refugees that are expected to return to the municipality, and significantly increase the chances for sustainable socioeconomic development.

The return of mainly ethnic Serbs is still hampered by political, economic, legal and social obstacles. As of March 2002, out of **292 566 persons** who returned to the war-affected areas, only 90 271 were minority returns (the rest being Croatians and ethnic Croats).

In the **Former Yugoslav Republic of Macedonia**, the implementation of the emergency assistance package worth EUR 26.5 million (EUR 12.7 million under the rapid reaction mechanism from the common foreign and security policy budget and EUR 13.8

million under CARDS) adopted in 2001, has proceeded rapidly and helped in getting **95 %** of the IDPs to their pre-conflict residences. Projects such as electricity rehabilitation, housing reconstruction and water supply improvement facilitated large-scale returns to former conflict areas over the course of 2002.

In **Bosnia and Herzegovina**, the EC assistance directly enabled the **sustainable return** of approximately 8 000 people and has contributed to the overall return of some **100 000 persons**. In addition, more than **2 700 jobs were created** for both returnees (80 %) and local community representatives (20 %).

The EC is now working on handing over the responsibility of the return issue to the local authorities. The Bosnia and Herzegovina Council of Ministers has established a return fund, and a protocol of cooperation has been established with the main international agencies involved in return aid ⁽¹⁾.

In **Kosovo (FRY)** the EC assistance is double-folded. On one hand, the European Commission is allowing grants for reconstruction/repair of damaged houses for special beneficiaries. On the other hand, the EC is establishing a housing loan scheme supporting people to reconstruct, extend or renovate their housing.

In addition, in **other parts of the FRY**, as well as the **Former Yugoslav Republic of Macedonia**, ECHO has provided assistance to refugees. Before the year 2002, the EC conceived, financed, and implemented its support to refugees and IDPs within the country assistance.

After having focused its attention on reconstruction, the EC directed its aid towards an integrated approach of return, including job creation and social integration, that has been deemed an absolute pre-condition for sustainable return. In 2002, it was deemed necessary to support inter-country return and to tackle cross-border issues. The 2002 **regional envelope** (EUR 1 million) is focused on favouring a better coherence of the different legal frameworks and implementation of the property rights, and to support regional refugee return initiatives.

6.1.5. The three Cs (coherence, coordination and complementarity) in the region

6.1.5.1. Cooperation with Member States and other donors in the region

Coordination of policy and action amongst Member States and other donors and international financial institutions is of crucial importance in the Balkans. In **Bosnia and Herzegovina**, the Office of the High Representative is mandated to coordinate the implementation of the civilian annexes of the Dayton Peace Accord. It has streamlined a framework of task forces which focus on the core challenges facing the country, and within which the Commission plays an important



© EC

Demining operation in the Former Yugoslav Republic of Macedonia

role. Additionally, the Commission organises specific coordination meetings with the Member States in order to seek complementarity between projects and to appraise the Member States of project progress and future programming lines. Each meeting includes a focal theme for discussion and reflects the programming of the CARDS.

In **Croatia**, the EC delegation is maintaining a permanent communication channel with the donor community as well, in particular with major donors such as the United States Agency for International Development (USAID) and international financial institutions, the World Bank, the European Bank for Reconstruction and Development (EBRD) and the EIB. Interaction takes place at operational and decision making level, from intensive consultations on the occasion of programming, to more sector- and project-based exchange of information and coordination.

In the **Former Yugoslav Republic of Macedonia** coordination of the international aid effort is part of the mandate of the EU Special Representative and is carried out on the basis of regular ad hoc meetings. It involves the monitoring of the political process in the country and the implementation of the framework agreement (Ohrid, 2002). The EC delegation is responsible for the coordination of donors (and implementing agencies) in the area of housing reconstruction, including financial aspects and solution of problems on the ground. Further coordination meetings take place on decentralisation and local self-government, and on police reform with the OSCE and other donors at institution and donor levels. The European Commission and the World Bank organised a donors meeting in Brussels (12 March 2002) to collect pledges for reconstruction after the 2001 conflict, and for macroeconomic assistance and support for implementation of the framework agreement. Pledges are followed up locally by the authorities of the Former Yugoslav Republic of Macedonia with support from the EC delegation, the World Bank office and technical support from the UNDP.

(1) The hand-over to local authorities should be achieved by 2004.



Rehabilitation of an asylum centre in Croatia

The EAR organises regular meetings with Member States and other donors to discuss, among other things, annual programme proposals to avoid overlaps with other donors' programmes and ensure that activities are complementary.

6.1.5.2. EIB activities

The European Investment Bank continues to play an important role in the Balkans, lending significant funds in close cooperation with the Commission and other multilateral financing institutions. In 2002, it was still concentrating on transport and telecommunications, energy production and distribution, industry (in the form of direct loans and joint ventures with European partners) and environmental protection.

Projects carried on in 2002 under the 'Quick-Start-Package' funding included a transport infrastructure regional study to identify transport investment priorities in south-east Europe at a cost of EUR 2.3 million.

In **Montenegro**, the European Agency of Reconstruction is giving the Ministry of Maritime and Transportation and the Ministry of Economy long-term technical assistance to support reform and assist in the disbursement of EIB loans worth EUR 35 million in the road and rail and energy sectors.

6.1.5.3. Humanitarian aid in the region

ECHO continued to phase out its operations in the Balkans following the return to normality in the region and the decline in humanitarian needs. As a consequence, the total budget allocation of EUR 43 million was half that of 2001. ECHO completed with-

drawal from Kosovo, Albania and Montenegro and continued phasing down in the Former Yugoslav Republic of Macedonia and Serbia. Throughout the region, ECHO paid close attention to the link between relief and development.

Most humanitarian aid for the region went to **Serbia** (EUR 37 million) where there are still large numbers of refugees and displaced persons. The funds were used to cover the humanitarian needs of the most vulnerable people (food aid, hygiene products, wood and other heating fuels), build on previous health and psychosocial activities and seek permanent solutions for refugees, both in the form of housing programmes in Serbia and help for refugees from **Bosnia and Croatia** to return home. The next largest beneficiary of humanitarian aid in the region was the **Former Yugoslav Republic of Macedonia** (EUR 3 million), where ECHO continued to build on its water supply and social sector projects. Refugees from Kosovo and those affected by the consequences of the conflict in 2001 continued to be assisted by the UNHCR. ECHO focused its efforts in this area on three priorities: emergency rehabilitation, food aid for displaced persons staying with host families and agricultural assistance (seeds and animal fodder) for displaced persons and residents of the areas affected by the conflict. In **Kosovo**, despite ECHO's withdrawal at the end of 2001, a last allocation of EUR 2 million was made to the UNHCR in support of its activities to protect minorities. In Albania and Montenegro the activities financed in 2001 were completed in preparation for ECHO's withdrawal.

European Community Humanitarian Office (ECHO) financing decisions 2002

Country	EUR million
Serbia	37
Kosovo	2
FYROM	3
Regional	1
Total	43

6.1.6. Results-oriented monitoring (ROM)

In 2002, EC assistance to Albania and Croatia was still monitored under the ROM system. The ROM was also introduced in Bosnia and Herzegovina in September 2002 and in CARDS regional programmes in December 2002. In total, 33 projects (value EUR 73.2 million) were monitored and 37 reports were produced over the year. (The majority (30) of these projects were, however, financed under the old Phare and Obnova programmes⁽¹⁾, and so the data should not be used to judge the performance of the CARDS programme as such.)

The average rating for all projects was 2.2, well below the median point of 2.5. However, it may be noted

(1) Council Regulation (EC) No 2666/2000, 5.12.2000 replaced existing Community assistance to the Western Balkans, the Phare and Obnova programmes, with the CARDS programme.

that the three new projects financed through the CARDS programme do significantly better than the regional average.

In Bosnia and Herzegovina, 25 monitoring assignments were completed in 2002 under the Bosnia-Herzegovina monitoring support project, which was in place from February 2000 until September 2002 when the new ROM started. The total contractual value of the assistance monitored was EUR 191.5 million; hence the cost of monitoring represented 0.96 % of the value of assistance in Bosnia-Herzegovina.

The projects score best with respect to 'relevancy and quality of design' and 'efficiency of implementation' (2.4), but worst concerning 'effectiveness, impact' and 'potential sustainability', averaging 2.1 for each indicator. The subcriteria reinforce the conclusion that, in general, the projects are adequately designed but are being implemented weakly and are failing to deliver the expected results and have wider effects. As a result there is little to sustain.

It is difficult to pinpoint the precise reasons for this weak performance given the relatively small sample. However, it may be a reflection of the fact that these projects were being implemented in extremely sensitive political circumstances in Albania, Bosnia and Herzegovina and Croatia, frequently in the absence of supportive and experienced project partners. There are also concerns that the weak performance of some projects is also due to the weakness of project contractors.

Of the 37 reports produced, 28 address two priority areas: trade and development (nine reports) and institutional capacity and good governance (15 projects, 19 reports). The projects in support of trade and development tend to perform significantly better than the average. The projects are 'well-designed' (2.7) and 'implemented efficiently' (2.6). However, they score less well for 'impact' (2.4) and 'sustainability' (2.1). It suggests that the institutional, human or budgetary resources necessary to sustain project results have still to be put in place.

The projects in support of institutional capacity and good governance are not progressing well. The overall average (2.0) is well below the median point of 2.5. The reports are pessimistic about the probability that these projects will deliver results (2.1), achieve the project purpose (1.7), have impact (1.8) or be institutionally or financially sustainable (1.9). The reports identify a number of reasons: contractors with little understanding of what is required to build institutional and human resource capacity; a tendency for the projects to become politicised; a focus upon political advice rather than technical assistance; the creation of parallel structures; high staff turnover due to low public sector pay.

Although there are projects in three other priority areas — macroeconomic policies and social sectors (two), transport (one) and food security and sustainable rural development (five) — the samples are too small to draw anything but the most general conclusions. The projects appear to be well designed and are progressing on time and at planned cost, but score less well on probable effectiveness, impact and sustainability.

BOSNIA AND HERZEGOVINA

Regional development — Brcko

The objective of the project was to support the sustainable development of Brcko district by drawing up a regional development strategy, providing services to SMEs and creating a local development agency. The project purpose has been achieved in full. The regional development policy is already being implemented: an investment of EUR 100 million to rehouse the Arizona Market has been negotiated, an enterprise zone comprising 30 Italian companies is being established, and a range of labour market, vocational training and SME support measures are being implemented. The local development agency is highly regarded by local stakeholders and is playing an active role, notably with respect to improved business registration procedures and the provision of support services to entrepreneurs and SMEs. The agency has signed a number of contracts with the Brcko district government to implement elements of the strategy. The many unplanned activities carried out by the contractor are reinforcing and extending the achievement of the immediate objectives. The medium-term financial and institutional stability of the project results and achievements are assured as the Brcko district government has made funds available from the district budget and assigned land to implement key elements of the development strategy. The project was rated at 3.6 (well above the median point of 2.5). It amply demonstrates the key attributes of a successful project: realistic and well-focused project design, a committed contractor working in close partnership with a beneficiary who is prepared to establish a supportive project environment and follow up project results.

6.1.7. Conclusions and perspectives

The year 2002 represents a turning point for CARDS assistance to the region. Assistance which up to then had a strong focus on reconstruction and democratic stabilisation, in particular refugee returns, has become a more strategic instrument designed to facilitate, according to the country's specific needs, the stabilisation and association process.

The design of the CARDS annual programmes in 2002 took account of lessons learnt in reviewing the implementation of the EC assistance.

ALBANIA

Coordination with other donors: Although the prime responsibility for donor coordination lies with the Albanian Government, the European Commission needs to ensure a better coordination on the ground, in particular in the field of public administration reform. The devolved delegation will be particularly well placed to do this.

Cancelling 'old' projects: Following internal reviews of progress made in the implementation of previous programmes, the Commission proposed to cancel a number of 'old' projects that had not yet started.

Devolving management: From the 2001 programme onwards, the Commission is managing the projects

directly (tendering, contracting, implementation and payments) through its devolved delegation. Together with a continued support to the project counterparts through project management units and project implementation units, the devolved management should lead to a better and quicker programme delivery.

Conditionality of assistance: The multi-annual indicative programme contains specific conditions for the EC assistance. The Albanian Government has been asked to report on these conditions regularly before and during project implementation.

BOSNIA AND HERZEGOVINA

'Participatory' preparation of the annual programme: The programming of the 2002 CARDS assistance was conducted in a transparent and participatory way. The national authorities were more closely involved in project identification than in the past, for instance several round table discussions were organised with the authorities and other donors.

Mid-term planning and duration of the projects: Project identification has been undertaken with a view to the programming of the 2003 annual programme. Like the 2001 programme, the projects within the 2002 programme have on average a longer duration than in the past, to ensure continuity of the assistance and to avoid contract extensions, the processing of which could lead to interruptions and thus to damage to the effectiveness of the assistance.

Sustainability aspects: The 2002 annual programme addresses sustainability aspects within each sector.

CROATIA

In addition to improvements similar to those made in preparation of the Bosnian and Herzegovinian programme, the 2002 programming for Croatia built on experience acquired in the course of previous years' programming and on the **training of the Croatian counterparts in project cycle management**.

THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

A series of problems has been addressed: the clear need for an overall strategy with a policy framework and **government commitment** to the reform objectives; the need for **ongoing commitment to donor coordination** and consultation meetings at programme and sector levels; the need to base annual programmes on transparent consultations with stakeholders and on the **absorption capacity of the government institutions**; and the need to **adequately supervise, monitor and evaluate project implementation including financial control systems**.

There is now an established and functioning framework for aid coordination within the Former Yugoslav Republic of Macedonian Government. The Deputy Prime Minister acts as National Aid Coordinator as well as being Minister for European Integration.

FRY — SERBIA AND MONTENEGRO

To maximise effectiveness, the EC and the competent implementing authorities must continue to **target EC assistance on a restricted number of sectors**.

Programme design and implementation must always ensure that the intended recipients of the assistance are involved in a manner that enables them to maintain a real sense of **ownership of the process** and to **transfer knowledge and develop their capacity**.

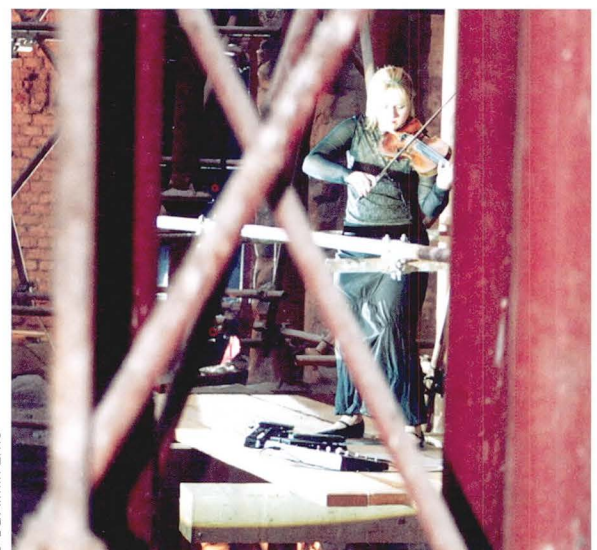
When proceeding with physical infrastructure rehabilitation efforts, it needs to be clear that the relevant **authorities are genuinely committed to the medium- and long-term measures required to ensure sustainability of the interventions**.

Close **coordination of programmes with other donors** is still critical if Serbia and Montenegro is to maximise the benefits it receives from the combined international assistance effort.

For all the Western Balkan countries, the existence of a market economy and its proper functioning is one of the criteria fixed at Copenhagen as a basic prerequisite for EU membership. The coming years will therefore see continued support for the practical reforms needed to achieve this, *inter alia* economic related legislation, budget expenditure management and revenue collection, public procurement and — at the more advanced stages of the process — competition legislation.

Attention will also be focused on the excessive size of public administrations, usually through public administration reform programmes to rationalise, downsize and streamline the public sector.

Administrative capacity does not just depend on having sufficient numbers of staff — it is also important that they are sufficiently well trained and have the necessary facilities to function effectively. A lack of adequate administrative capacity has serious implications, not just for the stabilisation and association process, but also for the general functioning of



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Concert to celebrate Europe Day (9 May) at the National Library in Sarajevo, the renovation of which was financed by the EU

government and the economic reform process. In recognition of this fact, substantial support is expected for this critical area in future years, ranging from basic provision of equipment and specialised training to support to public administration reform institutions in the region. Support for the development of basic legislation, and in particular of appropriate and robust civil service codes, will also constitute an important element of support.

In the area of justice and home affairs, the weak functioning of the judiciary is recognised as one of the key

problems hindering not just general political functioning of the State, but also the proper functioning of a market economy e.g. lack of effective economic conflict resolution. Corruption has been identified as another major problem that hinders proper political social and economic development in the region. Organised crime generally also continues to have a destabilising effect on political, social and economic developments. It requires decisive action by the international community, supported by targeted CARDS assistance, to attack the roots of the problem and facilitate sustainable solutions.

6.2. Eastern Europe and Central Asia



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In 2002, the European Union promoted its political, economic and commercial relations with the countries of eastern Europe, the Caucasus and Central Asia⁽¹⁾ through an intensified dialogue and cooperation. The implementation of the EU's common strategies with Russia and Ukraine and of the partnership and cooperation agreements (PCAs) with most of the countries of the region continued through a series of summits, councils, committees and subcommittees.

In the light of 11 September 2001, the EU has prioritised the fight against terrorism, drug trafficking and illegal migration notably in relations with Central Asia. In EU–Russia relations, the concept of the Common European Economic Space (CEES), the EU–Russia Energy Dialogue, the EU's recognition of Russia's market economy status and the question of the Kaliningrad enclave were of particular importance. In Russia, Ukraine, Moldova and Belarus, the EU has analysed the potential impact of enlargement, leading to the development of the concept of 'Wider Europe'. In both the Caucasus and Central Asia, conflict resolution and the consolidation of democracy dominated the agenda.

6.2.1. Strategic goals and achievements

In 2002, Tacis continued to work towards the overarching goal of assisting the NIS in the transition towards market economy and plural democracy. Tacis supports the implementation of the PCAs in force in nine of the NIS countries. Tacis assists these countries to fulfil their obligations under the PCAs, notably in terms of institution-building and economic reform.

In addition to ongoing support for the PCAs, there are three achievements of the Tacis programme in 2002 that are worth special mention.

The Commission adopted a new strategy for EC assistance to Central Asia, in close collaboration with the authorities in the five countries of the region. Within six weeks of this strategy being agreed with the Member States, the Tacis Committee adopted a Tacis action programme of EUR 50 million for Central Asia — a real achievement in terms of promoting regional cooperation.

Tacis marked 10 years of support to the nuclear safety sector in the NIS with a conference in Kyiv in July, a recognition of the key role the EC has played in pressing for vital reforms in this politically sensitive sector.

The EC also played an active part in the launch of a Northern Dimension Environmental Partnership, pledging EUR 50 million (of a total EUR 110 million) to improve the environment around the Baltic Sea, notably through better management of spent nuclear fuel and radioactive waste.

Ownership is always key to the success of assistance programmes. In this context, one should highlight the significance of the meeting of the Tacis national coordinators in Brussels in November 2002 — gathering the key counterparts at ministerial level from all 13 countries of the NIS and Mongolia. This was the first meeting for over two years, and an important milestone in the dialogue between the EC and the partner countries that would enhance ownership of the Tacis programme by the partner country authorities.

Furthermore, the Commission successfully completed internal management reforms, resulting in new responsibilities being given to the four EC delegations in the NIS region (Moscow, Kyiv, Tbilisi, Almaty). This will also help ensure that both the design and the implementation of the programmes are well adapted

(¹) Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

Tacis commitments and payments in the region (2002) (EUR million)				
Programmes	Commitments		Payments	
	2002	2001	2002	2001
National action programmes				
Armenia	10	0	3.3	4.3
Azerbaijan	14	0	8.6	4.6
Belarus	0	0	0.3	3.1
Georgia	14	4	5.1	3.7
Kazakhstan	see CA	14	4	6.1
Kyrgyzstan	see CA	9.1	2.6	4.4
Moldova	0	19.5	4.5	4
Mongolia	6	0	3.2	2.4
Russia	90	80	92.4	86.4
Tajikistan	see CA	0	3.3	2.9
Ukraine	67	63	28	31.2
Uzbekistan	see CA	0	7.2	6.8
Subtotal	201	189.6	162.5	159.9
Multi-country action programmes				
Cross-border	27.5	23.0	26.6	26.1
Baltic	8	6	0	0
Nuclear safety	56	51	36.6	35.8
Central Asia	50	0	—	—
Regional and other	51.1	101.7	123.4	126.2
Chernobyl shelter	20	40	20	40
ATA	15.9	12.2	19.7	5.6
Subtotal	228.5	233.9	221.3	233.7
Other budget lines				
Food aid (audit)	0	0	0	1.4
Subtotal	0	0	0	1.4
Total	429.5	423.5	383.8	395

to the needs of the partner countries, strengthen the dialogue with the local authorities, while facilitating coordination with other major donors.

Overview commitments/payments (2002) (EUR million)			
Total	2000	2001	2002
Commitments	443.8	423.5	429.5
1 296.8			
Payments	452.4	395.0	383.9
1 231.3			

6.2.2. Programming priorities

The Tacis programme is the main Community instrument for supporting the implementation of the co-operation priorities in the region. The programme's objectives are to support the transition to market economy and to reinforce democracy and the rule of law. The Tacis programme can be divided into two main categories: national and multi-country

programmes. National indicative programmes (NIPs) highlight objectives, expected results and conditionality for Tacis in the priority areas of cooperation for the period 2002–03 (2002–04 for Central Asia).

Russia is a key actor for the stability and security of the entire European continent. The EU has an important strategic and economic interest in the development of Russia. The country is both an important trading partner for the EU, in particular in terms of energy supplies, and a key partner in EU efforts to promote nuclear safety and to fight organised crime, drug trafficking and illegal immigration in Europe.

The 2002–06 country strategy paper for Russia supports the government's socioeconomic reform programme, building the legal, institutional and administrative framework necessary for the consolidation of a market economy and democracy. The EU also has an interest in contributing to the solution of Russia's serious social challenges, e.g. in health, education and social welfare. Within that context, the 2002–03 Tacis national indicative programme for Russia focuses on: (i) legal, administrative reform and regional policy; (ii) judicial reform; (iii) civil society, training and education; (iv) deregulation and corpo-

rate governance; (v) social reform; and (vi) municipal services. The indicative total budget for the two-year period is EUR 184 million.

WESTERN NIS

The case for closer **EU-Ukraine** relations will be even greater after EU enlargement. The 2002–06 CSP for Ukraine emphasises trade- and investment-related issues, judicial reform, justice and home affairs (including border management and migration questions), development of civil society and alleviation of the social impact of reforms. The national indicative programme for 2002–03 identifies the following priorities: (i) legal, judicial and administrative reform; (ii) border management; (iii) business, trade and investment promotion; (iv) civil society, training and education; and (v) social reform. The last EC contribution to the closure of Chernobyl was made in 2002. The indicative budget for the Ukraine programme for 2002–03 is EUR 115 million.

In **Moldova**, all available EC cooperation instruments should be used to contribute to the political, economic and financial stabilisation of the country. Tacis assistance in 2002–03 focuses on three priority areas: (i) institutional, legal and administrative reform, including health sector reform, cross-border cooperation, fight against crime, PCA support, civil society development and training; (ii) private sector and economic development, in particular enterprise development in rural and urban areas and export promotion; and (iii) alleviation of the social consequences of transition, including poverty reduction, social assistance and childcare. The indicative budget for the two-year period is EUR 25 million.

The EU has a clear interest in **Belarus'** political, social and economic progress towards a democratic State and a market economy, not least since Belarus will become a direct neighbour after EU enlargement. In 2002, however, the EU was seriously concerned about the continuing deterioration of democracy and rule of law in Belarus. Under these circumstances, the Commission decided to postpone the preparation of a CSP and a Tacis indicative programme to a later date. The EU, including the Tacis programme, remains committed, however, to providing support and assistance to Belarus civil society. In 2002, such activities were still financed from the 2000–01 budgets.

CENTRAL ASIA

Following the events of 11 September 2001, the Commission reflected on how to best face the development problems of **Central Asia**. While the specific issues facing each country vary ⁽¹⁾, the same kind of problems are experienced throughout the region: slow democratic and economic transition, poor human rights records, concern over Islamic radicalisation, widening income disparities and poverty in general. In 2002, the Commission prepared a regional strategy with an indicative programme for 2002–04. A total of

EUR 150 million has been allocated to implement the programme over the three-year period.

The core objectives of EC assistance to Central Asia are to promote security and conflict prevention, to eliminate sources of political and social tension, and to improve the climate for trade and investment. The assistance consists of three components: (i) a regional cooperation programme designed to promote good neighbourly relations and concertation between the countries in areas such as transport and energy networks, natural resources, international environmental conventions, and justice and home affairs; (ii) a regional support programme, implemented at national level, and designed to address the main common challenges to sustainable economic development, including investment and trade promotion, customs and border management and reform of the education sector; and (iii) a poverty reduction scheme piloted in two to three target regions.

The main challenges for the coming years faced by **Mongolia** are to overcome the problems of the agriculture and livestock, to tackle the issue of poverty reduction and to fight corruption. Given the modest budget available, EUR 6 million for 2003–04, Tacis assistance is focused on one priority area, namely rural development, including support to rural SMEs, employment generation and protection of the environment. After this period, EC assistance to Mongolia will be provided under the Community's Asia programme.

THE CAUCASUS

For all three Caucasus countries, the Commission has limited itself, given the tight budget constraints, to only two priority areas of cooperation. In all three countries support for institutional, legal and administrative reform is a priority. In both **Armenia** and **Georgia**, the second priority area is support for tackling the social consequences of transition, with poverty being a key element of the CSP. Health is given particular attention in Georgia, while the emphasis is on education in Armenia. In **Azerbaijan**, the second priority area is support to the private sector and assistance for economic development, notably to assist with the diversification of the economy from the oil and gas sector. A budget of EUR 14 million is provided for in the NIPs for both Azerbaijan and Georgia, and EUR 10 million is allocated for Armenia.

Over the 2002–06 period in Armenia one of the main EU objectives remains the closure of the Medzamor Nuclear Power Plant. The EU will also look for further ways in which it could support efforts to prevent and resolve conflicts as well as in post-conflict rehabilitation in Armenia, Azerbaijan and Georgia. Georgia's political situation in 2002 was dominated by internal conflicts, widespread corruption and deterioration of security, including that of EU citizens working for Tacis. Hence, the existing 2002–06 CSP will be revised in 2003. Throughout the Caucasus region, the EC will ensure complementarity between the Tacis programme and the food safety programme.

(1) Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

MULTI-COUNTRY PROGRAMMES

The **nuclear safety** strategy paper confirms the need to maintain EU involvement in supporting the ongoing development of a nuclear safety culture in the partner States, above all Russia and Ukraine. Closure of first generation reactors and support for the modernisation of second and third generation reactors are among the priorities. Other fields of cooperation include spent fuel and waste management, assistance to safeguard measures and off-site emergency preparedness and preparation of decommissioning. The indicative budget for 2002–03 is EUR 140 million.

The Tacis **regional cooperation** strategy framework for 2002–06 addresses some priority issues, which are shared by all or some of the partner States of eastern Europe and Central Asia. It focuses on the protection of the environment, networks (telecommunications, energy and transport), justice and home affairs, private sector investment and conversion of the activities of weapons scientists to peaceful work, plus more specific cross-border issues related to the impact of enlargement. Separate indicative programmes for 2002–03 have been prepared for regional cooperation (EUR 20 million), cross-border cooperation (EUR 58 million), scientific cooperation (EUR 20 million) and the EC/EBRD investment preparation facility (EUR 20 million). Full strategy papers, treating regional cooperation and cross-border cooperation separately, will be launched in 2003.

Within the context of the Northern Dimension, which addresses the special regional development challenges of northern Europe, an important step was taken when the first pledging conference of the Northern Dimension Environmental Partnership Support Fund took place in July. Initial contributions totalling EUR 110 million were announced by the European Commission, the Russian Federation and Denmark, Finland, the Netherlands, Norway and Sweden. The EBRD manages the two parts of the fund, the environmental component and the nuclear component.

6.2.3. Main results in 2002

6.2.3.1. Country strategies

In terms of technical assistance, the year 2002 was marked by the launch of the first country strategy papers, following the adoption of the new methodology in 2001. Strategy papers, analysing the situation and setting out the EU response, have been developed for each of the major countries and programmes and cover the period 2002–06, except for Belarus. The work was started in 2001 and in most cases concluded with the adoption by the Commission of the strategy papers by December of that year. The formal adoption of the nuclear safety strategy paper took place in January 2002. The regional strategy paper for Central Asia was prepared during the first half of 2002 and adopted in October.

6.2.3.2. Implementation

Disbursements in 2002 were at 97 % of the 2001 level (EUR 384 million compared with EUR 395 million in



Dismantling a nuclear site in Aktau (Kazakhstan)

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2001). The slight reduction was due to payments to the Chernobyl shelter fund being reduced from EUR 40 million to 20 million. The 2002 payments accounted for 86 % of the available budget. The shortfall was mainly due to two payments that were planned for 2002 being delayed as a result of administrative delays in the beneficiary States. These were the Ukraine fuel gap programme (EUR 20 million) and the Black Sea waste water treatment project (EUR 7.5 million).

CONFLICT PREVENTION, GOOD GOVERNANCE AND RULE OF LAW

Tacis support to good governance must be read in conjunction with the substantial work on public administration reform (see 'Institution-building' below). The European Union is giving continued attention to supporting the rule of law and effective law enforcement in its assistance to the newly independent States and Mongolia under the Tacis programme. Priority areas remain conflict prevention and integrated border management, combating drug trafficking and trafficking in human beings, and the development of a comprehensive migration and asylum system to combat smuggling of illegal migrants and reduce illegal migration flows.

Legal protection of economic operators

Project partner: Legal Department of the Administration of the President

Four regions: Moscow, Saint Petersburg, Krasnodar and Irkutsk

Project objectives

To help improve the legal protection of economic operators in the Russian Federation. The project has three components: improved implementation of the

law affecting economic activities in the four above-mentioned regions; improved application and enforcement of the law by arbitration courts; improved access to the legal system by making economic operators more aware of legislative matters and of the legal system as protector of economic interests. The EUR 5.37 million project was implemented between 30 December 1999 and end of June 2002.

Analysis of results

The lawmaking component has been successful both in providing recommendations to Russian lawmakers on various economic and legal topics (competition law, labour law, taxation of small economic operators, bankruptcy law, administrative disputes involving small economic operators, State liability, alternative dispute resolution, enforcement of Court decisions) and in harmonising federal law and the laws of subjects of the Russian Federation.

The training component has had significant success: training for 30 % of the judges of the arbitration courts system, while ensuring the sustainability of the effort through a specific programme of 'train the trainers', which has produced 28 trainers able to continue the training on the basis of the training materials produced by the project.

In addition to the Tacis programme, the **European initiative for democracy and human rights** supports operations in support of human rights, democratisation and conflict prevention. Activities are carried out primarily in partnership with NGOs and international organisations. In 2002, the EIDHR provided almost **EUR 13 million** for projects in eastern Europe, the Caucasus and Central Asia.

Micro-projects will be implemented by the delegations of the European Commission in three EIDHR target countries: Georgia, Russia and Ukraine.

Almost EUR 9.5 million were devoted to **promotion and defence of human rights and of fundamental freedoms**. Seven projects on the fight against racism, xenophobia and discrimination of minorities and indigenous people received financing of about EUR 5.9 million and will be run in Russia, Ukraine, Armenia, Azerbaijan and Georgia.

Almost EUR 2.7 million were devoted to the prevention of torture and to support for the rehabilitation of the victims of torture, in particular in Russia, Georgia and Ukraine.

One project supports individuals who register complaints against Russia in the European Court of Human Rights, in particular through legal assistance.

Support for the democratisation process and strengthening of the rule of law received more than EUR 1 million. Under the joint 2002 cooperation programme between the Council of Europe and the European Commission, a project to strengthen federalism, enhance democracy at regional and local levels, and improve the mechanisms to protect human rights in Russia was approved. Another project continues the EC support to the Moscow School of Political Studies

to ensure the continuation of education on human rights. A project in Georgia is designed to improve the work of the political institutions at national and local levels and to strengthen the mechanisms of the protection of human rights.

INSTITUTION-BUILDING

This is a key area of Tacis support, including both public administration reform and private-sector development. In terms of volume, this is clearly the largest sector of Tacis assistance, other than nuclear safety. Payments for the 70 ongoing projects totalled nearly EUR 50 million.

PUBLIC ADMINISTRATION REFORM

Tacis has provided support to enhance the administrative capacity and accountability of the public administrations in the region. One might highlight reform of the civil service in Armenia, strengthening the regional public administration in Moldova, support for government reform in Ukraine and for capacity-building in the government and civil service in Uzbekistan. In Russia, the Tacis programme is actively participating in a major reform of the public administration, whose improvement has been announced as a key policy priority by the President. In October 2002, Tacis launched a policy advice project on State budget reform in Russia as part of an ongoing commitment. Tacis has already offered policy advice on public procurement reform in Russia, and it continues to provide advice regarding regulations for preventing conflicts of interest in the civil service and on public access to information.

The Tacis programme needs to send a clear signal to partner countries that institution-building is high on its agenda, and that it will fully cooperate with partner countries as they seek to recast their administrations and build institutional capacity.

PRIVATE SECTOR AND ECONOMIC DEVELOPMENT

The chief obstacles to economic development across the NIS include the outdated regulatory environment, poor access to finance and investment and business practices which block best practice. In seeking to combat these problems, Tacis has focused in particular on three key issues: SME development, trade promotion, and reform of the financial sector (notably banking and insurance). Within these three broader themes, Tacis has given particular emphasis to consumer protection and anti-monopolistic regulations, actively encouraging regional investment, in addition to developing access to foreign investment. Tacis support covers a broad range, illustrated by these three examples: SME development in Moldova, audit reform in Russia, and support for the Kyrgyz Agricultural Finance Corporation. The project in Kyrgyzstan has done some pioneering work on access to credit outside the formal banking sector.

A theme of special importance is the role of Tacis in seeking to facilitate accession of countries from the NIS region to the World Trade Organisation. Tacis has as-

sisted Russia in making significant progress towards the goal of accession, through a demand-driven project, which focused on the technical aspects of issues such as dispute settlement, and sanitary and phytosanitary measures. Tacis also provided support to other States at different stages of accession to WTO. Future assistance cases such as those of Moldova and Armenia, now WTO members, will focus increasingly on building those countries' capacity to work effectively within the constraints of the WTO agreements and organisation.

Georgian Export Promotion Agency (GEPA)

The GEPA supports Georgian export-oriented industries and improves Georgia's foreign trade balance. The GEPA was founded in 1999 by the Georgian Government with the support of the European Union's Tacis programme. It offers a wide range of services to promote foreign trade. Its information services provide both Georgian and foreign companies with the latest information on markets and regulations in foreign and Georgian markets. It organises business visits and makes financial contributions to the participation of Georgian companies in international trade exhibitions.

Through training courses, the GEPA helps businesses, civil servants and commercial banks extend their expertise and capacity. The GEPA's innovative cost-sharing grants scheme helps companies design their marketing and export strategies, catering to their niche in foreign markets. The companies pay for their participation in the programme during which they draw up an 'export capacity audit', receive in-company training and devise marketing strategies. If the strategy meets the GEPA's requirements, the company is then reimbursed 50 % of the fees for participation. Currently, 16 companies are participating in the scheme.

Seventy-seven rural savings and credit cooperatives founded in Russia — Results of the project on rural cooperative credit strategies

In today's Russia, rural areas are lacking financial infrastructure. Neither private farmers nor rural entrepreneurs have access to credit or opportunities to place their savings. The existing banking system is mainly concentrated in the cities. Banks are reluctant to launch small-sized credit, in general, and in rural areas particularly.

To overcome this bottleneck, the Commission and the Russian Government designed a project to promote the establishment of rural credit cooperatives and improve the framework for credit cooperatives regionally and nationally. Credit cooperatives are self-governed units of mutual aid. Members share mutual responsibility. Credit cooperatives have a long history in Europe (Crédit Agricole, Raiffeisen, Irish Credit League, Rabobank, etc.) In Russia, a credit cooperative system existed until 1917. Since 1996, the first steps have been undertaken to recreate rural credit cooperatives in some regions.

Together, the project partners and beneficiaries — the Ministry of Agriculture, regional agriculture administrations, the National Association of Rural Credit Cooperatives and hundreds of farmers and rural



The TACIS programme has given a good deal of aid for improving public administration and making it more transparent — customs in Kazakhstan

entrepreneurs all over Russia — achieved sustainable results with this project.

Seventy-seven new credit cooperatives have been founded all over Russia, 50 % of all rural credit cooperatives existing today.

Four regional-level associations (Yaroslavl, Saratov, Buryatia, Novosibirsk) have been created as joint cooperatives of the local credit cooperatives.

Three thousand five hundred trainees have successfully participated in more than 100 seminars covering all aspects of setting up credit cooperatives and managing them.

Regional laws in Saratov, Altaiskij Krai Buryatia Republic and Yaroslavl have been drafted and approved by the regional Duma.

After long and difficult negotiations, discussions and seminars, a national credit cooperative framework law has been successfully presented to the national Duma.

One national and three regional credit cooperative training centres have been established.

The 39 credit cooperatives located in the four pilot regions made more than 2 000 loans in 2002, with the size of the loans averaging nearly EUR 1 500. That makes a total of more than EUR 3.5 million. This means that the total volume lent through the credit cooperatives increased 14-fold during the life of the project (1999–2002), while the number of loans launched increased nearly fivefold.

The repayment rate was 97 % on average for all credit cooperatives over the years.

REGIONAL COOPERATION//INTEGRATION

Tacis supports the objective of regional cooperation through three principal programmes: the Tacis



Arrival at Azerbaijan State Railways of 102 oil tank wagons purchased with an EU grant under the Tacis-Traceca programme. Each tank wagon will transport a 65 tonne liquid consignment and is equipped with a modern heating system

regional programme, which provides support to all 13 countries of the NIS and Mongolia; the Tacis cross-border cooperation programme (targeting Russia, Ukraine, Moldova and Belarus, which border the current EU candidate countries); and the Baltic cooperation programme, of particular importance in the context of the Northern Dimension. The Tacis regional programme focuses on three priority areas: justice and home affairs, environment and development of networks. The crossborder cooperation programme addresses issues of border management, environment and crossborder economic development. In terms of volume, Tacis supports over 80 ongoing projects, 60 of which are small-scale, targeted initiatives for cross-border cooperation, with payments totalling about EUR 25 million. In addition, in 2002 Tacis wound up around 30 regional cooperation projects, with payments amounting to EUR 35 million.

► *Justice and home affairs*

The fight against organised crime activities is a key priority for the EU in its relations with the NIS region. The objective is to develop a coherent approach in the countries of origin, transit and destination. This approach aims to reinforce local capacity to face the structural problems of poverty, unemployment and lack of education, and the rise of new criminal activities.

This approach implies:

- a balanced implementation strategy embracing the rule of law, in particular by means of legal assistance and training of judges or law enforcement officers in order to strengthen their capability to enforce national legislation complying with international standards and human rights;
- the equipment and training of law enforcement agencies in order to allow them to fight more efficiently against organised crime, drug trafficking and trafficking of human beings, at the national, regional and international levels, notably by the

improvement of their coordination and intelligence capacities in partnership with their EU counterparts;

- increasing the awareness of the targeted groups in the populations by prevention and information campaigns; and finally,
- the development of the national and regional capacities to assess the situation and to elaborate appropriate national action plans and legislation.

From April 2002, the anti-drug activities started again in Central Asia and have been extended, with the same components, in the southern Caucasus, Ukraine, Moldova and Belarus. The combination of demand-reduction and supply-reduction activities allows a better acceptability of the programmes by the beneficiary countries and will be complemented by the development of an epidemiological capacity component.

In Ukraine, Moldova and Belarus, future neighbours of the enlarged EU, emphasis is being placed on the preparation of an integrated border management policy and the setting up of a comprehensive migration and asylum system to combat smuggling in illegal migrants and to reduce illegal migration flows, both at the regional and national levels.

In parallel, after the implementation in 2001 of a first anti-trafficking project in Ukraine, with the support of the International Organisation for Migration, comprehensive projects are being carried out to combat trafficking in women in Moldova and Belarus. These projects are completely in line with the strategy mentioned earlier. This EC initiative paves the way for further actions in this field.

Further assistance through the work of the cross-border cooperation programme continued in 2002. These projects concentrated on the Tacis priority areas of administrative reform, and local and regional economic development. The projects also aimed at addressing social needs and environmental issues.

The EU also implemented cross-border projects of a considerably larger nature including four projects of up to EUR 2 million. Worthy of note was the Odessa region, which had some initial success in assisting economic development and cross-border trade relations with Ukraine and Romania.

This programme has increasingly become 'demand driven' with the emphasis firmly on Russian, Ukrainian, Moldavian and Belarusian counterparts to identify needs and take a lead on project management and identification. Examples of these projects included projects aimed at tackling local unemployment blackspots such as Pskov in Russia, a centre for SME support and development in rural Moldova and a project in tourism development in north-west Russia, a region containing areas of unspoiled lakes and forests.

TRANSPORT AND INFRASTRUCTURE

As stated above, infrastructure development is an important aspect of Tacis regional cooperation, with sup-

port being focused on three key themes: transport (notably through the Traceca programme, for transport development in the corridors of the Caucasus and Central Asia); energy (in particular, through the Inogate programme for oil and gas development in the NIS); and enhancement of border-crossing facilities, in particular in Russia, Ukraine, Moldova and Belarus.

► *Transport*

Eleven new Traceca contracts have been signed with a total budget of EUR 14.2 million. The seven investment contracts concern the improvement of infrastructure of Caspian and Black Sea ports, the construction of two bridges and the supply of oil tank wagons for the railways in Azerbaijan. The four technical assistance contracts concern the creation of a common legal base for transit transportation, feasibility studies for road transport projects in the Caucasus and for the rehabilitation of railways in Central Asia and the railway transit oil logistical centre in the Caucasus.

Two feasibility studies were launched in 2002: the first concerning the road link between Baku, Tbilisi and Yerevan and the second a road facilitation project, concerning the creation of road transport training centres.

As regards air transport, four projects were completed: two in Russia, one in Azerbaijan and one in Uzbekistan. Of these, one might highlight the provision of training to the Civil Aviation Authority in Uzbekistan, enabling them to operate with the internationally recognised International Civil Aviation Organisation (ICAO) practices. The Azerbaijan project was not so successful and was terminated before completion due to lack of support from the government. The project had the ambitious objective of setting up the Ministry of Transport, and it had to be closed because the reform of the sector was progressing too slowly.

Two transport projects were completed satisfactorily in Russia: the introduction of western European specification for road design and construction and the preparation of legislation on behalf of the Ministry of Transport for regulating surface transport.

► *Border-crossings and infrastructure*

In 2002, with regard to completion of infrastructure projects funded under the cross-border cooperation programme, 10 contracts were closed as construction works, including equipment supply, at border crossings in Russia, Moldova and Ukraine were completed. Another similar ongoing project in Kaliningrad is on schedule and will be completed by mid-2003, while construction of a waste water treatment plant in north-west Russia should also be completed by November 2003.

One project in Russia had to be closed before reaching implementation as the local recipient demonstrated a clear lack of interest in fulfilling their co-funding duties. Despite strong pressure being applied on the concerned authorities, it was also not possible to commit new projects in 2002 due to land issues problems or lack of proper design dossiers. Both aspects are entirely in the hands of the recipients.



© EC
AIDS prevention and awareness programme for Ukraine — street happening in Kiev

FOOD SECURITY AND RURAL DEVELOPMENT

During 2002, there were ongoing Tacis agriculture and rural development projects in Russia, Ukraine, Moldova, Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan and Mongolia. In terms of volume, there were just over 10 ongoing projects in this sector, with payments totalling over EUR 15 million; almost 15 projects were closed, with payments totalling over EUR 20 million. Most of them concentrated on the traditional sector topics such as agricultural advisory services, crop and livestock development, agricultural education and research, seed development, on-farm irrigation, food processing and the establishment of marketing structures. The first dedicated rural development project also started during the year in Uzbekistan.

In Russia, four projects were closed in 2002. Two of these dealt with issues crucial for the development of private farming in the country: restructuring of privatised ex-collective farms in the Central Black Soil region and the Lower Volga region; promotion of rural credit cooperatives in three selected regions of Russia. Two additional ongoing projects supported the creation of extension services in South Russia and the enhancement of competitiveness by food producers in Siberia respectively.

However, development of the agriculture and rural development sectors in NIS countries still faces many inherent obstacles, such as a difficult climate (e.g. insufficient rainfall), carry-over of unfavourable policies from Soviet times (e.g. State crops), problems with establishing ownership rights to land, lack of irrigation and inadequate mechanisation. There are also difficulties with the general lack of profitability of the sector and access to finance owing to the perceived risk of the sector.

HEALTH

Alcohol consumption, drug addiction and the suicide rate are high in the NIS. The population of Russia is declining by one million each year. The life expectancy

for males is now less than 58 years. Diseases that could be prevented by immunisation are reappearing. The AIDS epidemic might turn into a national security threat. Environmental risk factors and socioeconomic trends have drastically increased mortality from heart disease, violence and injuries.

The NIS are in an emerging crisis of grave proportions with poverty, unemployment and crime increasing, while the quality of social services is decreasing. Governments lack systems for disease surveillance, funds to purchase retroviral medicines or the facilities to care for the diseased. The programmes for health are poorly structured or non-existent, and the health budget is very low.

The majority of the population finds it difficult or impossible to obtain healthcare, with access to healthcare being determined by social or political status. Small countries are not technically self-sufficient to face epidemics.

In 2002, Tacis had around 10 ongoing projects in the health sector with payments totalling about EUR 7 million. In addition, three small-scale projects were completed (for about EUR 1 million).

Tacis has provided support on a range of issues in Russia, notably a public health project in the north-west concerned with specific aspects such as primary healthcare, preventive medicine, medical education, prevention of mother-to-child HIV transmission, and cardiovascular diseases. Additional smaller-scale measures have provided assistance on preventive healthcare policies and programming, support for victims of gender violence and a project on palliative care. The fight against drug abuse is a growing concern, which Tacis has helped to tackle through a number of measures — by seeking to reduce illegal drug consumption, by fighting narcotics use in the region of Karelia and through peer education of narcotics users to reduce harm caused by addiction.

Health has also been an important area of Tacis in Ukraine. Key focal areas include a major initiative set up on HIV/AIDS prevention, support for the organisation of a national pharmaceutical administration and a small-scale project on health and social care for the elderly. The HIV/AIDS prevention initiative benefits from an active support of local and regional administrations and non-governmental organisations (NGOs). The project on the organisation of the national pharmaceutical administration enabled the Ukrainian pharmaceutical industry to produce drugs of international 'Good manufacturing practice' standards. As a result, high quality and affordable medicine will be available to the Ukrainian population and pharmaceutical exports possible. Likewise, in both Moldova and Uzbekistan health support has been identified as one of the priorities.

For the remainder of the NIS, health has not been high on the priority list for support in negotiations with the partner governments, despite the undoubted problems in the health sector in all these countries. Tacis has undertaken some successful, small-scale targeted initiatives, for example hospital management in Belarus, primary healthcare for IDPs in Azerbaijan and combating tuberculosis in Kyrgyzstan.

EDUCATION

When the Soviet Union collapsed in 1991, levels of literacy and school attendance were equivalent to those within the EU. Since the early 1990s, a clear negative trend has been observed in education indicators. This is alarming, particularly bearing in mind the millennium goals on education which aim at enrolment of all children in primary education by 2015.

Furthermore, vocational education and training (VET) and higher education in the NIS countries are challenged to meet the new needs of enterprises on the emerging market economies. A functional VET system is also a prerequisite in the fight against growing unemployment. Consequently, in 2002, the Tacis programme focused on supporting vocational education and training and higher education.

Support to higher education has been channelled through the Tempus programme. Tempus supports the reform and restructuring of the higher education system and its adaptation to the new socioeconomic needs. The priority areas for Tempus, jointly defined by the European Commission and the national authorities, are the following: curriculum development, reform of management of higher education institutions, improving skills-related training required by industry and strengthening of democracy.

In the area of vocational education and training, the European Union is continuing to support the NIS countries in upgrading and modernising their VET reform programmes. During 2002, the European Training Foundation (ETF) finalised the second phase of the pilot project on vocational and training reform in north-west Russia in cooperation with the International Labour Organisation (ILO) and the EU Member States. This project has developed an innovation model for regional VET reform both at school and at administrative levels.

The Tempus programme proved to be a successful tool in the higher education sector and since 2002 the Commission has been working on a reform to simplify and speed up the procedures to allow a more flexible, efficient and quick use of existing Tacis funds for education. This reform process is also a key priority for the programme in 2003. The total amount for ongoing education projects in 2002 was EUR 35 million.

The management training programme continues to make a real impact on Russian businesses. In 2002, as many as 700 junior and middle managers were offered placements by EU companies.

Obstacles of language and culture still exist but the programme and partners are making a point of learning from the experience of the last few years and building on much that has been positive.

MACROECONOMIC POLICIES

On the basis of Council decisions, the European Union has in recent years provided macrofinancial assistance (MFA) to Belarus, Ukraine and Moldova, and to Armenia, Georgia and Tajikistan. Macrofinancial assistance, in the form of loans or grants, is conditional on the im-

plementation by the countries concerned of economic programmes supported by the IFIs and of specific structural reforms of interest for the EU. Amongst such structural reforms are the improvement in the functioning of public finances, restructuring and privatisation of large State enterprises, reforms in the energy and telecommunications sectors, reform of the banking system, etc. In 2002, under MFA programmes, the Commission provided to Armenia a grant of EUR 11 million. Also, two new Council decisions replacing existing programmes were adopted: a EUR 110 million loan to Ukraine (replacing a loan of a smaller amount provided under less favourable financial conditions) and a EUR 15 million grant to Moldova (replacing a loan of an equivalent amount). The implementation of these two operations had not started in 2002.

In 2002, Tacis provided additional support to the macroeconomic development of the NIS region with a dozen projects, now completed, and another 10 in progress. These projects included the economic trends initiative, State budget reform in Russia and tax projects in Russia and Kazakhstan. Much emphasis was placed on influencing policy at high level with regard to assisting partner countries on economic modelling and fiscal and taxation policy.

ENVIRONMENT

The disbursement trend continued to improve, with 95 % of the forecast achieved. Projects continued to cover a wide range of areas, with policy reform, biodiversity, and water management leading the field. Policy projects that attempt to cover the whole region have shown a weak commitment from beneficiaries. The lesson is to focus on a more homogeneous grouping of countries, and follow-on policy projects will do so.

Following the changes in the Tacis regulation of 2000, environment is now moving into investment support, both in co-financing and in preparation. The joint environment programme, which promotes environment investment, was 'topped up' during 2002, to EUR 6 million, and was closed off in December 2002. At the same time, a new phase was launched, also for EUR 6 million. This project has catalysed about EUR 85 million of lending for environmental projects in the NIS region. One disappointment was that a grant co-financing project in the Ukraine to reduce Black Sea pollution fell through when the IFI loan concerned was rejected. However, we were able to substitute sufficiently mature investments in the Black Sea (Crimea) with similar impact on nutrient pollution.

Increasing divergence of political aims and interests continue to affect implementation of international conventions and thus the impact of transnational environmental projects. Progress on the creation of an International Peace Park in Central Asia is currently stalled. However, good results emerged from finding alternative rural industries in national parks. River basin management projects continue to have a high buy-in and impact, and this regional cooperation aspect will continue to be the focus of the new programmes.

On 9 July 2002, the first pledging conference for the Northern Dimension environmental programme (NDEP) support fund took place in Brussels. The Russian Federa-



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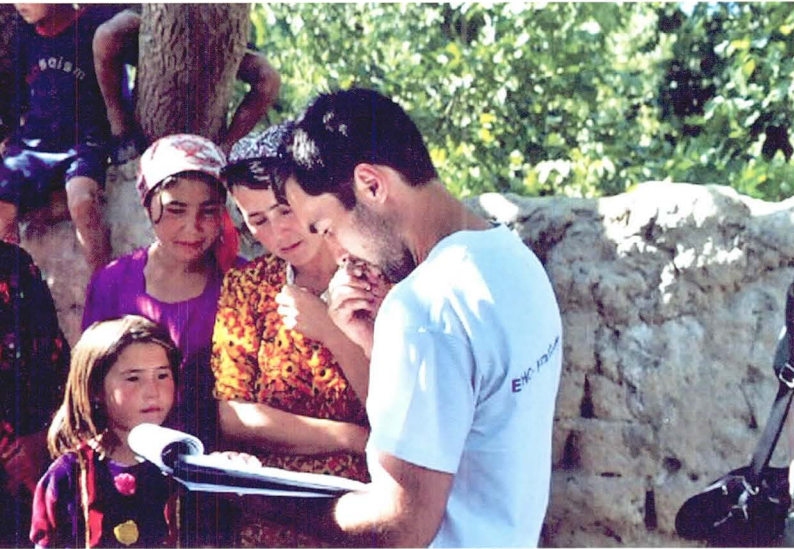
tion, the European Commission and five other countries announced their intention to contribute a total amount of EUR 110 million to the support fund. The Commission pledged a contribution to the NDEP support fund of EUR 50 million, or 45 % of the pledged amount to date. Of the Commission's contribution EUR 40 million have been earmarked for nuclear projects.

The NDEP is a new initiative, launched in 1999. It is a partnership of the European Commission, Russia, the EBRD, the EIB, the Nordic Investment Bank (NIB) and the World Bank, strongly supported by EU Member States plus Norway. Other potential contributors are considering joining the effort. It aims to bring together the EU's external policies and instruments operating for the benefit of the countries around the Baltic Sea to improve environment and the management of spent nuclear fuel and radioactive waste, with a focus on north-west Russia.

NUCLEAR SAFETY

A major event in the nuclear safety programme was the International Conference for the 10th anniversary of Tacis activities, held in Kyiv from 10 to 12 July 2002. The implementation over the period 1991–2000 of about 600 projects for in excess of EUR 640 million, was praised by all the beneficiary countries.

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 NIS. 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. Nuclear power plants (NPPs) are being modernised with the provision of equipment (e.g. installation of fire detection system in Beloyarsk NPP, supply of Tritium measurement equipment to Kola NPP, etc.).



Monitoring beneficiaries at Yodgor (Tajikistan)

The support to the nuclear regulators and their technical support organisations encompasses everything related to strengthening the role of beneficiary national authorities. The negotiations concerning the licensing of three Russian nuclear power plants' upgrading projects were successfully concluded in 2002. In Belarus, Armenia and Kazakhstan, projects have been designed to renew the institutional support to the nuclear regulators.

In Chernobyl, Tacis has continued its assistance towards the decommissioning of Units 1, 2 and 3. Tacis is funding the construction of an industrial complex for solid radioactive waste (ICSRM) arising from the decommissioning. The Community is also the biggest donor to the Chernobyl Shelter Fund project, managed by the EBRD, and designed to convert the damaged Unit 4 into an environmentally safe site.

NON-PROLIFERATION OF EXPERTISE IN THE NIS

The fall of the Soviet Union created an unprecedented threat to world security, through potential brain drain of weapon of mass destruction (WMD) scientists and transfer of weapon technologies towards 'rogue' States, terrorist or criminal organisations determined to acquire this expertise.

The response of the international community has been managed in a pragmatic way, establishing two science and technology centres — the International Science and Technology Centre (ISTC) ⁽¹⁾ in Moscow and the Science and Technology Centre of the Ukraine (STCU) ⁽²⁾ in Ukraine — and seizing this opportunity to engage WMD scientists into research and development for peaceful purposes. A decade after the establishment of the science centres, the risk of proliferation of WMD remains high on the international agenda.

The ISTC and the STCU are intergovernmental sister organisations that are partly funded by the European

Commission. The ISTC agreement was signed on 27 November 1992 by the United States, Japan, the European Commission and the Russian Federation. The STCU agreement was first signed in 1994 between Ukraine, Canada, Sweden, and the United States. The European Commission joined in November 1998.

The main purpose of both centres is to give Russian and NIS scientists and engineers that possess knowledge and skills related to weapon of mass destruction or missile delivery systems, opportunities to redirect their talents to peaceful activities. The centres are and remain WMD non-proliferation programmes, allowed by governmental decrees to operate within the limit of military territories where R & D is being conducted. The centres' mission is therefore to organise the redirection of WMD scientists' activities, through supporting innovative projects in science and technology. In so doing, these programmes are expected to induce business opportunities for both NIS and EU companies through launching of new commercial joint ventures.

The total budget between 1994 and March 2003 from all parties to the ISTC (STCU figures in brackets) was approximately EUR 441 million (EUR 64 million), which supported about 1 628 projects (455 projects) and 51 000 scientists (11 000 scientists). The EC contribution, through the Tacis programme, for this period was EUR 77 million to the ISTC and EUR 12 million to the STCU. In 2002, 301 new ISTC and 96 new STCU projects were funded for respectively EUR 78.6 million and 15.5 million. The ISTC supported 26 500 participants, for a total of grant payments reaching EUR 42.5 million, while the STCU supported 4 200 participants. Projects have been conducted in the areas of biotechnology, environment, information technologies, nuclear safety, chemistry, space technology and energy.

Despite its successes and the passage of a decade, the NISs supported by the ISTC and the STCU have not yet been able to reach a position where they are able to support their former WMD scientists without outside assistance. The parties to both centres recognised therefore that, to accomplish their non-proliferation objective might require supporting the centres until the end of this decade.

However, the agreement recognises 'that the success of the centre will require strong support from governments, foundations, academic and scientific institutions, and other intergovernmental and non-governmental organisations'. In that regard, the partners' programme instituted by the ISTC in 1998 contributes to enhancing the ISTC's ability to reach its non-proliferation objective. It further establishes the root of an exit strategy for the parties so that the centres can continue operating at the present level once parties' designated centres' funds begin to disappear.

In addition, the overall international environment provides a new impetus to build upon the successes of the ISTC, undertaking further activities in support of the global partnership towards non-proliferation and disarmament, launched at the G8 Summit held in Kananaskis in 2002. Indeed ISTC and weapon labora-

⁽¹⁾ The member countries of the ISTC are: the Russian Federation, Kazakhstan, Kyrgyzstan, Belarus, Armenia, Georgia and Tajikistan.

⁽²⁾ The member countries of the STCU are: Ukraine, Georgia, Uzbekistan and Azerbaijan. Discussions are ongoing with Moldova to accede to either the STCU or the ISTC agreement.

tories benefiting from ISTC activities, have already conducted preliminary S & T projects to qualify technologies necessary to future large undertakings of the global partnership, favouring therefore involvement of Russian engineers in conducting 'Disarmament projects'.

PARTNERSHIP — CIVIL SOCIETY AND NGOS

The European Union is committed to the continued support of civil society, and 2002 has seen the consolidation of this commitment with a widening of support throughout the Tacis region. Geographically, support has increased in regions that have been less supported in the past. Up to 2002, 269 civil society projects involving 600 organisations in the Tacis region received support from the European Commission. In 2002 alone, 74 projects were selected for funding, involving approximately 300 organisations, through the civil society component of the newly-formed institution-building partnership programme (IBPP). In total, 90 civil society projects have received EUR 15 million worth of funding while 56 projects totalling EUR 7 million have reached their conclusion throughout the year.

Difficulties have arisen in countries with more authoritarian governments. Such governments are suspicious of civil society and it is difficult to secure. Belarus, for example, introduced a taxation law related to international donor activities in 2002. The result has effectively been the suspension of implementation of civil society projects in that country. Twelve selected IBPP support to civil society projects amounting to EUR 2 million have yet to receive contracts due to this unresolved situation. The Belarus civil society development programme has also been adversely affected with no new contracts in 2002. A more concerted effort is required to ensure that civil society receives adequate levels of support in such countries.

The new programme builds on the previous 'Tacis Lien' (NGO partnerships) and 'Tacis city twinning programme' (local/regional authorities' partnerships) and is designed to support an institution-building process through partnership and cooperation between non-governmental organisations, local/regional authorities and non-profit-making professional organisations. The focus of support has been to encourage the development of initiatives at a local level, strengthen the diversity of civil society throughout the region and ensure contacts through international networks for an exchange of information, ideas and skills. This programme, which aims at economic, social and cultural rights, is a vital and unique tool in the Tacis region. The EU visibility is high amongst the region's populations in addressing the consequences of transition and fighting marginalisation and poverty.

A first call for proposals, with a budget of EUR 15 million was published in December 2001 with a submission deadline in April 2002. From 267 proposals, 74 projects were selected for funding. Most of these projects will start at the beginning of 2003 and will run between 18 and 24 months. EUR 9 777 778 of the EUR 15 million were dispersed in 2002. The rest will be dispersed in 2003.

A second call for proposals with a budget of EUR 11.7 million was launched in December 2002 with a submission deadline in April 2003. Approximately 300 applications are expected.

6.2.4. The three Cs (coherence, coordination and complementary) in the region

6.2.4.1. Cooperation with Member States and other donors in the region

The delegations of the European Commission maintain a regular dialogue with Member States' embassies, IFIs and other major donors. Thus, in Russia for instance, during the past year, the EC presence has been assured at all donors' coordination meetings, in particular in the areas of administrative reform, judicial reform or healthcare where the delegation can assume a leading role.

The national coordinating units carry out regular meetings with other donors and IFIs, assuring synergies and effective exchange of information.

Member States' embassies are invited to take part in major events related to projects, especially if they are organised with the support of the delegation.

Concrete examples of donor coordination are, for instance, the donor inter-agency meetings in healthcare organised by the World Health Organisation and held at the delegation every month. The delegation is also a member of the working groups under the auspices of the ILO and the UN, which are organised to discuss issues related to social policy, such as pension reform, labour markets and poverty reduction.

Last year, the preparatory works for the sludge incineration plant linked to the south-west waste water treatment plant in Saint Petersburg, a complex investment project, served as a platform for permanent contacts with other donors such as Denmark, Finland and Sweden or international financial institutions such as the EBRD, EIB and NIB.

6.2.4.2. Humanitarian aid in the region

ECHO completed its withdrawal from Ukraine, Moldova and Belarus as part of a progressive shift to other more appropriate aid instruments. In Central Asia, ECHO continued its support (EUR 10 million) for Tajikistan, directing it more towards vulnerable groups now hit by the combined effects of drought, civil war and the socioeconomic crisis. In the southern Caucasus, despite a scaling-back of aid the previous year, ECHO had to come to the aid of those once more affected by drought (EUR 700 000 in Georgia and EUR 500 000 in Armenia), and then resume its assistance to the most vulnerable people in Georgia, especially around Abkhazia (EUR 1.3 million). In the northern Caucasus, ECHO continued to provide aid for victims of the conflict in Chechnya. In the absence of a political settlement of the conflict, no improvement in the life of the civilian population of Chechnya took place in

European Community Humanitarian Office's financing decisions (2002)

Country	EUR million
Northern Caucasus (Chechnya)	28
Armenia, Georgia	2.5
Tajikistan	10
Total	40.5

2002. Despite the persistent difficulties with access and increasingly precarious security conditions, EUR 28 million was therefore allocated in 2002 to help the most vulnerable displaced persons in Chechnya, Ingushetia and Dagestan.

6.2.4.3. EIB activities

The European Investment Bank mainly concentrates its actions within the EU and in specific projects in selected regions. In 2002, the EIB joined the Commission (and other international finance institutions) in the Northern Dimension Environmental Partnership. This initiative pools contributions and ensures international cooperation for priority environmental projects of up to EUR 100 million in total.

6.2.5. Results-oriented monitoring

During 2002, the Tacis monitoring team monitored 366 projects (calculating multi-component regional programmes as a single project or 447 if multi-component regional programmes are counted separately), producing 600 reports for the Tacis region. In parallel with the ongoing usual work of project monitoring, the methodological challenge to harmonise the Tacis monitoring system with the results-oriented monitoring was achieved: since 1 December 2002, the ROM is being applied to the monitoring of all projects scheduled to close after 30 June 2003. Of the 600 reports, 578 were drafted utilising the previous 'activities-oriented' Tacis templates and 22 reports using the ROM system.

The sample of ROM reports in the Tacis region is statistically small (22 for 17 projects) and therefore it is only possible to draw some general conclusions at this stage regarding project performance in one of the priority areas, institutional capacity and good governance (13 reports). The average score for all other reports together is 2.7, while for institutional capacity and good governance it is 2.2, well below the median point of 2.5. Although the projects are initially well-designed and enjoy the policy support of the beneficiaries, there are concerns about the efficiency, effectiveness, potential impact and sustainability of these projects. The monitoring reports highlight three primary causes: limited understanding on the part of contractors as to what is involved in building institutional capacity; a tendency to establish new institutions rather than reform and enhance the institutional capacity of existing structures; and a failure to ensure that the necessary human resources and budgetary support are available prior to the commencement of a project.

TACIS 'INPUT-ACTIVITY' MONITORING

In 2002, 349 Tacis projects to a value of over EUR 730 million were monitored utilising an 'input-activity' approach, covering the assistance provided through the national, small project, horizontal/regional and the strategically important nuclear safety programmes. There has been a gradual, but discernible, improvement in project performance throughout the project lifetime. The previous Tacis monitoring system has been in operation since 1993, over which time empirical evidence suggests that the monitoring activity, combined with responsive project management, has a positive effect upon project performance. In particular, significant improvement can be seen in contractor's performance and in the greater commitment and satisfaction of project partners.

Monitoring of the Tacis national programmes (162 projects, value over EUR 330 million) is grouped under the six areas of cooperation. Projects in support of **institutional, legal and administrative reform** (64 projects, value EUR 132 million), **private sector and economic development** (52 projects, value EUR 123 million) and **addressing the social consequences of transition** (14 projects, value EUR 28 million) are well-designed, relevant and implemented efficiently and they are well supported by the project partners. If there is one reservation, it is as to whether the results are financially and institutionally sustainable.

Although the projects in support of the development of infrastructure networks, (12 projects, value EUR 20 million), promotion of environmental protection (12 projects, value EUR 22 million) and development of the rural economy (8 projects, value EUR 10 million) could have better developed initial design, they nevertheless all progress to reach or surpass the median point by project end. The sector which has shown the most progress is development of the rural economy, where the average rises from 1.8 during the first mission to 3.6 at project end.

The small projects programme (SPP) (57 projects, value EUR 16 million) consistently outperforms the overall Tacis average. They score particularly well on relevancy and commitment and contribution of the project partners. However, they score less well on work planning, sustainability and achievement of objectives, perhaps reflecting the fact that for those implementing small projects, the implementation of the activity is itself the primary goal.

The nuclear safety projects (83 projects, value EUR 238 million) are mostly implemented in a particularly difficult environment. They generally tend to begin weakly as a result of poor project design and frictions between contractors and beneficiaries during project start-up. However, the average score rises sharply throughout the lifetime of the project. The improvement is particularly noticeable with respect to project relevancy, project partners' commitment and involvement and contractors' performance. Nevertheless, the scores for delivery of results and achievement of project purpose remain comparatively low. The main problem is that these projects frequently involve the purchase of safety equipment and the procurement process causes lengthy delays to project implementation and consequently the delivery of results.

The regional/horizontal programmes projects (47 projects, value EUR 146 million) improve significantly over time. The main areas of improvement are with respect to contractors' performance and project partners' commitment and involvement. Nevertheless, these projects consistently underperform on all indicators when measured against the average, most notably with respect to project design, sustainability and achievement of project purpose.

Below is an example of a project where monitoring had an immediate impact upon project performance.

UZBEKISTAN

Support for the implementation of the EU–Uzbekistan partnership and cooperation agreement

During the first monitoring mission for this strategically important project, the monitors drew attention to the fact that the contractor's performance was poor: there was limited backstopping and logistical support, the project planning was ill-defined and the inception phase inconclusive. The project performance was rated at 2.75, well below the median point of 3.0. The project manager reacted immediately and a meeting was organised with the contractor in Brussels. The contractor subsequently agreed to implement the monitors' recommendations. The follow-up monitoring mission concluded that the project was back on track and likely to

achieve all the planned results. The project is now rated at 3.8, well above the median.

6.2.6. Conclusions and perspectives in the years to come

In 2002, work began to assess the potential impact of enlargement on EU relations with eastern Europe and Central Asia. In the future, the EU will develop further the implications of the 'Wider Europe' concept, which aims at enhancing stability and narrowing the prosperity gap on the new external borders of the EU. This will lead to increased support for activities that promote cross-border cooperation, particularly with respect to Russia, Ukraine, Moldova and Belarus.

In the Caucasus and Central Asia, the EU will continue to prioritise regional cooperation, notably through measures aimed at poverty reduction and economic growth, and, where appropriate, conflict prevention.

In terms of implementation, the emphasis will be on consolidating the management of EC assistance in the field in the light of the successful devolution of responsibilities to the four NIS delegations in 2002. This will require further work in terms of ensuring that the delegations have the support they need to carry out their new responsibilities.

6.3. Mediterranean, Near and Middle East



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The Euro-Mediterranean partnership was launched eight years ago as a sign of a joint commitment to promote peace, prosperity and mutual understanding in a region too often characterised by conflict, poverty and division. Today, it is worth reaffirming the strategic importance of that partnership, established in Barcelona in 1995 by the 15 Member States of the European Union and the 12 Mediterranean partners. As a model for cooperation, it 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. The Euro-Mediterranean partnership 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.

6.3.1. Strategic goals and achievements

6.3.1.1. Barcelona Process

In 2002, the most important meeting of the Barcelona Process was the Euro-Mediterranean Conference of Foreign Ministers in Valencia on 22 and 23 April.

The conference agreed on reinforcing the Barcelona Process with a renewed mutual commitment to contribute to peace and stability in the region.

The Valencia action plan adopted unanimously at this conference, includes:

- ▶ in the political and security chapter, the reinforcement of the political dialogue, and the creation of a Euro-Med Parliamentary Assembly;
- ▶ in the economic and financial area, to complete the grid of Euro-Mediterranean association agree-

ments, to promote regional trade and integration (notably through the adoption by general consensus of an action plan focusing on developing the South-South dimension, the 'Agadir initiative'), to ensure sustainable development and a high degree of environmental protection and to create a reinforced facility within the European Investment Bank (EIB) to mobilise further funds for the region. The development of regional transport and energy infrastructure, in particular interconnections (development of transport and energy trans-Euro-Mediterranean networks) and the importance of and priority attached to regional energy interconnection projects of common interest was also confirmed at the Euro-Mediterranean Energy Ministerial Conference held in Athens on 21 May 2003;

- ▶ in the social, human and cultural dimension, the launching of a regional programme on justice and home affairs, and the creation of a Euro-Med Foundation to promote further dialogue of cultures and civilisations.

Euro-Mediterranean ministerial meetings were held on trade, industrial cooperation and environment. Overall, the political profile of the Euro-Med partnership has been enhanced despite the negative background of the Middle East crisis.

6.3.1.2. Association agreements

At present, the Euro-Mediterranean association agreements concluded with 11 partner countries (to be finalised with Syria) constitute the main framework for bilateral cooperation with the EU. These agreements also reinforce links between the partner countries at regional level, together with the initiatives being implemented by the Mediterranean partners themselves, particularly the Agadir process, on which major progress was made during 2002.

Country strategies		
State of play	Association agreement (AA)	CSP/NIP
Algeria	AA signed 22 April 2002	Memorandum NIP signed 18 June 2002. Indicative budget: EUR 150 million
Jordan	AA entry into force 1 May 2002. First AA Council held on 10 June 2002	Memorandum NIP signed February 2002. Indicative budget: EUR 142 million
Lebanon	AA signed 17 June 2002	Memorandum NIP signed 4 March 2002. Indicative budget: EUR 80 million
Morocco	Association Committee 13 March 2002	Memorandum NIP signed 24 January 2002. Indicative budget: EUR 426 million
Egypt	AA signed 25 June 2001	Memorandum NIP signed February. Indicative budget: EUR 351 million
Syria	AA ninth round of negotiations took place in November 2002	Memorandum NIP signed 4 April 2002. Indicative budget: EUR 93 million
Tunisia	Association Council 29 January 2002. Association Committee 25 September 2002	Memorandum NIP signed 8 March 2002. Indicative budget: EUR 248.65 million
Israel	Association Committee 8 October 2002. Association Council 21 October 2002	March 2002: Request for participation in sixth RTD framework programme

In 2002, the Commission launched an initiative to establish a harmonised implementation system for the association agreements. By the end of the year a proposal had been submitted to the Council with a view to creating six new working groups.

The table above shows the situation of the association agreements.

Five economic dialogues took place in the course of the year in the framework of implementation of the association agreements with the following countries: Lebanon (Beirut, 11 June 2002), Tunisia (Tunis, 4 July 2002), Morocco (Rabat, 16 September 2002), Israel (Brussels, 17 October 2002) and Jordan (Brussels, 8 November 2002).

6.3.1.3. Middle East Peace Process

Although continuing violence and deteriorating conditions on the ground made it unrealistic to talk of a peace process in 2002, the Commission increasingly focused its efforts on working within the international Quartet (EU, US, Russia and UN) through the EU delegation to the Quartet at ministerial level. In support of this, the Commission participated in the Task Force on Palestinian Reform and worked closely with the EU Special Representative for the Middle East. The Commission coordinated several aspects of the task force's work on the spot, in particular issues relating to the rule of law, preparations for elections and public finance reform. These activities were supported by the programme for West Bank and Gaza reported on below. Through its Partnership for Peace programme, the Commission continued to support groups working for a peaceful solution to the conflict. The Commission continued to take part in several events related to the multilateral dimension of the peace process.

6.3.1.4. Other countries

Directives were obtained from the Council (July 2002) for negotiating a trade and cooperation agreement

with **Iran**; negotiations were launched on 12 December.

Negotiations for a free trade agreement with the Gulf Cooperation Council have continued, with rounds being held at a pace of one every six to eight weeks.

Cooperation with **Yemen** has been given more visibility notably on the occasion of the World Bank Donors Conference held in Paris (autumn 2002). A joint cooperation committee took place in Brussels on the 20 of June; the meeting was mainly focused on the implementation of the cooperation programme.

At last, the developments in **Iraq** and in the Security Council regarding Iraq have been followed very closely, resulting in a constant fine-tuning of the line to be followed by the Commission on this matter.

6.3.2. Programming priorities

MEDA provide financial aid to achieve the objectives of the association agreements and the Barcelona Process. Among the priority areas of Community development policy, MEDA focus on the following key objectives:

- ▶ development of a pluralist, democratic society based on human rights and the rule of law;
- ▶ implementation of the association agreements with the aim of creating a Euro-Mediterranean free trade area;
- ▶ economic and social reform arising from implementation of the association agreements;
- ▶ subregional cooperation, through the fostering of South-South development and economic integration initiatives that will help the partners move towards free trade amongst each other.

The situation of the NIPs is shown in the table above (6.3.1.2).

6.3.3. Main results in 2002

The total amount committed by the Commission for Mediterranean non-member countries across all budget lines (excluding funds for Turkey under the 'Enlargement' heading) was EUR 762.4 million, while payments stood at EUR 684.3 million for the same period.

As the Euro-Mediterranean partnership's main instrument for financial cooperation, MEDA accounted for the lion's share of commitments in 2002, EUR 611.6 million. Payments stood at EUR 451.4 million.

MEDA funding of EUR 100 million went towards direct budgetary aid for the Palestinian Authority. This aid ensured the provision of skeleton services following the freeze of Israel's VAT revenue transfers. Transfers eventually resumed in December. Support for the peace process led to a substantial increase in commitments in 2002. At EUR 87.8 million they almost doubled compared with the previous years. Aid of

EUR 55 million for Palestinian refugees was provided under the 11th convention between the EU and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).

There was also more specific Community aid for the Palestinians under targeted horizontal budget lines: EUR 8.3 millions to finance food security projects; EUR 2.5 million for the electoral observation mission of the European Union in the West Bank and in Gaza under the European initiative for democracy and human rights; EUR 1.6 million for decentralised co-operation in partnership with European NGOs; and EUR 35 million for the civilian population through ECHO.

Compared with 2001 overall commitments, all budget headings combined increased by 8 %, rising from EUR 703.7 million to 762.4 million in 2002. Payments rose substantially in the reference year, from EUR 478.8 million in 2001 to EUR 684.3 million in 2002, i.e. a rise of 43 % over two years.

Euro-Mediterranean partnership (excluding Turkey) commitments/payments (2002) (EUR million)				
Programmes	Commitments		Payments	
	2002	2001	2002	2001
MEDA (B7-410)				
Algeria	50	60	11	5.5
West Bank/Gaza Strip	100	—	80.6	62.2
Egypt	78	—	25.7	62.5
Jordan	92	20	49.7	10.9
Lebanon	12	—	5.7	2
Morocco	122	120	101.9	41.1
Syria	36	8	8.5	1.9
Tunisia	92.2	90	89.5	69
MEDA bilateral total	582.2	298	372.6	255.1
Regional MEDA ⁽¹⁾	29.4	305.1	78.8	62.7
Bilateral/Regional total	611.7	603.3	451.4	317.8
Palestine (B7-420)	87.8	43.1	80.7	47.6
UNRWA (B7-4210)	55	57.3	57.1	54.4
Yemen (B7-432)	8	—	0.1	—
Financial protocols (B7-4050/4051)	—	—	95	58.9
Specific Mediterranean budget heading total ⁽²⁾ (excluding MEDA)	150.8	100.4	232.9	160.9
Total	762.5	703.7	684.3	478.7

⁽¹⁾ Including regional projects and Part A of the budget.
⁽²⁾ Horizontal budget headings (NGOs, food aid, food security, EIDHR, ECHO, etc.) are set out in separate tables in a later section.

Commitments/Payments (1995–2002) (EUR million) ⁽¹⁾

	1995	1996	1997	1998	1999	2000	2001	2002	Total
Commitments	173	370	911	809	797	568.7	603.3	611.6	4 843.6
Payments	50	155	207.8	222.2	240.3	315.3	317.8	451.4	1 959.8

⁽¹⁾ The figures for Turkey are not included.

6.3.3.1. Country strategies

MEDA programming made a considerable qualitative leap forward in 2002 thanks to the drafting and implementation of a new generation of coherent country strategy papers for the period 2002–06. The signing of NIPs for each partner country — other than the Palestinian Territories — for the period 2002–04 also contributed. The EU's strategy is now to respond more specifically to national requirements emerging from implementation of the association agreements. The liberalisation of foreign trade and the integration of partner countries in a future Euro-Mediterranean free trade area are priorities that are now better integrated into the bilateral cooperation strategies than before.

That is why support programmes for the implementation of the association agreements were included in the 2002–04 NIPs. These programmes have the specific objective of bringing in expertise and related back-up to help local administrations to harmonise the legislative and regulatory framework of their domestic markets with those of the EU. The institutional framework in which this legislation is applied will also be bolstered.

In the past there was particular stress on social and economic programmes under MEDA. Support for these sectors will continue but the 2002–04 NIPs also introduce a third generation of programmes implementing positive measures in the fields of justice, internal affairs and good governance (justice, media and civil society) in the Maghreb countries.

The 2000–04 CSPs for the Mashreq countries continue to focus on economic and institutional reform, principally supporting implementation of the association agreements, but also covering social issues, environmental protection, human rights and civil society, plus human resources development. These objectives are translated into practical action under each country's NIP. However, given the deteriorating situation on the ground it was not possible to establish a CSP and corresponding NIP for Palestine.

6.3.3.2. Implementation

CONFLICT PREVENTION, GOOD GOVERNANCE AND THE RULE OF LAW

Projects in the southern Mediterranean and the Middle East were financed to the tune of EUR 15.4 million under the European initiative for democracy and human rights (EIDHR).

The EIDHR has devoted more than EUR 1.6 million to promote and defend human rights and fundamental freedoms through the following two projects with a true regional dimension.

The first is a Masters in human rights and democratisation (EUR 0.7 million): a course for 36 students from Palestine, Lebanon, Malta, Libya, Egypt, Algeria, Tunisia, Morocco, Turkey, Cyprus, Jordan and Israel which leads to a university degree awarded in the

Mediterranean region by Malta University's Foundation for International Studies.

The second is a project to promote women's rights in Egypt, Jordan, Lebanon, the Gaza Strip and the West Bank (EUR 0.8 million): this project sets out to reduce the violence to which women and young girls are victim.

The 'Support for democratisation' component was granted EUR 1.5 million. An initial project to strengthen the role of civil society in political reform and support human rights in the Arab region of the Mediterranean was decided. Implementation of a second project to improve the ability of civil society in the Arab world to stand up against corruption (Algeria, Bahrain, Morocco, Lebanon, Jordan, Yemen, Egypt, Palestine and Mauritania) was also adopted in 2002.

The EIDHR also supports the forthcoming elections in the Palestinian Territories of the Gaza Strip and the West Bank. The funds needed for an EU election observation mission were committed in 2002 and the mission will be deployed as soon as conditions allow it on the ground.

In connection with **conflict prevention** special mention should be made of the **Wazzani Springs water resources assessment in Lebanon** study: a team of experts in water issues is preparing a study on the resources of the Litani basin as a basis for international efforts to mediate in a dispute between Lebanon and Israel.

In addition, the EU has funded (EUR 5 million) the rehabilitation of Palestinian Authority ministries that have a key role in maintaining essential services and in managing EC-financed programmes.

INSTITUTION-BUILDING

One of the main challenges the MEDA countries have to face is to establish the bases of a good governance and bring their institutions to be closer to citizens. Through institution-building the EU aims to provide the necessary support and cooperation with the MEDA countries to ensure public institutions deliver better services. The variety of projects shows the wide range of possibilities in institution-building. Weak institutions — confused laws, corrupt courts, deeply biased credit systems and elaborate business registration requirements — hurt poor people and hinder development. Learning from the success and failures of other countries' experiences in institution-building can provide valuable guidance.

On the operational side, the EU is deeply committed to supporting the Palestinian authorities in building up a full judicial system, despite all the internal and external difficulties, as one of the basic pillars to consolidate the future democratic Palestinian State. The same goes for the police in Algeria, where efforts are being made in order to modernise police services. Some difficulties have been encountered in Tunisia for the implementation of the project on journalists' training.

In 2002, the Commission funded, started or identified 10 institutional support projects for a total amount of EUR 182 million.



Noah and Brosh, characters in the TV show 'Sesame Street', an Israeli-Palestinian coproduction financed by the MEDA programme

© HOP-TV

In **Jordan, Tunisia, Lebanon and Morocco**, the year 2002 marked the launching of the **support programmes for the implementation of association agreements**. Financial allocations were made available to these countries (Jordan: EUR 20 million; Tunisia: EUR 20 million; Lebanon: EUR 12 million; Morocco: EUR 5 million) in order to enable them to prepare for the entry into force of the free trade area with EU partners in 2010.

In the **West Bank and the Gaza Strip**, in order to support urgent activities in key sectors of EC assistance, the Commission decided to allocate EUR 5.45 million for **technical assistance and studies** relating to the identification, preparation, appraisal, management and supervision of different projects. A project entitled 'Empowering the Palestinian judicial system' (EUR 7 million) will support the judicial system over 32 months.

In **Algeria**, a project for **police reform** approved in 2001 started up in January 2002. The six-year project receives an EU financial contribution of EUR 2.5 million and pursues the objective of raising the professional skills of Algerian police officials, especially as regards upholding human rights in the performance of their duties. The project is part of efforts to strengthen good governance and establish the rule of law.

In **Tunisia**, the identification phase of a media support project began in 2002. With a total EU contribution of EUR 2.5 million, the project should contribute to raising the professional skills of the journalists and strengthening independent media in the country.

REGIONAL COOPERATION/INTEGRATION

Among the projects closed in 2002 the following deserve special attention:

Some 'people to people' projects, part of the Middle East peace projects (MEPP) initiative, came to an end in 2002. One supported the staging of meetings between Israelis and Palestinians. Some took the form of training courses on peace and mutual under-

standing which took place in 2001 and 2002. Participants were teachers, journalists, youth leaders, students, and women. MEDA funding amounted to EUR 300 000, covering three quarters of the cost. Another initiative enabled Israeli and Palestinian parents whose children had fallen victim to the conflict to engage in common activities for promoting peace, reconciliation, tolerance and democracy. MEDA support covered 80 % of the total cost (EUR 500 000). Within yet another project, three cultural events (an exhibition, a film and video festival and an academic workshop) brought together Israeli and Arab artists on the basis of the Arabic language, seen as a means of communication between estranged communities. The EU contributed EUR 205 000, which accounted for 80 % of the costs. All the Middle East peace projects mentioned above ended in 2002 as scheduled.

The 'Regional economic integration research network, Phase 2', one of the **Middle East peace projects** came also to an end in 2002. This EUR 1 million project entirely funded by the EU produced economic studies on every Mashreq country — also on Israel — as well as polls on the economic situation in those countries, and on the region at large.

'Sesame Street' for the Middle East

Episodes of the 'Sesame Street' television series for children are being produced in Israel, Jordan, and the Palestinian Territories within a MEDA-supported Middle East peace project entitled 'Israeli-Palestinian-Jordanian media cooperation'. The main purpose of the project is to promote understanding between Israelis, Jordanians and Palestinians by improving each community's view of the other. Following the success of an Israeli/Palestinian co-production of 'Sesame Street' ('Rechov Sumsum'/'Shara'a Simsim'), this new project brings together an Israeli production company and a Jordanian one, along with the Palestinian Al Quds University to extend the original initiative to Jordan, and to create educational material for children and teachers. The project receives an EU grant of up to EUR 2.5 million.

The MEDA project 'New approaches regarding telecommunication policy among Mediterranean partners' with funding of EUR 2.15 million, which started in December 1999, was completed as planned in December 2002. The project involved holding, conferences and training sessions and issuing a number of targeted publications. The objective was to raise awareness among political decision-makers and current and future telecom regulators in the partners about the challenges posed by opening the sector to competition and to private sector participation in infrastructure.

Pioneering Arab women in the arts

The MEDA-funded Euromed audiovisual programme (EUR 2.15 million) supports the co-production of the television series 'Elles...'. This series of 12 episodes tells the story of southern Mediterranean women who became pioneers in fields such as cinema, writing, performing arts, and politics in the past century. One of the released films, 'Les passionnées du cinéma' ('Cinema lovers'), gives insights into the life and work of six fe-

male (Egyptian and Lebanese) film directors, producers and actresses in Egypt, among whom are Assia Dagher, Fatma Roushdi and Marie Queenie. Another film, 'The legend of Rose Al-Youssef' describes the extraordinary career of a Lebanese woman of the same name, who in Egypt moved from being an actress to a political writer, and presents her against the backdrop of her time. Some of these films have already been selected for various festivals.

Concerning ongoing regional programmes, major achievements in 2002 were the launch of six calls for proposals and eight calls for tenders covering a variety of programmes and issues, such as transport, water, and youth exchanges. An important effort was also made to enhance information and communication activities through the organisation of three information visits for Mediterranean media.

In November 2002, EU Member States approved two major regional programmes. One of the programmes is the Euromed information and communication programme (EUR 10 million), designed to increase the visibility of the Barcelona Process and promote mutual understanding in the Euro-Mediterranean region. Under the title 'Good governance and enhancing the rule of law', the other programme (EUR 6 million) will focus on judicial reform and cooperation, fighting organised crime and drug trafficking, and ensuring a common approach on migration.

CIVIL SOCIETY AND LOCAL DEVELOPMENT

Social funds were put in place in the early 1990s to alleviate the social consequences of structural adjustment processes. They evolved from temporary facilities to institutions developing sustainable solutions to unemployment and poverty. Among the social funds supported by the EC, Jordan's social fund (see box) ended in 2002.

Social funds/local development (Jordan)

The objective of the Social Development Project Development and Employment Fund in Jordan (EU contribution: EUR 4.67 million) was to alleviate some of the adverse effects of the adjustment process on the poor by providing support to income-generating activities. Small loans were provided to intermediary organisations for on-lending to local credit schemes managed by local beneficiaries. Training and capacity-building activities were also supported. The project performed well from a financial point of view (notably, a good repayment rate) and in its capacity-building objective. It has also demonstrated the difficulty of reaching the very poor. In addition to making a positive contribution to poverty reduction, this small project has produced results that will be used in designing new EC-sponsored activities in the field of poverty reduction.

In 2002, four projects totalling EUR 62.5 millions were committed. The following three deserve a specific mention:

In **Algeria**, the project 'Support to local socioeconomic development in north-east Algeria' (EU contribution: EUR 50 million) seeks to reduce poverty and to improve the living conditions of the population in this poor region.

Two projects concerning civil society were also decided. The 'Programme for the promotion of human rights and democratisation' in **Jordan** (EU contribution: EUR 2 million) will finance a range of actions for NGOs and associations. The 'Electoral support project' in **Yemen** (EU contribution: EUR 500 000), will support preparations for the parliamentary elections to be held in April 2003 as a contribution to the consolidation of democracy and pluralism in Yemen.

TRANSPORT AND INFRASTRUCTURE

For all the EU's partner countries in the region the development and strengthening of basic infrastructure is of capital importance and a sine qua non of their economic and social development. The operations financed under MEDA in support of economic reforms, development of the private sector, health and education, and so on are always based on availability and functionality of transport, drinking water, energy and telecommunication infrastructure networks.

In the West Bank and the Gaza Strip, the European Commission carried out an extensive and rapid damage and capacity assessment of the large-scale destruction inflicted upon civil infrastructure and institutional capacity in villages and towns of the Palestinian Territories. In 2002, the project 'Damage assessment and reconstruction management in the West Bank and Gaza Strip', (EC contribution of EUR 1.9 million) was completed.

A database gives technical information about more than 2 000 reconstruction and development projects in more than 150 Palestinian towns and municipalities⁽¹⁾.

Among the ongoing projects, the conclusion of the 11th framework convention with the United Nation Relief and Works Agency to direct EU aid towards Palestinian refugees in the Near East for a total contribution of EUR 237 million over a four-year period (2002-05) deserves a special mention.

Two major projects were committed in 2002 reaching a total of EUR 50 million in the **West Bank and Gaza Strip** and in **Tunisia**.

FOOD SECURITY AND RURAL DEVELOPMENT

Food security programme in Palestine: the cooperation between the European Union and the UNRWA results from the history of relations between Israel and Palestine, which has created one of the largest refugee communities in the world. There are now **3.9 million Palestinian refugees**, of whom 1.6 million are in Jordan, 396 000 are in Syria, 385 000 are in Lebanon, 618 000 are in the West Bank and 865 000 are in the Gaza Strip (82 % of the population).

⁽¹⁾ <http://www.ecwbg.info>



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Solid waste project

The objectives of the food security programme complement the other EU allocations, particularly those for health and education. The programme responds to the basic survival needs of the neediest section of the population. Social assistance is correctly handled with emphasis on those who are really most in need, with coverage of both special hardship cases (SHCs) and pregnant and nursing women. It covers over 200 000 SHC individuals, 50 000 SHC families and almost 100 000 pregnant and nursing women.

Over **350 000 families** (over 200 000 of them through the UNRWA) have benefited from emergency distributions.

In 2002, five projects totalling EUR 8.3 million were committed in the West Bank and the Gaza Strip. The project 'Food aid contribution to emergency operations in support of the civilian population' is the most important (EUR 5 million).

► *Rural development sector*

Bilateral cooperation in the MEDA region in support of sustainable rural development and environmental protection is built on the principles and strategies set out in the 1995 Barcelona declaration. These objectives were included in the association agreements concluded between the EU and most countries of the southern and eastern Mediterranean.

The overall aim of this cooperation is to improve living conditions in rural areas and reduce poverty. Specifically, under the association agreements it takes the form of strengthening Euro-Mediterranean cooperation in the following key sectors:

- cooperation on agriculture and fisheries, in particular through harmonisation of standards and of plant health and veterinary controls, technical assistance and training, and promotion of environment-friendly agriculture and fishing;
- standardisation and evaluation of the conformity of agricultural produce thanks to staff training and upgrading of equipment;

- halting environmental degradation;
- cooperation on consumer protection and health and food security through setting-up a warning network connected to the European network.

An important part of MEDA cooperation concerns the improvement of farming and the agri-food industries in the beneficiary countries with a view to a Euro-Mediterranean free trade area by 2010.

On the operational side, two projects were completed in 2002.

In **Morocco**, the project entitled 'Aménagement hydro-agricole du Haouz Central et de la Tessaout Aval' with an EC contribution of EUR 21 million for agricultural development, has improved the irrigation and socioeconomic conditions of about **36 000** ha in the area north-west of the High Atlas Mountains. The operations were implemented over seven years; they also included the improvement of infrastructure (construction of over **200** km of access roads), institutional development and special programmes for women. More than **60 000 people** have benefited from this programme.

In **Tunisia**, the EUR 22 million project 'Création de palmeraies-dattiers dans la région de Régim Maatoug', of which EUR 7 million was co-financed by the Italian Government, has been realised under difficult circumstances.

In **Egypt**, the EUR 20 million project entitled 'Veterinary service programme' is aimed at the improvement of the livestock productivity and veterinary and public health in the country through a privatisation programme of the veterinary services. During the project implementation, more than **3 000 government veterinarians** left the public service and converted to **private practice**, 700 of whom did so thanks to the credit facilities providing funds for the development of alternative employment. The project also supported the overall reform of the public veterinary sector through multiannual technical assistance.

A mid-term review was carried out in 2002 for the project 'Fonds de développement agricole' in **Morocco**.

Agricultural development fund (Morocco)

In **Morocco**, poverty is principally concentrated at rural level. Despite a significant improvement in social sector indicators, such as primary education, adult literacy and life expectancy, according to a recent study carried out by the World Bank, one out of three Moroccans in rural areas is poor, against one out of 10 in urban agglomerations.

Targeted at small farmers in less well-off areas, a financial support programme funded through local credit banks has reached this poorer section of the rural population. The demand-driven scheme favours productive but limited investments, mainly related to small-scale irrigation, which has boosted the productive efficiency of small farmers and increased their revenues. Being successful in contributing to poverty

reduction and limiting locally the rural exodus, the scheme has so far benefited more than 80 000 farmers, of whom about one third are first-time customers of local credit banks.

Concerning ongoing projects in the Mashreq countries, notably in Egypt, in 2002 the EC continued to support the development of the agri-food sector and small on-farm irrigation, with a special focus on the creation of new jobs. In **Tunisia** and **Morocco**, the main activities have concerned the sustainable rural development, focused on poverty alleviation and the settlement of rural populations; and in **Yemen**, a new project started up in the fisheries sector.

The project 'Arganier' (**EU contribution: EUR 6 million**) was committed in 2002 in **Morocco**. This project centred on the operation of the 'Arganeraie' for oil production providing added value to women of the region.

HEALTH

In MEDA countries the focus of the EC health sector support has moved from single-issue projects, concerning specific health problems, to broader programmes based on structural components of the health sector. Capitalising on Europe's experience in this field, one of the main issues addressed by the European aid is the introduction of social health insurance schemes to finance access to a basic package of care, provided by both the public and private sectors.

Two 'population' projects were on the point of completion in 2002, 'Support to maternal and child health' in **Morocco** (EU contribution: EUR 9 million) and 'Demographic sector support programme' in **Syria** (EU contribution: EUR 2 million). The short-term objectives of these reproductive healthcare programmes — improving access to and quality of maternal, child health and family planning services — have been attained. However, the sustainability of these projects depends on the efficiency of the public health systems in these countries (devolution of decision making, staff motivation, monitoring and accountability mechanisms, etc.). More recent health programmes like those in Morocco and Syria have therefore taken a more systemic approach to health. These health-sector reform programmes embrace decentralisation, increased hospital autonomy and support to the development of new health financing mechanisms (particularly social health insurance).

As regards ongoing projects in the health sector, experience gained from projects in **Morocco** and **Syria** has led to the design of comprehensive sectoral approaches. As an example of successful intersectoral cooperation on health, the EC project in **Egypt**, 'Support to population programme in Upper Egypt' (EU contribution: EUR 10 million) is to be earmarked. As part of its health promotion activities, this project has produced a documentary and 10 television spots that are effectively helping to raise awareness on family planning and reproductive issues among women in Upper Egypt. One of the spots has been awarded a prize by the International Advertisement Association for the best television spot on social issues for the year 2002.



Manfom project: A sewing course at the vocational training centre of Bizerte, North Tunisia

In 2002, four projects totalling EUR 50 million were committed, one in Syria and three in the West Bank and Gaza Strip.

EDUCATION

In 2002, important interventions in some MEDA countries (notably Tunisia and Algeria) were designed to improve the competitiveness of national enterprises and also facilitate the access of unemployed people and job-seekers to the labour market. The new generation of vocational training projects have several goals: developing and strengthening management and identification of skills needs by businesses, capitalising on the results achieved by professional organisations, modernising and reorienting both public and private vocational training delivery according to identified skill needs, and upgrading the quality of the management of the vocational training centres to international standards.

One project was completed in 2002: in **Jordan**, the project 'Improving teacher education at Jordanian universities' (EU contribution: EUR 3.9 million) was implemented from April 1996 to June 2002. The setting-up and institutionalisation of classroom practice in Jordanian teacher training, the establishment of institutional cooperation between universities and schools, the provision of equipment and extensive training for supervisors and cooperative school teachers can be considered as significant improvements in the whole pre-service teacher training. In addition, with a view to capacity-building among faculty staff, the project gave 25 PhD and six MA students the opportunity to study in Europe.

A mid-term review has been also carried out for the MEDA I project in **Morocco**, 'Upgrading vocational training' (EU contribution: EUR 38 million). All initiatives of the first component have been completed (upgrading enterprise capability to identify and manage skill needs and plan training) and the second launched (upgrading the supply of training for 14 economic sectors targeted by the project). Performance indicators have been set, and the capitalisation

of results and piloting of the project will be strengthened. As for the third major component (developing apprenticeships), the beneficiary has been asked not to delay its start further. It is worth noting that two other projects in the same sector complement this specific project and deepen its impact.

Concerning ongoing projects, two deserve a specific attention: the Higher Institute for Business Administration project in **Syria** (EU contribution: EUR 14 million) which effectively started up in 2002, addresses the country's specific needs for highly qualified managers and is meant to lead private or public companies facing economic adjustment processes.

Similar developments were also experienced in the labour market and policies with the **Manform** project in **Tunisia** (EU contribution: EUR 45 million), launched in 1998, which is the first of a new generation of demand-led vocational training projects financed by MEDA which continue to be successfully implemented. About 170 enterprises have been surveyed and their needs in skills and management of human resources identified. The delivery of vocational training has been reoriented accordingly. The sector-wide ambitions of this project have nourished ongoing or projects starting up in other MEDA countries such as **Morocco**.

In the area of social development, grassroots approaches to **local development** — addressing problems locally and giving support to **civil society** — complement the range of health, education and vocational training interventions.

In 2002, two major education and vocational training projects totalling EUR 83 million were committed, 'Assistance to the reform of the technical and vocational education and training system' in **Egypt** (EU contribution EUR 33 million) and 'Support to the upgrading of vocational training in the textile, tourism and new technologies of information and communication (NTIC sectors)' in **Morocco** (EU contribution: EUR 50 million).

MACROECONOMIC POLICIES

The definition of priority areas under the NIP makes it possible to specify better the objectives and the fields of intervention of direct budgetary support. In 2002, economic growth in the Mediterranean region slowed considerably, mainly as a consequence of low global growth, increased regional security problems and domestic policy factors in some countries. Overall GDP growth in the region fell from 4.3 % in 2000 to an expected 1.6 % in 2002 ⁽¹⁾.

The transition process of the economies of the southern Mediterranean countries remains characterised, among other things, by low productivity of investment and foreign direct investment flows that are lower than those of other regions having the same per capita level. Independently of recent events, the region needs to accelerate the implementation of economic reforms aiming at the setting up of a regulatory framework favourable to the growth of the private sector and to the development of competitive

markets. In this context, the Commission continues its support for this reform process through a better targeting of budgetary support. Indeed, budgetary support is an essential instrument for consolidating the Euro-Mediterranean partnership and supporting the economic transition of the MEDA countries. Within this framework, the Commission strengthened coordination with the international financial institutions (International Monetary Fund and World Bank — see 6.3.4.1) and the need for regular, on-the-spot monitoring of the implementation of programmes: funds for technical monitoring and final evaluation are earmarked for all programmes approved since January 2001.

Two projects closed in 2002 which are worth special mention.

In **Algeria** the 1996 financing agreement for EUR 125 million in two tranches from the Structural Adjustment Facility (SAF) has provided support for the structural reform process involving: (i) reform of public-sector companies, including privatisation; (ii) reform of the housing sector; (iii) development of the agricultural sector; (iv) reform of trade policy and (v) implementation of a welfare system. The first tranche of EUR 60 million was disbursed in 1998 following a favourable evaluation of the criteria for paying out the funds. The difficulties encountered in establishing the conditions for payment of the second tranche led to the project being prolonged twice. In view of the results obtained — in particular in foreign trade liberalisation — the Commission decided to disburse funds proportional to the results and, by agreement with the recipient, revised the amount of the second tranche down to EUR 35 million. The disbursement of this second tranche in June 2002 marked the technical closure of the programme.

In **Egypt** a EUR 43 million programme to reform and privatise State-run companies under an old protocol provided support for the privatisation of manufacturing companies and provision of technical assistance to the 'Office des entreprises publiques' (Office of public companies). This project lasted six and a half years and closed at the end of the technical assistance contract in March 2002.

Six projects were the subject of a mid-term review.

In **Algeria**, the recommendations made in the evaluation of the 'Support for SMEs' project significantly improved the project's impact on Algerian SMEs.

The evaluation of the 'Industrial modernisation' programme in **Lebanon** one year after start-up led to detection of a delay in implementing the project, which will rapidly be remedied.

In **Morocco**, evaluation of the programme to develop the private sector (Euro-Morocco enterprise) showed that this programme — in spite of a difficult start — had substantially improved its performance in 2002 thanks to the appropriate measures taken jointly by the EC and the benefiting contractor.

⁽¹⁾ Excluding Cyprus, Malta and Turkey.

Again in **Morocco**, evaluation of the programme to promote quality (Qualité), revealed a delay in implementation, leading to extension of technical assistance for a further year with a view to achieving the initial goals.

In **Tunisia**, evaluation of the programme to develop the private sector (Euro-Tunisie entreprise) showed that it had got into gear after a difficult operational start-up. This programme of targeted operations fits in harmoniously with the Tunisian system of upgrading vocational skills and ensures the sustainability of assets.

In **Syria**, the mid-term evaluation of the Syrian European Business Centre II (ESCB II) project, completed in October 2002, reported that the project and its impact on the recipients were highly satisfactory. The evaluation proposes more emphasis on sustainability and institutional capacity-building for the project over the remaining period. In view of the scale of the demand, an amendment to the financing agreement to authorise a budget increase is envisaged for the third year of the project.

There have been substantial improvements and radical overhauls of some projects, such as the programme of budgetary support, 'Trade enhancement programme' (TEP-B), in **Egypt**. This project to dismantle non-tariff barriers is the Commission's first adjustment operation in the country and was bolstered in 2002 by a EUR 20 million technical assistance project (TEP-A).

In **Algeria**, the project 'Support for privatisation' was radically restructured to allow the Community to finance the expenses of the merchant banks involved in the privatisation operations.

In **Jordan**, the signing of an agreement on pension reform under the Structural Adjustment Facility III (SAF III, EUR 60 million) was a major success in view of the difficult regional context.

In **Tunisia**, a new EUR 50 million industrial modernisation programme widened the scope of the Euro-Tunisian Business Centre project by adding an economic and financial policy component.

Quick-disbursing budgetary support of EUR 10 million a month for the **Palestinian Authority** continued, with important results for the reforms adopted. The Commission also carried out two emergency financial assistance projects to remedy the deteriorating situation of SMEs in Gaza (EUR 10 million) and East Jerusalem (EUR 5 million).

Nine new projects were decided in 2002 for a total of EUR 219 million, including two macroeconomic structural adjustment projects, the Structural Adjustment Facility III (SAF III) in Jordan and the 'Trade enhancement programme B' (TEP-B) in Egypt.

ENVIRONMENT

Among the projects closed in 2002, the following deserve a specific mention by reason of their impact.

In **Egypt**, in the framework of the EC support for the protection of natural resources in the South Sinai region, the main objective of the project 'Oil pollution combating centre at the entrance of the Gulf of Aqaba' was the setting up of an emergency centre for oil spills prevention. The project also supported the establishment of procedures and mechanisms to combat oil pollution at the entrance of the Gulf of Aqaba. The total EC contribution has been EUR 4.3 million, and the duration of the project, 10 years. After completion, the centre has been transferred to the Egyptian Environmental Affairs Agency.

The Gulf of Aqaba (Egypt)

The Gulf of Aqaba is an area of exceptional ecological and touristic value suffering from severe oil spill pollution, the levels of which are largely outside the international conservation standards. The project was part of the overall support to the sustainable development of the South Sinai region, which the EC has been providing since the beginning of the 1980s. An emergency response centre has been set up close to the harbour. The centre has been equipped with a hangar, an anti-pollution vessel, a research laboratory, office space and other small facilities. Local permanent staff have been trained through the project to prevent and face situations of oil spill crisis. The overall intervention capacity of the centre is estimated at about 150 tonnes of petrol.

The project on 'Gulf of Aqaba protectorates development programmes' consisted in preparing and implementing general — and also sectoral — integrated management plans, procedures and regulations for four protected areas in the South Sinai region in order to ensure the long-term conservation and sustainable use of natural resources and cultural values. An important component of this project was technical and institutional capacity-building within the Nature Conservation Sector (NCS), the Egyptian body responsible for sustainable environmental and touristic development of the protectorates; the aim was to facilitate implementation of the 'National strategy for biodiversity conservation'. The project has lasted seven years and the EC has funded EUR 10 million of the EUR 12 million total.

In **Yemen**, the objective of the Socotra Archipelago project was to prepare a comprehensive masterplan for the economic and social development of the Socotra Archipelago by giving special attention to environmental policy, administrative management and considering the unique environmental situation.

The Socotra Archipelago (Yemen)

Yemen is renowned worldwide for a high percentage of endemic flora and fauna and a unique biodiversity. By taking into consideration the particular environmental situation of the Socotra Archipelago, the Commission provided financial support (EUR 0.995 million) to the preparation of a comprehensive and multi-sector masterplan study for its sustainable and environment-friendly development. This study was completed and reported, and its output is the proposition of some 69 projects outlining a total cost of about EUR 200 million. The proposed action plans have been transferred to Yemenite authorities and are therefore available for further EC or other donors' funding.



Gulf of Aqaba: desalination plant

© P. Odul

As to ongoing projects for natural resources protection, efforts in 2002 focused on consolidating the support for the **Tunisian** national strategy for the mobilisation of surface water and soil protection and for the sustainable development of the South Sinai region in **Egypt**. In all countries, institutional support activities have been strengthened through targeted technical assistance. Work to gain a better understanding of sustainable water resource management in rural development in the region has been undertaken and its results will support the upcoming EU water initiative. Work has also been initiated in the area of animal health risks in relation to the liberalisation of trade in the Mediterranean basin. At last, a first general reflection on the Kyoto Protocol and the possibilities of implementing the agreement in the Mediterranean region were also initiated.

In 2002 at last, the new project on water purification was committed in Egypt for a total amount of EUR 25 million.

PARTNERSHIP WITH NGOS

In 2002, 19 projects were co-financed with European NGOs in MEDA countries for a total EU contribution of EUR 13.9 million. Eighteen projects were selected from the 60 proposals received for MEDA countries under a call for proposals launched in December 2001. One project had already been submitted under the call for proposals in 2000 but was only approved in 2002.

The priorities were:

- ▶ support to sustainable social, human and economic development processes;
- ▶ institutional support and capacity-building for local development of structures, including partner organisations in developing countries;
- ▶ refugees/population.

Under the 11th convention between the European Community and the UNRWA, the two parties signed

the annual grant agreement for the West Bank and Gaza Strip (WBGs) — EUR 55 million for 2002 on the UNWRA budget line — on 11 November 2002. This assistance is an important contribution to the UNRWA, which provides education, health, relief and social services to 3.9 million registered Palestinian refugees in Jordan, Lebanon, the Syrian Arab Republic, the West Bank and the Gaza Strip. In particular, it promotes sustainable social and economic development of the concerned refugees in the hosting countries and hence contributes to the stabilisation of the current situation in the Middle East.

6.3.4. The three Cs (coherence, coordination and complementarity) in the region

The EC made extensive efforts in the Mediterranean zone to ensure and strengthen the coherence between different Community policies. Various inter-service consultation groups were set up to cover key sectors like the trade-related assistance group and a similar consultative group in the health sector. In order to improve both the coherence of the priority objectives and the complementarity of the funded projects and programmes with those of the other EU and non-EU donors, the Commission has also worked to reinforce the coordination of the country strategy papers. To this end coordination guidelines decided within the framework of the Mediterranean Committee were implemented. These guidelines include the holding of regular cooperation meetings related to key sectors (water management, health, etc.).

6.3.4.1. Cooperation with Member States and other donors in the region

In the social sector, consultations and cooperation with EU Member States and other bilateral/multilateral donors were stepped up and systematised during appraisal of new 2002 projects (i.e. in the field of vocational training for **Egypt** and **Morocco** and in the health sector for the **West Bank and Gaza Strip, Syria and Yemen**). Regular consultations and mutual information meetings are organised by the EU delegations in countries of the region. Exchanges of information and cooperation between operational services at headquarters and other multilateral donors and agencies, in particular the World Bank (joint sector reviews) and other UN agencies (United Nations development programme; International Labour Organisation, etc.) are also being stepped up.

Rural development and environment sectors: coordination with Member States is organised directly by the delegations through regular meetings.

Macroeconomic policies: in Tunisia, the Structural Adjustment Facility III has been implemented in parallel with a World Bank loan (economic competitiveness adjustment loan — ECAL III). These two programmes share similar objectives and are supervised by the World Bank and European Commission jointly.

In **Jordan**, the SAF III in support of the government's tax consolidation programme was implemented in

cooperation with the IMF. The disbursement of SAF funds was conditional on a favourable prior evaluation of progress in the tax reform programme by the IMF.

6.3.4.2. EIB activities

In follow-up to the European Council held in Barcelona in March 2002, the European Investment Bank launched the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) to put a greater focus on private sector development in its activities for the region. The European Commission has pledged EUR 255 million over four years to this operation.

In **Egypt**, the Commission granted an interest rate subsidy to a new EIB loan in the infrastructure sector aimed at environmental protection. The project deals with water treatment in Abu Rawash. The total cost of this project is EUR 110 million and the interest-rate subsidy is EUR 25 million. The project will help the city of Cairo meet growing needs for waste water treatment infrastructure, in line with the Egyptian Government's effort to comply with local environmental regulations.

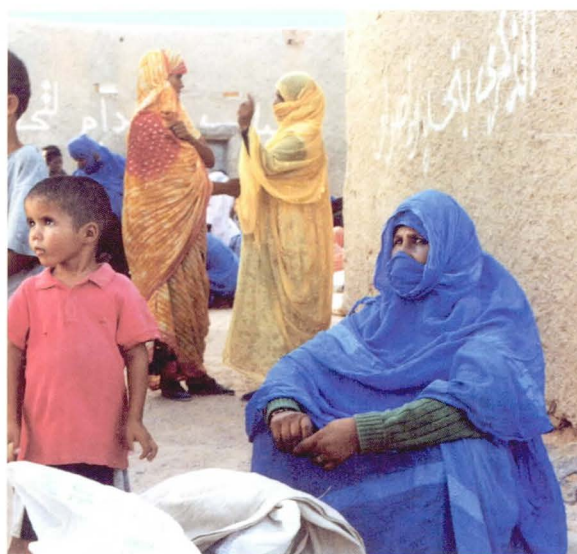
In **Algeria**, a EUR 6 million conditional loan was granted for the construction and operation of a new cement plant.

Under the new Euro-Med lending mandate (II), the EIB is to lend up to EUR 6 425 million in the period 2000–06, supplemented by EUR 1 billion on its own resources. EIB loans to Mediterranean partners in 2002 stood at EUR 1.8 billion against EUR 1.50 billion in 2001. Of that amount, nearly EUR 307 million were lent under the new facility. The main beneficiary sectors were transport (EUR 605 million), energy (EUR 510 million) and industry (EUR 232 million).

6.3.4.3. ECHO

ECHO continued its major aid programme for Sahraoui refugees in **Algeria**, with a global plan worth EUR 14.34 million to cover food requirements, supplementing the World Food programme (WFP) and the most urgent non-food requirements.

In the Middle East, the humanitarian situation worsened, especially in the **Palestinian Territories**, as a result of incursions and partial reoccupation by the Israeli armed forces, together with large-scale destruction and bans on the movement of persons and goods. ECHO therefore had to become more involved, providing aid of EUR 35 million covering both needs in the Palestinian Territories and the refugee camps in Lebanon, Jordan and Syria. In the Palestinian Territories, this funding is mainly used to cover drinking water access and supply, food aid, provision of basic health services, preventing cases of malnutrition from getting worse, organising psychosocial activities for traumatised children and adolescents and protection of the civilian population by the International Committee of the Red Cross (ICRC). In **Lebanon**, EUR 6.3 million was earmarked for access to drinking water, repair of drainage systems, improving health services and aid for the disabled. ECHO allocated



Distribution of food aid to Sahrawi refugees at the Tindouf camp (Algeria)

EUR 600 000 each to **Jordan** and **Syria** for temporary housing needs.

ECHO was active in Iraq (global plan totalling EUR 13 million), where the humanitarian situation is deteriorating as a consequence of two major conflicts — the Iran–Iraq war and the Gulf war — followed by 12 years of international sanctions imposed on the country. ECHO-supported humanitarian operations completed the United Nations 'Oil-for-food' programme in the health, water and sanitation sectors.

Finally, ECHO also granted EUR 1.59 million to the most vulnerable members of the rural population in Yemen, victims of tribal tensions and natural disasters.

European Community Humanitarian Office's (ECHO) financing decisions (2002) (EUR)

Country	Amount
Algeria (Sahraoui refugees)	14 430 000
Middle East (Palestine)	35 000 000
Iraq	13 000 000
Yemen	1 590 000
Total	64 020 000

6.3.5. Results-oriented monitoring

In 2002, a total of 189 monitoring visits were made to 20 countries (including six EU countries) for 108 projects in the Mediterranean region. These projects concern all budget lines (notably MEDA but they include also other specific and horizontal lines like NGOs, human rights and democracy).

In the Mediterranean region, several national components of the same regional programme — as well as the regional coordination — were visited and reported upon, resulting in the production of more than one report for a single programme.

The objective of creating a Euro-Mediterranean free trade area by 2010 underlies the large number of regional programmes in the Mediterranean region, plus projects in the areas of trade/private sector and institution-building/good governance. The latter is the priority area with the most positive results, particularly for effectiveness, i.e. the benefits actually received by people.

A sample of the 10 best performing projects indicate as good practice:

- ▶ that the original design was carried out in consultation with the local partners and beneficiaries, and is relevant to national context;
- ▶ the flexibility and ability to adjust well to important changes in needs of the recipient side through a redesign of the project while in implementation stage;
- ▶ that the approach was demand-driven and took into account past experience.

However, some negative points were also underlined, notably the fact that a number of MEDA I projects (1995–99) suffered from serious delays at start-up.

6.3.6. Conclusions and perspectives

The year saw a remarkable improvement in the budgetary programme of MEDA, which has been the main instrument of Euro-Mediterranean cooperation since its launch in 1995. The efforts made since implementation of MEDA II started in 2000 have produced a major leap in payments as a proportion of commitments, 73 % in 2002.

From the operational point of view, it was an important year of transition for the Euro-Mediterranean partnership: it was the first year of implementation of the NIPs and the RIP, which will determine the priorities and financial resources for development of the southern Mediterranean for three years.

The Commission's external objectives for 2003, stability and security, and sustainable, mutually reinforcing economic development, form the two main strategic platforms for the Community's future interventions.

In this perspective the Mediterranean is a priority of EU external policy. The aim is to forge ever-closer links with the southern Mediterranean and Middle East countries with a view to achieving the Barcelona Process objectives of peace, stability, democracy and prosperity.

In 2003 and future years, EU action in the Mediterranean will focus on the following issues.

Stability: renewed efforts will be made in the framework of the partnership, especially the regional component of the Barcelona Process, to achieve a peaceful and lasting settlement to the current Middle East conflict.

Economic, social and environmental cooperation: the stepping-up of the Euro-Mediterranean partnership should gradually lead to a true Euro-Mediterranean internal market and ultimately to an area of not only free trade in goods and services but also sustainable development and socioeconomic cohesion. To this end the Commission is striving to push forward bilateral trade relations with the Mediterranean countries — above all finalise signing of all the association agreements — and will work to bring about a fairer North–South and South–South balance of trade, also embracing environmental protection.

Strengthening justice and home affairs cooperation (refugees, right of asylum and halting illegal immigration), including social, cultural and human issues: more attention will be paid to regional circumstances in the MEDA framework.

Support for democracy, promotion of cultural dialogue and heritage preservation: the Commission will build closer relations with the partner countries, underpinned by contact mechanisms to promote respect for fundamental rights and better understanding among the peoples and cultures of the Mediterranean.

Results-oriented monitoring: Breakdown of projects visited by area of cooperation (EUR)

2002	Number of reports	Number of programmes and projects	Total budget	Average size
1. Trade and development	5	5	73 877 000	14 775 400
2. Regional integration	117	44	232 629 009	5 238 059
3. Macroeconomic and social services	9	9	232 478 234	25 830 915
4. Transport ⁽¹⁾	0	0	0	N/A
5. Food security and rural development	28	24	362 453 751	14 962 374
6. Institutional capacity and good governance	24	23	247 856 438	10 776 367
7. Other	6	3	23 389 697	7 796 566
Total	189	108	1 172 684 129	79 379 681

(1) Only one regional transport programme was monitored and is counted under regional integration.

6.4. African, Caribbean and Pacific (ACP) countries and overseas countries and territories (OCTs) ⁽¹⁾



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Of all the regions to which EC assistance is directed, Africa faces the greatest challenges in reducing poverty, developing sustainably and strengthening its institutions. Nevertheless in 2002, EU-ACP relations, particularly in relation to Africa, saw several positive developments which helped to promote regional integration, national ownership of the development process and partnership with other donors.

- ▶ **EU and ACP States' ratification of the Cotonou Agreement** continued in 2003 with the aim of this EU-ACP partnership pact officially entering into force in early 2003.
- ▶ Talks were launched in September to devise **EU-ACP economic partnership agreements (EPAs)**, innovative accords arising from the Cotonou Agreement, as well as a EUR 20 million facility to assist ACP States in the negotiations, which are set to finish by the end of 2007. EPAs will apply from 1 January 2008, and are intended to further development and poverty eradication in ACP countries; strengthen the link between trade and economic cooperation; integrate ACP countries into the world economy; promote South-South regional trade by expanding local and regional markets; and thereby encourage ACP countries to cooperate politically. A EUR 10 million facility was also launched to help ACP States prepare for the Doha round of WTO talks.
- ▶ 2002 saw the **launch of the African Union (AU)**, which the Commission considers an important vehicle for promoting Africa's socioeconomic development, regional peace and security, and political dialogue between Africa and the EU. European Commission President Romano Prodi welcomed the adoption by the AU, at its first summit held in Durban, South Africa, in July, of the NEPAD as its socioeconomic programme. The Commission pledged in 2002 to support the AU's security mechanism (its EUR 12 million proposal for AU funding was subsequently adopted by the EU in February 2003) and believes the AU's creation will also allow more structured political dialogue and reinvigorate the so-called 'Cairo Process' ⁽²⁾.
- ▶ An **EU-Africa ministerial conference** was held in Burkina Faso in November, in which the Commission participated actively and worked closely with EU Member States in their talks with the AU.
- ▶ The first **EU-OCTs annual forum** was held in the Netherlands Antilles, also in September. Contacts intensified from January 2002 between Commission services, OCT representatives — in particular, the newly-constituted OCTs' Association (OCTA) — and the EU Member States concerned, and such meetings were instrumental in preparing for the forum and facilitating OCTs' access to instruments to which they are eligible.

⁽¹⁾ The OCTs comprise countries and territories: which are constitutionally linked with four EU Member States — the United Kingdom, Netherlands, France, and Denmark; which continue to be associated with the EC under the provisions of Part IV of the EU Treaty; which previously included several large, mostly African States (now independent ACP members); which currently number 20 members in total, all islands, with a total population of about one million; with which the EU cooperates based on a model increasingly different to its ACP counterpart; which continue nonetheless to benefit from the same financial instrument as ACP States, namely the EDF.

⁽²⁾ The 'Cairo Process' comprises political dialogue between the EU and Africa, started in April 2000, on eight priority subjects: external debt management, the return of stolen cultural artefacts, conflict prevention, human rights, democracy and good governance, regional integration, HIV/AIDS prevention and treatment, food security and environmental protection.

6.4.1. Strategic goals and achievements

Of the many achievements of EC external assistance to ACP countries in 2002, **three** were perhaps most significant. **First** of these was the completion of virtually all programming. Country and regional strategy papers were prepared in close cooperation with partner governments and mandated regional organisations, in coordination with EU Member States, and involved extensive consultation with non-State actors.

Most ACP CSPs were approved — 67 out of a total of 77 ACP countries had received favourable EDF Committee (1) opinions of their CSPs by the end of 2002, and the other 10 ACP countries' CSPs are likely to be discussed by July 2003 — although political difficulties in **Côte d'Ivoire, Haiti, Zimbabwe, Liberia and Togo** led to the suspension of development cooperation, and halted programming progress pending changes in the political situation. However, all six ACP regional strategy papers received favourable EDF Committee opinions in 2002 and were approved. Significant benefits should soon be derived in ACP countries from the completion of the process, and are summarised below.

Strategic goals and achievements in ACP countries: Expected benefits of programming process completion

1. Increased coherence	between analysis presented in CSPs and the ensuing choice of priority sectors; development and other EC policies.
2. Closer coordination	between the EU and ACP partner governments; mandated regional organisations; EU Member States; and EU and ACP non-State actors.
3. Greater complementarity	between EC and other donors' assistance.
4. Clearer focus	<ul style="list-style-type: none"> ▶ poverty reduction prioritised; ▶ fewer sectors assisted than in the past; ▶ cross-cutting issues (as defined in the Cotonou Agreement) mainstreamed, i.e. good governance, gender equality, environmental protection, and institutional development/capacity-building.
5. Improved monitoring	through more clearly defined programme performance indicators and sectoral policy commitments.

The **second** significant achievement in the region in 2002 was that **political dialogue with ACP countries**, provided for under Article 8 of the Cotonou Agreement, **was strengthened** in a number of ways. Not only was the dialogue itself systematised, becoming an integral part of the regular in-country dialogue and expanded to cover a wider range of issues but political analysis was further incorporated into development programming: the ninth EDF programming exercise allowed the EC and the relevant ACP countries to discuss jointly the political situation in recipient countries, and to include a thorough political assessment in the country's CSP.

The EC also improved its response to ACP countries in crisis or conflict in several ways by strengthening dialogue and staying engaged; exerting pressure on governments without harming their citizens; re-inforcing direct aid to communities and civil society; focusing on States where measures were adopted under Cotonou Agreement Article 96; and supporting peace processes, or helping to disarm factions or demobilise soldiers.

2002 was the first year in which the Council decision to extend the EU–OCTs' association to 2011 was implemented; the EC focused on establishing new institutional arrangements to enhance the partnership between OCTs, EU Member States and the Commission, and adopting relevant ancillary legislation.

The **third** significant achievement of EC assistance to ACP countries was the **pursuit of more sustainable poverty reduction strategies**. EC budgetary support was more closely aligned in 2002 with poverty reduction support programmes, helping to reduce poverty in a variety of ways:

- ▶ improved public finances in a number of countries thanks to better planned annual budgets, the application of more rigorous financial controls, and more predictable financial flows as a result of multiannual rather than year-by-year planning;
- ▶ enhanced coordination between the EC and other donors: in Tanzania, for example, joint arrangements were implemented in 2002 between the delegations of the EU, eight EU Member States, Switzerland and Norway, thereby harmonising the fund transfer procedures and programme performance indicators used by donors, which in turn should help to lower transaction and monitoring costs;
- ▶ more accurate assessment of programmes' performance by means of joint donor reviews of public finances and poverty reduction support programmes;
- ▶ increased project impact: donors' individual programmes were planned more closely together, thereby harnessing synergies between the actors involved; and the EC was able more effectively to encourage governments to increase their focus on poverty reduction and adopt poverty reduction support programmes (as did the Government of Ethiopia, for example, in 2002).

6.4.2. Programming priorities

Most of the resources in the draft CSPs reviewed have been earmarked for actions identified as priorities in the Commission and Council development policy declaration (November 2000) (2) and in the Cotonou Agreement, and CSPs approved in 2002 by EU Member States targeted EC resources principally on transport and macroeconomic support for poverty reduction strategies.

(1) For more information on CSPs and RSPs, visit: http://www.europa.eu.int/comm/development/body/csp_rsp/csp_en.cfm and http://www.europa.eu.int/comm/development/body/csp_rsp/rsp_en.cfm

(2) For the full text of the declaration, visit: <http://register.consilium.eu.int/pdf/en/00/st13/13458en0.pdf>

Country programming priorities in ACP countries: Development sectors' ranking in CSPs completed to end 2002

Ranking	Development sector	Total planned assistance to ACP countries (%)	
1.	Transport	Sub-Saharan Africa	27
	▶ Developing sector strategy	Other ACP countries	3
	▶ Maintaining and upgrading roads	Total	30
	▶ Capacity-building		
▶ Managing core networks			
2.	Macroeconomic support Poverty reduction		23
3.	Institutional support Capacity-building		11
4.	Education Health		9
5.	Food security Rural development		9
6.	Water supply sanitation		7

Similarly, as the table below shows, regional strategy papers and regional indicative programmes allocated assistance in 2002 to sectors considered as top priorities by the Commission.

Regional programming priorities in ACP countries: Priority development sectors in RIPs completed in 2002 ⁽¹⁾

Priority sector	Share of funds allocated by ACP RIPs (%)
1. Economic integration and trade	57.0
2. Transport and communications	31.0
3. Natural resources management	9.3
4. Human resources development	1.3
5. Fisheries	0.8

⁽¹⁾ Priority development sectors as defined by the OECD's Development Assistance Committee.

Special efforts were also made to engage with partners and set priorities through regional programming. Under the Lomé Conventions, programming was mainly with governments from groups of ACP States. But since the launch of the Cotonou Agreement, it has been prepared with mandated regional bodies. The table below shows, for each of the ACP country's six subregions, the share of RIP funds allocated to economic integration and to transport and communications, the top two priority sectors in most ACP subregions.

For OCTs, furthermore, the ninth EDF programming framework was completed in 2002 by the adoption of Commission Regulation (EC) No 2304/2002, supplemented shortly afterwards by operational guidelines, on the basis of which OCTs are expected to submit their single programming documents by the end of December 2003.



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Schoolchildren producing bricks for the construction of their own school, Northern Zambia (community-based project programme)

Roads versus food? Addressing structural problems in ACP countries

Why does the Commission devote development money to, say, road-building in the least developed countries, many of which are in the ACP region, when pressing needs, such as feeding people struck by drought, still require immediate attention? EC aid should be — and is — used to alleviate human suffering: see the 'Food security' and other subsections below. But the EC is also committed to addressing the root causes of such suffering, and transport and other projects can help by:

stimulating economic growth;

linking agricultural and industrial production centres with markets;

creating import-export corridors for coastal and land-locked States;

generating much-needed incomes through construction-related jobs; and

improving access, particularly in rural areas; to:

job opportunities in cities and towns;

hospitals, clinics, training and education centres and other social services.

6.4.3. Main results in 2002
6.4.3.1. Country strategies

While reporting 2002 CSP results here would be premature — since programming for many CSPs continued to the end of 2002 — annual operational reviews in ACP countries, as required by the Cotonou

**Key programming priorities in ACP countries:
RSPs and RIPs completed (2002)**

Region	Mandated regional body (MRB)	MRB acronym	Allocation		
			(EUR million)	Economic integration ⁽¹⁾	Transport, communications
Caribbean	Caribbean Community	Cariforum	57.0	75–90	14–18 ⁽²⁾
Pacific	Pacific Islands Forum	PIF	29.0	31	31 ⁽³⁾
West Africa	Economic Community of West African States	Ecowas	235.0	50	35 ⁽⁴⁾
	West African Economic and Monetary Union	UEMOA			
Central Africa	Economic and Monetary Community of Central Africa	CEMAC	55.0	25–30	35–40
East and South Africa, Indian Ocean	Common Market of East and Southern Africa	Comesa	223.0	45–55	15–25 ⁽⁵⁾
	East Africa Community	EAC			
	Intergovernmental Authority on Development	IGAD			
	Indian Ocean Commission	IOC			
South Africa	Southern African Development Community	SADC	101.0	40	35–45

(1) Includes ICT development and the implementation of the CSME's transport provisions: policy development, harmonisation of regulations and air and maritime transport procedures.

(2) Share of RIP devoted to the fight against major vulnerabilities (drugs control and disaster management) and policy dialogue and programme review.

(3) Share of RIP funds devoted to human resource development, not transport and communications.

(4) West Africa: harmonisation of transport policies and legislation.

(5) East and South Africa, Indian Ocean: second priority sector — natural resource management — was allocated 25 %.

Agreement, did occur for the first time in 2002. Based on 2001 joint annual reports prepared by each country's head of EU delegation and national authorising officer, these reviews were conducted in four key steps (preparation in the country of a draft joint annual report, country team meeting, in-country review, and completion of a final joint annual report).

They also allowed national indicative programmes to be updated in line with developments in the country, and set specific priorities, including:

- ▶ refining the indicators to be used in implementing the ninth EDF as per the intervention framework;
- ▶ assessing the CSP programming and dialogue processes to date; and
- ▶ where appropriate, formulating concrete proposals for further strengthening.

6.4.3.2. Implementation

The EC's external assistance to ACP countries exceeded its targets in terms both of spending commitments and of payments made in 2002, as the table below shows.

CONFLICT PREVENTION, GOOD GOVERNANCE AND THE RULE OF LAW

A number of projects were supported through the EC's rapid reaction mechanism, which fast-tracks funds to where they're most urgently needed, and had a total 2002 budget of over EUR 27 million allocated to ACP countries. Examples were the peace-keeping operations conducted along the border between Eritrea and Somalia and the start of the formal border demarcation work involving officials from both countries. In Somalia, the latest round of peace talks was launched, with neighbouring countries included though the Intergovernmental Authority for Development (IGAD).

Implementation of external assistance to ACP countries: Total net commitments and payments (2002)

Source	Commitments (EUR million)		Payments (EUR million)	
	2002	2001 Actual	2002	2001 Actual
	Target	Actual	Target	Actual
European Development Fund (EDF)	1 768.4	1 554.0	1 902.5	2 068.0
EC budget	606.0	502.0	640.0	568.0
Total	2 000.0	2 374.4	1 850.0	2 636.0

In addition to intervening in precarious situations requiring quick responses, the EC was also active in 2002 in projects to promote good governance and the rule of law. EU missions were dispatched to Congo, Jamaica, Kenya, Madagascar and Sierra Leone. A Commission for Truth and Reconciliation was established in Sierra Leone.

The rule of law in Rwanda: Citizen-based justice and the European initiative for democracy and human rights

By the end of 2001, fewer than 7 000 of the more than 115 000 suspects awaiting trial following Rwanda's genocide in 1994 had appeared in court.

To reduce this backlog, the country is now using traditional, citizen-based tribunals known as *gacaca* ('ga-CHA-cha') to try all but the most serious cases. Legally established bodies, their judges can impose sentences up to life imprisonment.

So far, local communities have selected over 250 000 magistrates for more than 10 000 tribunals. The EIDHR was actively engaged in the process in 2002, helping the Rwandan Supreme Court to ensure the application of internationally recognised legal norms.

INSTITUTION-BUILDING AND PRIVATE SECTOR DEVELOPMENT

While well-managed, adequately-resourced public institutions are essential to achieving political stability, a flourishing private sector can equally help spur economic growth and thereby reduce extreme poverty. The fragility of so many ACP countries in 2002 lent added impetus to the EC's institution-building efforts in both public and private sectors, leading to greater transparency and better planning with a view to strengthening the public sector.

Below are typical examples of programmes completed in 2002.

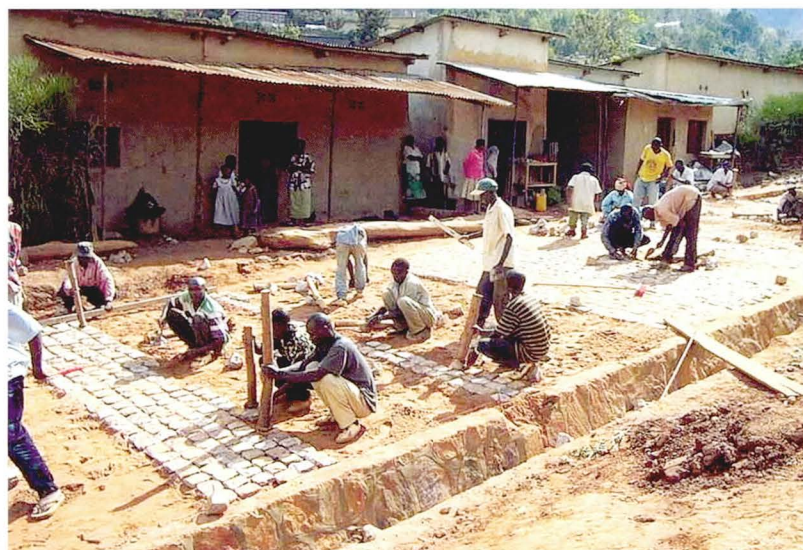
Public sector institution-building in ACP countries: Selected results (2002)		
Country	Result	EUR million
Central African Republic, Haiti, Sierra Leone	National census completed	(committed) 9.0
	Better targeted planning now possible	
South Africa (Eastern Cape)	34 police stations constructed	11.0
	Vehicles maintained and repaired	
	Police-community relations reinforced	

In addition to its public sector support, the EC continued to expand its programmes targeting private firms in 2002. Such programmes include:

- ▶ Proeurinvest, a seven-year EUR 110 million project intended to promote private-sector investment opportunities in ACP countries (see table below);

- ▶ EBAS, a matching grant scheme, providing assistance to SMEs and amounting to EUR 31 million between 1999 and 2003;
- ▶ ESIP, an EUR 18 million investment promotion programme in southern Africa; and
- ▶ schemes in the Caribbean to improve the rum industry's competitiveness, support the Caribbean Export Development Agency, and promote sustainable tourism.

Private sector institution-building in ACP countries: Selected results (2002)		
Region	Result	EUR million
55 ACP States	Know-how shared by consultants with businesses Funds committed to over 850 projects	(committed) 19.0
West Africa	Agro-Ind 2002 investment promotion meeting, Dakar, Senegal (part of Proeurinvest) Attended by over 75 EU and 120 African firms 100 letters of intent signed Well-publicised, well-organised networking event Achieved 75 % participant satisfaction rating	9.0



Paving the streets of Kigali, Rwanda

REGIONAL COOPERATION AND INTEGRATION, INCLUDING REGIONAL PROGRAMMES

Regional integration and cooperation in Europe over the last 50 years have undoubtedly helped to ensure enduring peace, increased prosperity, and greater freedom to trade in goods and services, invest, work and study abroad. As a key player in such integration efforts, the Commission is determined to help deliver similar benefits to ACP countries through its assistance.

In line with this thinking, in 2002 the Commission actively supported a whole host of regional groupings within Africa, the Caribbean and the Pacific (see 'Programming priorities' above). What form did this support take? Was there a positive impact? And were there difficulties encountered or lessons to be learned in delivering such aid? An analysis of one typical, EUR 94 million programme, supporting the West African Economic and Monetary Union (UEMOA, acronym of the French *Union économique et monétaire ouest africaine*) offers some potential answers.

In 2002, the EC's support was targeted primarily at UEMOA efforts to harmonise legislation to create a common market; coordinate macroeconomic policies; improve the quality of national and regional statistics gathering; and enhance private firms' competitiveness. The positive results of these efforts in 2002, notably in statistics collation and private sector support, are summarised below.

Regional cooperation and integration in ACP countries: UEMOA results (2002)

Common competition policy and other common market legislation adopted

Surveillance mechanism regularly applied

Member States now able to use measures to:

- ▶ compare economic performance more accurately
- ▶ craft more effective integration policies

Private sector product quality assurance and accreditation schemes introduced

However, the EC's assistance to the UEMOA in 2002 did experience some difficulties, primarily because of both parties' limited ability to disburse the considerable sums of money for which they were responsible: the UEMOA lacks many of the administrative resources — people, IT and technical expertise — required to undertake major reforms, and both the EC's and the UEMOA's procedures for getting assistance money to where it is intended are prohibitively complex.

The Commission recognises that it is as much the donor's as it is the recipient's responsibility to tackle such problems. To this end, its support in 2003 will aim to bolster the UEMOA's administrative capacity and simplify its own financing procedures to allow faster release of funds.

TRANSPORT, INFRASTRUCTURE AND ENERGY

Transport and infrastructure are two further development areas prioritised by the EU, and in which much of its external assistance to ACP States was concentrated in 2002. More than 275 EC-funded projects were under way in 2002 in ACP countries, many with a regional dimension.

Most of the infrastructure programmes in ACP countries in 2002 were focused on transport (for a sample, see below). As well as funding the construction and upgrading of transport links, the EDF also contributed institutional support to the road sector in 2002. For example, in **Rwanda, Senegal and Sierra Leone**, the EDF financed the creation of national road boards charged with managing the maintenance and expansion of each country's road network.

Transport, infrastructure and energy in ACP countries: Typical projects (2002)

Country	Project	EDF funds (EUR million)
Ethiopia	Coast-to-interior routes	Over 325
Jamaica	Northern coastal highway upgrading	80.0
Kenya, Tanzania, Uganda	Parts of the East African northern and central corridor	Over 265
Papua New Guinea	Ramu highway upgraded	24.0
Rwanda	Gitarama–Kibuye road completed	41.0

However, EDF-funded ACP infrastructure projects were not solely concerned with transport. Through other infrastructure programmes completed in 2002 the EC was able to help partner countries improve their management of scarce water and mineral resources and reduce mining communities' reliance on the extraction of finite mineral supplies by diversifying into other areas of economic activity.

Natural resource management in ACP countries: Projects (2002)

Country/region	Project	EDF (EUR million)
Water		
Africa — 45 States	Weather satellite ground station programme	11.0
Ghana	Water supply installed in rural regions	56.0
Minerals		
Botswana	Modernisation of techniques, environmental remediation and diversification of labour	30.0
Niger	Uranium mines modernised	35.0

FOOD SECURITY AND RURAL DEVELOPMENT

The humanitarian situation across **southern Africa**, and in **Ethiopia** and **Eritrea**, already fragile at the start of 2002, was further aggravated during the year by a severe drought and rising poverty due to price increases; inadequate government food security policies; and the continuing devastation wrought by the HIV/AIDS pandemic. In response, the EC funded substantial food security programmes and emergency interventions to help avert looming humanitarian crises in both regions.

Food aid supplied to ACP countries: EC response to food crises in Africa, summary 2002				
Crisis region	Countries worst affected	Aid supplied (metric tonnes, 1 000)		Total funds (EUR million)
		Food	Seed, fertiliser	
Horn of Africa	Eritrea Ethiopia	412	4	110.0
Southern Africa	Lesotho Malawi Mozambique Swaziland Zambia Zimbabwe	227	5	117.6

In both regions, the EC also successfully coordinated the delivery of food aid with a number of partners (the UN World Food Programme and other NGOs, governments of recipient countries) and targeted aid to the poorest and most vulnerable groups affected, including HIV/AIDS victims and internally displaced people and refugees from neighbouring States.

While emergency relief is crucial to saving lives, both recipient governments and the Commission agree that such aid is unlikely to improve the longer-term prospects for food security, and more still needs to be done to tackle the underlying, structural problems. Much of the EC's assistance in 2002 was therefore designed to address these root causes.

Food security in ACP countries: Longer-term assistance (2002) ⁽¹⁾

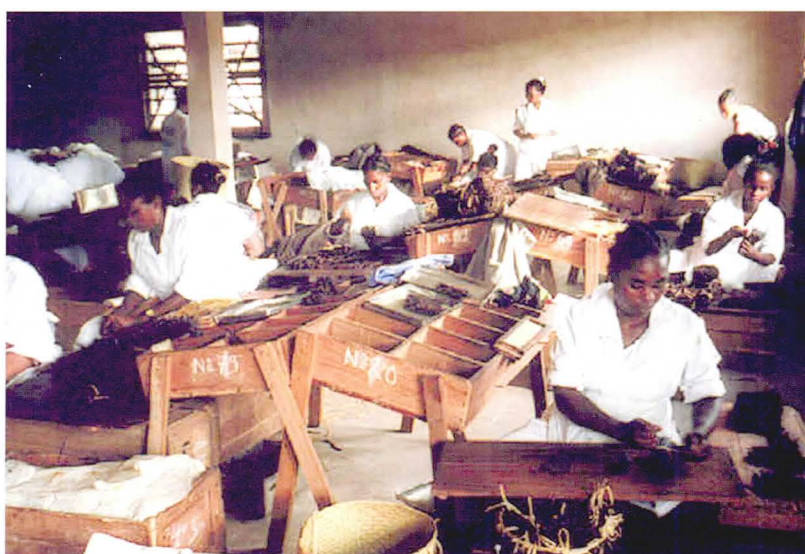
Region	Country	Type of assistance given	EUR million
East and southern Africa, Indian Ocean	Eritrea	Technical support, safety net	16.0
	Ethiopia	Technical support, safety net	60.0
	Malawi	Technical support, safety net	42.0
	Mozambique	Multi-component	60.0
West, Central, East and southern Africa		Veterinary, to control disease	72.0

⁽¹⁾ Ongoing programmes approved since 1999.

Rural development constituted a further element of the EC's longer-term strategy in ACP countries to improve food security and reduce poverty. Projects completed in 2002 included biodiversity preservation in **Tanzania** and **Gabon**; fisheries research to protect Nile perch stocks in **Lake Victoria**, and desertification control in **Mali** (see below).

Rural development in Mali: Anti-desertification programme, results to end 2002

Area covered by dunes now stabilised
 Several species of flora and fauna reintroduced
 Local communities' incomes raised through the sale of fuel wood and timber
 Effectiveness of locally-managed eco-conservation projects reaffirmed



© GES, Madagascar

Quality control checks on recently-harvested vanilla, northern Madagascar

Rural development in Madagascar: Supporting vanilla farmers, from plantation to supermarket

A comprehensive series of assistance projects, running from 1997 to 2002 and totalling over EUR 5 million, has resulted in vanilla production and export becoming once again a pillar of the Malagasy economy in 2002.

Previously the world's leading exporter of vanilla, Madagascar had over the course of the 1980s and early 1990s lost its competitive edge, with a corresponding slump in export earnings. So an EC-funded programme, started in 1998, assists not just growers, but the entire supply chain — from processors to distributors and exporters.

The programme has helped transform the fortunes of the Malagasy vanilla industry from its nadir in the mid-1990s, with significant benefits for vanilla-producing communities and the economic performance of the country as a whole.

Rural development in Madagascar: Vanilla exports programme, results to end 2002

Area	Results
Land	Over 2 000 hectares of productive land added
Distribution	Expansion evenly distributed across over 120 villages
Quality	Thousands of quality production manuals distributed Standards monitored by 120 production observers Guidance given to growers about ideal harvesting periods Labels of national origin established Quality 'Vanilla from Madagascar' marks introduced
Earnings	Over 40-fold rise in prepared vanilla export earnings, 1996–2002 Over 100 % rise in vanilla's share of Malagasy export earnings, 1999–2002 ⁽¹⁾

⁽¹⁾ Vanilla as a percentage of total Malagasy export earnings: 11 (1999), 26 (2002).

HEALTH

Addressing health issues in ACP countries is key to the EC's overall external assistance strategy. Health constitutes the focal area for three of the UN's six millennium development goals ⁽¹⁾, and, together with the delivery of other social services, one of the EC's six priority development areas.

New strategies were developed in 2002, entailing a shift from project-specific funding towards sector-wide approach programmes, a closer link between budget support and outcomes in social sectors such as health and a deeper 'sector dialogue' with national authorities, local partners and other donors. Pre-requisites for a sector-wide approach (SWAP) comprise government action to devise an integrated, national strategy for addressing health issues, issue a programme of work and spending plan, implement the strategy, and co-ordinate between the EC, other donors and stakeholders in the sector.

Sector-wide support continued to be provided in 2002 to several States where the EC also provided central budgetary support, including **Ghana, Zambia, Senegal, and Cameroon**, where such an approach has already been fully adopted. The results of such support were broadly positive, notably in **Ghana**, which was the first ACP country to adopt a SWAP in the health sector, and one of the very few on track to attain its health MDGs.

In other States like **Uganda** and **Tanzania**, successful SWAPs exist but EC health sector funding was only for small, health-specific projects. But, as a significant central budgetary support donor, the EC still contributed to sector dialogue. And in yet other ACP countries that do not yet fulfil conditions for a SWAP — **Mali**, for example, or **Mozambique** — EC support was implemented under an evolving scenario, paving the way for a future SWAP, including the development by donors of common management arrangements and 'basket' funding (pooled to buy medicines, for instance).

The EC continued to fund specific health-related projects in States whose precarious political context has precluded a shift in approach by the government and/or donors: in **Niger**, for instance, the EC committed EUR 2 million for a blood safety project while in the **Caribbean**, EC drug demand reduction projects totalled over EUR 1.8 million. Implementation also continued of over 100 projects — covering 40 ACP countries and totalling over EUR 1 billion — funded by EC commitments made before 2002, while two commitments were made in 2002 targeting multi-country health issues (see table below).

Health in Ghana: Selected key indicators to end 2002

Result	Measure	Previous		Latest	
Infant mortality: reduced	Deaths/1 000	1993	66	1998	57
Measles immunisation: widened	% of total population	1997	57	2001	82
Supervised births: increased	% of all births	1996	38	2000	52

Health in ACP countries: Commitments to global programmes (2002) ⁽¹⁾

Country	Programme	EUR million
All ACP States	Global fund to fight AIDS, TB and malaria ⁽²⁾	60.0
21 ACP States	Sexual and reproductive health (UNFPA/IPFF ⁽³⁾)	32.0

⁽¹⁾ Funds committed in 2002 (but still to be paid) from the ninth European Development Fund.

⁽²⁾ Fund established at the meeting of G8 countries in Genoa in July 2001.

⁽³⁾ UNFPA: United Nations Family Planning Agency. IPFF: International Planned Parenthood Federation.

EC funds in several ACP countries raised or underpinned government spending on health, involving closer liaison between EU macroeconomic and health specialists. Budgetary support also included a capacity-building component, thereby increasing governments' ability to deliver healthcare, and allowing EC involvement in health-sector dialogue in the country concerned.

Health in ACP countries: Capacity-building assistance (2002)

Governments and civil servants helped to plan national and regional health policies

Public finance management improved to increase health spending efficiency

Information systems strengthened, quality of performance indicator data raised

Health in southern Africa: Soul City — addressing the challenge of HIV/AIDS

As it has since 1993, the EC continued in 2002 to help fund Soul City, a South African NGO using the mass media to tackle both the threat posed by HIV/AIDS, and other health, social and development issues. Its radio and television 'edutainment' programmes inform while entertaining audiences throughout the country, across all social strata. Building on its success to date, the EC committed in 2002 to funding Soul City's expansion into eight neighbouring countries.

⁽¹⁾ For more information on the EU's commitment to the UN's millennium development goals, see 'Strategic goals and achievements' above.

Health in southern Africa: Soul City HIV/AIDS programming, results to end 2002

Programming seen/heard by over 50 % of total South African television and radio audience

Six radio and television soap operas developed for adults, and 'Soul Buddyz' series for children

EUR 10 million additional EC funds committed in 2002 to fund expansion into Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Zambia and Zimbabwe

Co-donors (UK, Irish and Dutch development offices) closely consulted by EC

EDUCATION AND CULTURE

Like health, education assistance was a priority sector for EC assistance to ACP countries in 2002, comprising one of the UN's six millennium development goals, and one of the EC's six priority development sectors. And much as in health, in education the Commission sought in 2002 to shift funding away from a project-specific basis to a more integrated approach involving closer partnership with recipient countries. Solid progress was made in ACP countries such as **Tanzania** and **Namibia** in 2002 in shifting assistance from project-specific support towards a sector-wide approach.

However, in several other ACP countries such a shift has yet to be initiated, for similar reasons as in the health sector. So assistance in 2002 continued to be largely project-specific. For example, in **Botswana**, **Ethiopia**, **Fiji** and **Papua New Guinea**, commitments amounting to over EUR 15 million were made to upgrade primary schools and university facilities.

In addition, funding in 2002 to boost or underpin central budget education spending comprised a greater-than-ever share of EC education support in ACP States. The cases of the Comores and Ethiopia typify the EC's commitment to capacity-building, making the planning of integrated, national education strategies now possible. Delivery will be ensured through the vocational training of officials, both in government education and training agencies, and in partner organisations such as business associations, local NGOs and churches. And the training is to be given in a broad range of essential skills, including human resource development, business management and public administration.

Education in Niger: Boosting the economy through training

Launched in 2000 with a budget of EUR 7 million, an EC-funded, 3.5-year vocational and technical training programme in Niger sought to address directly Niger's labour market training needs, through the creation of a national system of continuing vocational training. Following a raft of positive results up to the end of 2002, the project was prolonged in 2002 for a further 1.5 years.

MACROECONOMIC POLICIES

Macroeconomic support comprises perhaps the greatest share of EC external assistance to ACP coun-



Trainee hairdressers attending a course provided through the Nigertech vocational training scheme — Niamey, Niger

Education in Niger: National vocational training programme, results to end 2002

National Office of Vocational Training established

'Nigertech' training certificate introduced — now often requested by employers

Training tailored to requests from, and costs shared with, business organisations

Training offered through regional centres, allowing nationwide reach

Craftsmen's skills improved and small businesses' competitiveness increased

An evaluation conducted in 2002 pointed to the programme's:

- ▶ significant contribution to developing Niger's skills base
- ▶ potential as a model for vocational training provision in developing States

tries. From 1992 to the end of 2002, such support had amounted to over EUR 3 billion. In 2002 alone, EC macroeconomic support came to over EUR 600 million. Around 30 countries had EC-funded programmes in operation, and for the first time, the total number of such programmes exceeded 40.

The Commission's approach to macroeconomic support evolved in 2002 in two main directions. First, it promoted a stable overall economic framework together with other donors, and including interest and inflation rates, balance of payments and budget deficits, thereby helping to reduce budget deficits in some ACP countries in 2002 by more than 50 % (**Burkina Faso** and **Madagascar**; see table below).

Second, the Commission targeted poverty reduction through support in key policy areas, and by further linking budgetary support more closely to the provision of health, education and other social services, a real shift in the EC's macroeconomic assistance was consolidated in 2002. For instance, to help increase consideration for social sectors in ACP financing proposals for EC support, the Commission decided in 2002 to send both macroeconomic and social sector team representatives to assistance talks with Ethiopia, Ghana, Madagascar, Mozambique, Niger and Zambia.



Ecopas logo

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Macroeconomic policies in Burkina Faso and Madagascar: Budget deficit reduction, results in 2002

Country	2002 total budget deficit (EUR million)		Reduction in deficit (%)
	Before donor support	After donor support	
Burkina Faso ⁽¹⁾	377.9	165.7	56.1 %
Madagascar ⁽²⁾	1 514.3	686.7	54.7 %

⁽¹⁾ Source: IMF, cited in EC financing proposal for budgetary support programme, March 2002. Original figures in CFA francs; BCEAO converted into euro using rate as at 24 April 2003.
⁽²⁾ Source: IMF, cited in EC financing proposal for emergency budgetary support programme, October 2002. Original figures in US dollars, converted into euro using rate as at 24 April 2003.

The Commission was able in 2002 to fully implement its macroeconomic assistance in countries such as **Burkina Faso, Zambia, and Tanzania**, where public finance management was improved, poverty reduction strategies were adopted and progress reflected in health, education and other indicators. Economic reform programmes in these countries stayed on track, as confirmed by the IMF. In States such as **Burundi, Gambia, Sierra Leone and Zambia**, ‘sleeping’ or suspended macroeconomic cooperation was revived, in part because governments were more open to dialogue with the EU.

Support was temporarily suspended where the Commission had concerns about government stalling caused by weak public finance management (**Senegal, Malawi and Gabon**), major delays in implementing economic reforms (**Malawi**), insufficient government commitment to poverty reduction or data reliability (**Ghana and Cameroon**) because of under-resourced or badly-trained staff in national statistical services, inadequately analysed data making meaningful measurements of progress impossible, or data hidden or distorted in the interests of broader domestic political imperatives. For example, it proved

impossible to launch an EUR 11 million poverty reduction programme in **Guinea** because of EU Member States’ concerns about opposition parties’ freedom to campaign before the general elections in June 2002.

THE ENVIRONMENT AND WATER RESOURCES

The results of EC environmental and water projects in 2002 were, as elsewhere, mixed. Two of the EC’s flagship environmental assistance programmes — Ecofac and Ecopas — are in **Africa**, and both achieved progress in 2002. A 2002 project evaluation of the EC’s EUR 23 million Ecofac programme, which aims to protect the rainforest of the **Congo Basin**, noted its successes to date, not least in preserving biodiversity despite local communities’ often competing needs. For results of the EC’s EUR 20 million Ecopas project in **West Africa**, see the box below.

Environment and water in West Africa: Working with local communities to generate incomes and protect diversity

‘Thanks to EC funding, Ecopas was able to continue its work with local communities across West Africa in 2002, helping to preserve the region’s priceless biodiversity for generations to come.’

Alioune S. Aladji-Boni
 Regional Coordinator, Ecopas programme
 Ouagadougou, Burkina Faso

Established in 2001, in a 50 000 km² park bordering the River Niger as it flows through **Benin, Burkina Faso and Niger**, the EC-funded EUR 20 million Ecopas ⁽¹⁾ environmental protection programme helped in 2002 to promote regional cooperation, develop eco-tourism and fund vital conservation work.

In the **Caribbean and Pacific regions**, two significant water projects were completed.

Environment and water in the Caribbean and Pacific: Selected programmes completed (2002)

Country	Project	EUR million
Jamaica	Negril-Ocho Rios: sewage treatment for 40 000	40.0
Samoa	Water supply to 50 000 in rural areas	18.0

However, evaluations in 2002 of other environment projects gave cause for concern: In **Botswana**, a EUR 2.0 million community forestry programme had to be closed primarily because of limited national commitment to the project; and a review of the EUR 23 million AGIR ⁽²⁾ integrated natural resource management programme in **Guinea, Guinea-Bissau, Senegal and Mali**, found poor internal coordination. As a result, the project’s internal structure has been revised and the technical assistance team has been partially relocated and its terms of reference amended.

⁽¹⁾ Ecopas: acronym of the French *Ecosystèmes protégés en Afrique sahélienne* (protected ecosystems in north-west Africa).

⁽²⁾ AGIR: acronym of the French *Appui à la gestion intégrée des ressources naturelles* (natural resource management support).

Environment and water in West Africa: Ecopas environmental protection programme, results in 2002

Regional cooperation

Park twinned with national parks in France and Italy (Ardèche, River Po)

First joint meeting held between:

- ▶ national parks ministers from **Benin, Burkina Faso and Niger**; and
- ▶ the Environment Commissioner of the UEMOA (!)

Sustainable tourism

Calls for tender issued overseas for potentially-lucrative hunting franchises

Eco-tourism projects launched to exploit giraffe and manatee populations

Partnerships established with local and overseas private sector tour firms

Environmental education

1 500 local schoolchildren offered eco-education and park tours

Joint research programmes established between local and overseas universities

Nature conservation

Over 90 park staff trained in animal tracking and anti-poaching techniques

Over 10 new animal species identified

Over 100 prehistoric and archaeological sites discovered

Illegal poaching within the park cut by over 45 % since programme launch

(!) UEMOA: acronym of the French *Union économique et monétaire ouest-africaine* (West African Economic and Monetary Union).



Community-based project to generate income for handicapped people — Bangui Central Africa Republic

Further investments were made through the European Development Fund, developing African countries' research capacity through regionally-based research organisations. Such investments are highly valued by both the political and scientific communities in ACP countries, since they allow research to be conducted that is directly relevant to development issues and participatory in ways distinct from other bilateral or international approaches. Initiatives addressing issues such as poverty-related disease have already been launched, and future research is likely to address subjects including food security; the sustainable use of natural resources such as water; soils and biodiversity; and good governance and conflict prevention.

Despite previously negligible levels of scientific and technological cooperation **between** African countries, considerable progress has been made in recent years in developing regional or subregional research initiatives, and such progress continued in 2002. The regional approach adopted by the fifth framework programme (FP5) and subsequent activity planned for the sixth framework programme (FP6) continued to act in 2002 as catalysts for the emergence of scientific thematic networks in West, Central, eastern and southern Africa.

These should in turn lead to regional integration of agricultural research and enhanced research cooperation with the EU. In agriculture, as in other sectors of special importance to ACP countries, scientific and technological cooperation guarantees that research into relevant development issues is mainstreamed at the international level, and African countries' research capacity is maintained.

A joint EU-ACP science and technology task force, established in September 2001, produced a draft discussion document entitled 'A shared vision on research for sustainable development'. It stresses the importance of: EU-ACP partnerships in improving access to economic, socio-political and technical knowledge, which is essential to sustainable development; policy commitment; stakeholder participation; research and development investment; effective interfaces between the producers and users of such know-

SCIENCE AND TECHNOLOGY

EU-ACP scientific and technological cooperation was mostly centred in 2002 on sub-Saharan countries, since Caribbean and Pacific States have more limited research capabilities than many of their African counterparts. Such cooperation in 2002 comprised several strands.

Science and technology in Africa: Approximate shares of external assistance funding for research (2002)

Country/region	% of total assistance
EU Member States acting bilaterally	60
United States	25
Japan, other Asian countries	5
Canada	4
Other	6

A science and technology for development programme established in 1983 and revised to reflect commitments made by the Union at the Earth Summit in Rio in 1992 continued its work.

ledge; effective management of IPRs; and strengthening both human and institutional resources.

'Shared vision' also prioritises seven fields for research: health, education and capacity-building, environment, agriculture, energy and transport, information and communication technologies (ICT), and sustainable trade. It calls for resources from the FP6, ninth EDF, and various bilateral sources to be used to fund such partnerships.

The document was discussed at the first EU-ACP Forum on Research for Sustainable Development, held in Cape Town in July, which resulted in the publication of the ACP Cape Town declaration on research for sustainable development, and an accompanying plan of action ⁽¹⁾. In the declaration, ACP States pledged gradually to increase budgetary allocations for research, development and technological dissemination and innovation to a minimum of 1 % of GDP within 10 years, and recognised the need for greater ACP-wide coordination.

These documents subsequently provided much of the basis for ACP countries' input at the World Summit on Sustainable Development, held in Johannesburg in September.

PARTNERSHIP WITH CIVIL SOCIETY AND NGOS

The EC was not only involved in 2002 in delivering assistance itself to countries in ACP countries; it also encouraged close partnership with EU and ACP civil society groups and non-State actors to identify and implement projects.

The Commission is conscious that in many ACP countries, NGOs are often better placed than it is to leverage in-the-field experience and develop innovative approaches to development issues at community level. Accordingly it was committed in 2002 to enabling non-State partners to implement EC-funded projects in ACP States and empowering them to initiate and design programmes themselves, in partnership with local NGOs in ACP countries, using EC funds.

Two such projects that were completed in 2002 highlight the way in which EC assistance funds were increasingly used to mainstream issues such as gender equality.

NGOs also became more aware in 2002 of the importance the Commission attaches to them in designing and implementing its external assistance, thanks largely to increased publicity efforts by the EC and the wider Internet access available to ACP-based NGOs. There was a concomitant 57 % rise in project requests received from NGOs (2001-02) ⁽²⁾.

As in other sectors, 2002 also underlined the challenges that such projects continue to face: in many countries, the local organisations with whom such projects are best carried out lacked the means to deliver projects effectively, or simply did not exist, while partnerships between European and local NGOs were often tipped in the former's favour, limiting local NGOs' involvement in project design or implementation. In supporting such projects, therefore, the EC will need to work hard to address shortfalls in local capacity and imbalances between European and local NGO involvement.

LINKING RELIEF, REHABILITATION AND DEVELOPMENT

In line with other donors, the EC is striving to link the relief of immediate suffering with longer-term rehabilitation and development objectives. An example of such efforts was its response in 2002 to the food and humanitarian crisis that plagued southern Africa (see 'Food security and rural development' above).

Linking relief, rehabilitation and development in ACP countries: Improvements to crisis response in Africa (2002)

Cooperation enhanced with external actors, including EU Member States, other donors and UN agencies

Internal coordination improved between Brussels and EU delegations

Special financial instruments, designed to respond to crises fast, used more often

External food security experts hired in Mozambique, Zimbabwe and Malawi

But EC funds were also focused on linking short-term interventions with longer-term solutions, as the examples outlined below and elsewhere in this chapter demonstrate.

Partnership with civil society and NGOs in ACP countries: Selected results to end 2002

Project country	Lead NGOs' origin		Project results	EUR million
	EU	ACP		
Côte d'Ivoire	Italy	Côte d'Ivoire	Technical training centre built in Abidjan and fully equipped	0.5
	France			
South Africa	France	South Africa	Funds used to train business trainers	0.4
			Rural micro-credit schemes funded	

⁽¹⁾ For the texts of the declaration and the action plan, visit <http://www.acpsec.org/capetown/capetown-en.pdf>

⁽²⁾ Total number of requests for NGO-led projects received by the EC: 280 (2001), 440 (2002).

Linking relief, rehabilitation and development in Rwanda: Community-based infrastructure projects

In 1998, the EC launched several community-based programmes in Rwanda, linking emergency relief with longer-term rehabilitation following the country's 1994 genocide.

In the short term, the programmes help communities — who identify their own needs and contribute 25 % of the project costs themselves — to reconstruct (or often simply construct from scratch) schools, health clinics, bridges, markets and other buildings. In so doing, they help realise the longer-term goal of national reconstruction and reconciliation, as communities are brought together to achieve a common aim.

By the end of 2002, over 1 000 project requests had been received by the Commission, and almost 300 started. Of these, less than 1 % were later deemed not to have met their aims and so closed — a far lower rate than in many other development sectors.

CONFLICT AND POST-CONFLICT SITUATIONS

Volatile political situations in several African countries in 2002 led to real difficulties in implementing many EC-funded ACP rehabilitation projects. In **Eritrea**, for example, a EUR 20 million contribution intended to help reintegrate soldiers into civilian life was blocked after the Eritrean Government failed to issue demobilisation instructions to its forces.

However, the Commission is finding that with persistence and a long-term commitment to countries or regions in conflict real results can be achieved. For example, despite a series of setbacks, one project in **Sierra Leone** was successfully completed in July 2002 and has had a positive impact across society (see box below).

The Commission is equally committed to incorporating the latest techniques to deliver its external assistance, leveraging advances in both development thinking and practical technology. This commitment can sometimes have surprising results. In Tanzania, for example, the EC spent over EUR 1 million in 2002 on programmes in which rats are used to detect landmines, thereby significantly reducing clearance costs without causing harm to the animals involved.

The EC was actively engaged in mine-related projects elsewhere in Africa, too. In **Somalia** and **Ethiopia**, for example, projects in 2002 supported national mine action centres to coordinate mine clearance, and funded impact surveys to reduce the harm caused by mines to local communities.

Rehabilitation in Sierra Leone: Helping families return to normal life

Interruptions to one EUR 9.2 million project, started in 1997 and completed in 2002 in Sierra Leone, highlight the difficulties of delivering some of the EC's rehabilitation programmes' assistance against a backdrop of political volatility or, worse, outright conflict.



Rehabilitation and resettlement programme in Sierra Leone

Rehabilitation in Sierra Leone: Programme implementation chronology (1997–2002)		
Date	Event	
1997	March	Project launched
	May	Coup d'état halts project
1998	July	Project relaunched
1999	March	Original closing date of project
		Worsening security prompts technical team's temporary evacuation
2000	May	Technical support team temporarily evacuated
2002	July	Project completed

However, when such projects can be completed their impact is generally wide-ranging and long-lasting, as results of the Sierra Leone programme demonstrate.

Rehabilitation in Sierra Leone: Programme results to end 2002	
Area	Result
Agriculture	Over 4 500 families receiving farming or fishing subsidies
	1 200 tradespeople helped to rebuild local markets and process crops
Employment	Over 2 000 returnee families trained in work-related skills
	Labour-intensive projects set up, employing over 5 000 people
	Over 3 000 women trained in farming and other work skills
Education	New schools built, used by over 12 300 pupils
Infrastructure	Over 850 km of roads, 3 bridges, 3 markets and 1 jetty reopened

REFUGEES AND DISPLACED POPULATIONS

The EC was actively engaged in 2002 in refugee projects throughout sub-Saharan Africa — in **Angola, Burundi, Congo (Brazzaville), Congo (Kinshasa), Djibouti, Eritrea, Ethiopia, Liberia, Mauritania, Namibia and Tanzania**. Such projects aim to either help people displaced by civil war or ethnic tensions or lay the groundwork for, and then execute, their safe return home.

Refugee project implementation in 2002 in ACP countries was often difficult, with results, at best, limited. In **Burundi**, for example, the EC launched a programme in 2000 in partnership with the UN's High Commission for Refugees to aid the return of refugees who had fled to Tanzania following Hutu–Tutsi ethnic strife in the early 1990s. After disappointing results, the project will have to be thoroughly revised.

Refugees and displaced populations in Burundi and Tanzania: EC–UNHCR refugee return programme, results to end 2002

EC allocation to project (EUR million)	Number of refugees returned from Tanzania to Burundi	
	Intended	Actual to end 2002
25.0	343 000	49 613

Why, then, have the results of such programmes proved disappointing? Certainly not for lack of detailed planning and evaluation. To ensure the successful return of displaced people without further destabilising recipient countries, the EC's programmes in 2002 funded not just the immediate logistics of returning large numbers of people — including convoys, transit sites, and special help for the sick and elderly — but also longer-term measures in return destinations to help ensure returnees' successful reintegration. These included reconstructing or upgrading social services — schools, health clinics and so on — and strengthening local justice systems to resolve property and other disputes that can arise when refugees return home.

Sadly, almost all refugee programmes in Africa were interrupted in 2002, largely because of wider political instability and threats to personal security. In *Burundi*, for example, a Tutsi–Hutu transitional power-sharing government has so far failed to sign a comprehensive ceasefire with the country's main rebel groups. Indeed, both the army and rebels launched renewed offensives in 2002, thereby strongly discouraging Burundian refugees from returning home.

6.4.4. The three Cs (coherence, coordination and complementarity) in the region

6.4.4.1. Cooperation with EU Member States and other donors in the ACP region

Strengthening coherence, coordination and complementarity with other donors is vital in ACP States, since, relative to other countries, many sub-Saharan

States depend to a higher degree on external assistance to tackle development issues and lack government capacity sufficient to deal with donor competition and duplication, or donors' often complex and differing funding procedures. So in its assistance to ACP countries in 2002, the Commission strove to apply the 'three Cs' more fully, together with EU Member States and other ACP donors.

Such efforts by the Commission in 2002 were typified by the positive results achieved in supporting fisheries in Pacific States. First, in negotiations for an EU–Kiribati Fisheries Partnership Agreement, signed in 2002, the Commission was committed to ensuring development issues related to fisheries were fully taken into account. Hence the agreement that has been signed provides for responsible, sustainable marine resource exploitation, and similar EU agreements with other Pacific ACP States are now likely.

Second, fisheries support was a feature of regional strategy papers signed in 2002. In the Pacific RSP, fisheries are classed as a 'focal' development sector, with EUR 5 million allocated to extend the EC's Procfish programme to six new Pacific States, and to help strengthen regional fisheries ministries and monitoring bodies. In West Africa fisheries constitute a 'non-focal' development sector and in Central Africa they comprise a 'focal' development sector.

The 'three Cs' were incorporated into the EC's external assistance in other ways, too, and three examples are highlighted here. First, the Caribbean anti-money laundering programme (CALP), launched in 2002, responds to the vulnerability to drug cartels of the region's fast-expanding finance sector. It draws on funding from the EC and from the United Kingdom and United States acting jointly (funds in 2002 amounted to EUR 4 million from the EC, and EUR 3.2 million from the United Kingdom and United States combined). The programme augments existing bodies such as the Caribbean financial action task force on money laundering.

Second, the EC's efforts in 2002 in least developed countries to apply the 'three Cs' were in large part focused on drawing up poverty reduction strategy papers in several ACP countries, and on the SPA, which complements African poverty reduction support programmes and in which the Commission was actively engaged (more details in 6.4.1 above).

Third, the Commission initiated external sustainability impact assessments in 2002, in tandem with the Commission's EPA negotiations with ACP countries. Such assessments are intended by the Commission to be used to harmonise EU trade and development policies for the benefit of the ACP region; to address broader but related economic, social and environmental issues; and thereby to ensure that EPAs will impact ACP States as positively as possible.

6.4.4.2. European Investment Bank activity in ACP countries

Under the terms of the Cotonou Agreement, the EIB aims to promote the private sector as the main engine of economic growth and ACP countries' integration into the world economy.

Over 70 % of major loan decisions by the EIB in 2002 to promote economic growth in ACP countries (including South Africa) therefore went to the private sector or commercially-run public sector, e.g. to power or water infrastructure projects. The most important loans in 2002 went to Cape Verde (airport and traffic control infrastructure upgrade, EUR 20 million) and Gabon (submarine optic fibre telephone cable installation, EUR 22 million).

6.4.4.3. European Community Humanitarian Aid Office activity in ACP countries

Unfolding humanitarian crises in Africa in 2002 posed a major challenge for ECHO and will be of equal concern in 2003, since over 50 % of the world's current armed conflicts, and over 25 % of all refugees in the world are in Africa. In response, the EC provided humanitarian aid of over EUR 210 million to ACP countries in 2002. Below is a summary of that activity.



Emergency operation after the explosion of a grenade in Bunia (Congo (Kinshasa))

© ECHO

ECHO activity in ACP countries: Summary of financing decisions (2002)

Region	Summary of decisions (EUR million)
Caribbean, Pacific	0.6
West Africa	33.3
Central Africa	0.3
West and Central Africa	0.2
Eastern and southern Africa, Indian Ocean	126.8
All Africa	50.1
Total	211.3

6.4.5. Results-oriented monitoring

In 2002, there were over 290 monitoring visits to country programmes in 40 ACP countries, including South Africa and Cuba. Regular monitoring of regional programmes was also started in early 2002.

These visits proved helpful in improving future assistance, by allowing project performance to be compared in three revealing ways. First of these was the performance of projects in each development sector *vis-à-vis* other sectors, for example, monitoring results for a sample of 18 education programmes, key to the EC's poverty reduction objectives, were encouraging, scoring an average of 2.74 compared to an average for all ACP projects monitored of 2.48.

The second comparison derived from monitoring was of the strengths and weaknesses of ACP projects relative to those in other regions: ACP projects evaluated in 2002 tended to be more effective and have greater impact, but also to be less sustainable and less efficient. The third comparison was with programmes not subject to re-monitoring: re-monitored projects tended to perform better than average, suggesting that monitoring improves the performance of the EC's ACP projects.

Results-oriented monitoring: Visits to country projects in priority development sectors (2002)

Priority sector	No of reports	No of projects	Total budget (EUR million)	Average project size (EUR million)
1. Trade and development	14	14	227.9	16.3
2. Regional integration	77	41	457.8	11.2
3. Macroeconomic policies, social services	54	54	760.7	14.1
4. Transport	20	20	804.4	40.2
5. Food security, rural development	48	48	343.2	7.2
6. Institutional capacity, good governance	76	76	267.3	3.5
7. Other	9	9	50.2	5.6
Total	298	262	2 911.0	11.1

Results-oriented monitoring: Average ratings of priority-sector projects evaluated (2002)

Criterion	Trade and development	Regional integration	Macroeconomic policies	Transport and infrastructure	Food security	Institutional capacity	Other ⁽¹⁾	All ACP countries
Relevance	2.50	2.36	2.48	2.75	2.65	2.55	2.44	2.51
Efficiency	2.43	2.18	2.41	2.50	2.56	2.42	2.56	2.39
Effectiveness	2.57	2.35	2.57	2.95	2.75	2.66	3.00	2.60
Impact	2.57	2.26	2.56	2.65	2.63	2.58	2.89	2.52
Sustainability	2.36	2.32	2.28	2.35	2.40	2.49	2.56	2.38
Average	2.49	2.30	2.46	2.64	2.60	2.54	2.69	2.48

(¹) Mainly multisector projects.

6.4.6. Conclusions and prospects for the years ahead

There are perhaps three main lessons that the Commission must learn from the successes and difficulties of ACP external assistance implementation in 2002. First, **the completion of ACP/OCTs programming offers a solid basis for future assistance.** The focus of both ACP countries and the EC must now be to execute country strategy papers and regional strategy papers; deliver the results envisaged in the strategy papers; programme ninth EDF territorial and regional resources for OCTs; improve OCTs access to EU programmes/budget lines; and fully commit past EDFs.

Second, **EU-ACP/OCTs relations evolved significantly in 2002**, and will continue to do so. This evolution was in large part due to the imminent entry into force of the Cotonou Agreement following ratification by ACP and EU States; African countries' explicit commitment to strengthening their capacity to deal with conflict, poverty and marginalisation in the global economy through initiatives such as the launch of the African Union; and acceptance of poverty reduction strategy papers as the basis for EC support to least-developed countries.

Third, **EC assistance to ACP/OCTs States must become more responsive** in a number of areas.

- ▶ **Major development challenges facing ACP/OCTs States**, notably in Africa. Sub-Saharan Africa is the region in the world that will struggle most to reach its millennium development goals, and the EC must do all it can to help keep countries on track through a coherent combination of development assistance, political dialogue and non-development policies and instruments (e.g. in trade).
- ▶ **New developments in ACP/OCTs countries or regions.** The launch in 2002 of EU water and energy initiatives at the World Summit on Sustainable Development in September prompted the Commission and Member States to examine with developing countries how support in these areas might accelerate progress in attaining the MDGs. The EU must also enhance dialogue with OCTs under the new EU-OCTs partnership procedure.
- ▶ **Regional and subregional integration** efforts, of which the launch of the AU and its adoption of the NEPAD was a notable example in 2002. EPA talks with ACP States will constitute the EC's main response in 2003 to ACP States' commitment to capacity-building.
- ▶ **Conflicts and crises.** Such situations cannot always be predicted, but must be addressed more quickly than has been the case to date as a matter of priority, so as to limit further their impact on development and EC-programmed assistance.

6.5. Asia



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Asia accounts for 56 % of the world's population (and 66 % of the world's poor), while generating 25 % of world GNP.

Its share of EU imports is gradually increasing (currently about 27 %) while its share of EU exports has been relatively constant (at around 18 %).

EC cooperation funding for the developing countries in Asia has grown moderately in recent years, averaging some EUR 407 million per year in 1996–2001. However, 2002 commitments amounted to almost EUR 540 million, the increase mainly accounted for by allocations to Afghanistan confirming the EC's political commitment to the reconstruction of that country.

Taking EC and Member State aid together, the EU continues to account for about 25 % of total ODA flows to Asia. Community assistance in Asia is complementary to the assistance provided by the Member States, in dialogue with the beneficiary countries, and with other bilateral and multilateral donors.

6.5.1. Strategic goals and achievements

From the EU perspective, the core objective of EU–Asia relations into the first decade of this century ⁽¹⁾ is to strengthen the Union's political and economic presence across Asia, raising it to a level commensurate with the growing global weight of an enlarged EU. In order to meet this objective, the strategy of the EU is based on six priorities:

- ▶ to contribute to peace and security in the region;
- ▶ to strengthen mutual trade and investment flows;

- ▶ to promote the development of the less prosperous countries of the region, addressing the root causes of poverty;
- ▶ to contribute to the protection of human rights and the promotion of democracy, good governance and the rule of law;
- ▶ to build global partnerships and alliances with Asian countries;
- ▶ to help strengthen the awareness of Europe in Asia (and vice versa).

One of the major challenges to **promoting peace and security** in 2002 was the situation in Afghanistan, demanding a huge short-term reconstruction effort in line with the undertakings given at the Tokyo ministerial conference in January. The EC contributed over EUR 270 million to Afghanistan, in the form of two large reconstruction/rehabilitation programmes, food and humanitarian aid and aid for those who had been uprooted. Initially, the aid programme had a strong focus on rural recovery/ food security with accompanying demining activities, aimed at helping the largely rural population revive their traditional means of production. Improvement in the availability of health services, education facilities and basic urban rehabilitation complemented this. Peace and conflict prevention concerns also figured prominently in actions undertaken in East Timor, Indonesia, Pakistan, and Sri Lanka.

Work continued in 2002 to **strengthen mutual trade and investment flows**, with assistance provided both through regional programmes and bilateral projects. The aims were *inter alia* to promote private sector development and to assist partner countries to prepare for WTO membership and/or assume the

⁽¹⁾ Stated in COM(2001) 469, 'Europe and Asia: A strategic framework for enhanced partnerships'.

Asia — Overview of commitments/payments (1996–2002) (EUR million) ⁽¹⁾

	1996	1997	1998	1999	2000	2001	2002	Total
Commitments	405.7	435.3	423.3	342.7	447	387	539.8	2 980.8
Payments	279.1	301.9	262.1	289.2	318.5	376.9	433.5	2 261.2

(¹) Includes horizontal/thematic budget lines.

responsibilities of international agreements. Reflecting the EC development policy focus on **poverty alleviation**, over a third of the 2002 budget for technical and financial cooperation was allocated to social sector projects, notably in basic health and primary education. New operations in these fields were increasingly designed in a sector programme context in conjunction with the efforts of other donors. Sustainable development and gender concerns were an integral part of all projects, while access to education and health facilities for girls and women have been a particular focus.

The EC also contributed EUR 18 million to the EC-ASEAN Energy Facility, which started in 2002 and will provide for about 20 grants for individual projects in 2003.

6.5.2. Programming and country priorities

EU external cooperation policies are enshrined in cooperation agreements, protocols, administrative arrangements and memoranda of understanding. These provide the legal basis for programme implementation and budgetary expenditure.

In 2002, programming activities for the Asian region resulted in the formal adoption of 13 CSPs. By the end of December 2002, the Commission had finalised and published CSPs for Bangladesh, Cambodia, China, East Timor, India, Indonesia, Laos, Malaysia, North Korea, Pakistan, the Philippines, Thailand and Vietnam, most of which cover the period 2002–06. Additional strategies for Afghanistan, Bhutan, and Sri Lanka were well advanced in the drafting and adoption process.

The priorities for cooperation with **Bangladesh** and **Vietnam** are to reduce poverty in a sustainable manner and facilitate their integration into the world economy. The strategies for **Cambodia** and **Laos** focus primarily on poverty reduction.

The priorities of **EC–China** cooperation are to further China's integration into the world economy and world trading system and support its transition towards an open society based on the rule of law and respect for human rights.

The priority for **EC** cooperation with **India** is to support the government's policy of reducing poverty by half within a decade, with particular emphasis on social and economic reforms, improved governance and sustainable development.

EC–Indonesia cooperation will encourage the consolidation of democracy and good governance.

EU priorities for cooperation with **East Timor** are to help consolidate democracy and the rule of law, encourage respect for human rights and fundamental freedoms, and assist in the reconstruction of the newly independent country.

Under the **EC–Democratic People's Republic of Korea** (DPRK) strategy, Commission priorities focus on a limited number of areas, mainly institutional support and capacity-building; sustainable management and use of natural resources.

EC–Malaysia cooperation focuses on enhancing bilateral relationships, in particular by strengthening economic, educational and cultural ties.

The priority for **Pakistan** is to support government efforts to reduce poverty and help facilitate the country's integration into the world economy. The **EC–Philippines** cooperation strategy will focus on assistance to the poorest sectors of society and on smoothing the country's integration into the flow of international trade.

The priority of **EC–Thailand** cooperation is to support sustainable economic and social development.

6.5.3. Main results in 2002

Country programming up to 2006, as defined in country strategy papers, was nearing completion in 2002, helping to clarify priorities and providing a basis for dialogue with partner countries. It also helped coordination with Member States and other donors.

The objectives set by the budget for new commitments and payments in 2002 were met, and an additional EUR 70 million from the budget margin was committed for projects in Afghanistan.

Commitments and payments in Asia in 2001 and 2002 (EUR million)

Programmes	Commitments		Payments	
	2001	2002	2001	2002
Countries bilateral	225.0	476.58	264.6	391.64
Regional	64.5	98.28	41.2	62.61
Subtotal Bilateral/regional	289.5	574.86	305.8	454.25
Thematic actions	88.8	91.18	72.1	79.06
Total	378.3	666.04	377.9	533.31

Afghanistan — A rapid start to reconstruction in 2002

Afghanistan was a major political priority for EC assistance in Asia in 2002, with commitments from the Community totalling more than EUR 270 million. In response to the persistent humanitarian crisis, characterised by ongoing armed conflicts, prolonged drought and a significant number of refugees and internally displaced people, humanitarian aid (from the ECHO budget) reached EUR 73 million. The Europe-Aid Office provided almost EUR 200 million for reconstruction activities, of which EUR 127.5 million came from the Asia/Latin America budget line (first and second reconstruction programmes), EUR 44.6 million from the food aid/security budget line, and EUR 24 million from the budget line for aid to uprooted people. The rapid reaction mechanism provided the remaining funds.

The EC is a major donor to the reconstruction process, for which the Afghans themselves have ownership and lead responsibility. EC-funded programmes included rehabilitation of 167 health facilities; 1 400 health professionals have received training and more than 4 million consultations took place. The rehabilitation of 7 000 wells and the construction of 12 000 latrines made drinking water safer and improved hygiene. Five hundred schools have been rehabilitated and more than 1 100 teachers trained, allowing about 170 000 pupils (boys and girls) access to formal education. More than 27 000 tonnes of improved seeds have been distributed to farmers, up to 300 small-scale irrigation systems received reconstruction support and about 320 km of rural roads have been rehabilitated. These reconstruction and rehabilitation activities created more than 3 million days' labour, most of them remunerated in cash, which contributed significantly to the purchasing power of the needy rural and urban population.

Besides addressing people's immediate needs, the EC contributed to the functioning and reform of public services, an essential prerequisite for the normalisation process in Afghanistan, via cash contributions to the UNDP Trust Fund (EUR 20 million) and the World Bank-managed Afghanistan Reconstruction Trust Fund (EUR 30 million).

6.5.3.1. Implementation

PEACE AND SECURITY, DEMOCRACY AND GOOD GOVERNANCE

Peace and stability are essential conditions for economic growth and poverty reduction — insecurity and unrest can put a brake on development. Tensions in South Asia between India and Pakistan, ethnic conflict in Afghanistan and Sri Lanka, and conflicts such as those in Indonesia, Nepal, and the Philippines are ongoing concerns for the international community. Following the events of 11 September 2001, a number of Asian countries have been affected by acts of terrorism. Other matters giving rise to concern included the state of human rights in several Asian

countries and the condition of millions of refugees, displaced people and minorities across the region. In addition to participating in a process of political dialogue in ASEAN, ASEM and other fora, the EC has deployed financial and technical resources through various instruments at its disposal to encourage peace and stability in Asia. The EIDHR, the RRM and the budget line for refugees/displaced people are examples of such mechanisms.

CONFLICT PREVENTION, GOOD GOVERNANCE AND RULE OF LAW

In 2002, more than EUR 10 million went to projects in Asia under the EIDHR. Activities were carried out by non-governmental organisations, universities and independent institutions.

One of the main priorities of the EIDHR is support for the abolition of the death penalty, an example being the project financed in the Philippines in 2002 to foster the work of the Philippine human rights information centre. Under the heading of good governance, a programme was drafted to improve access to justice for the poor and combat corruption. In China, support was given to a programme designed to strengthen the capacity of defence lawyers to uphold the legal rights of those accused of capital crimes.

Combating racism, xenophobia and discrimination against minorities and indigenous peoples is another of the main priorities of the EIDHR. In 2002, activities were initiated in **Nepal, Pakistan, India, Indonesia and Malaysia**. In the area of **women's rights**, the EIDHR financed a capacity-building project in **Indonesia** to help the judicial sector deal with cases of violence against women. The EIDHR **supported the democratisation process in Burma/Myanmar** and helped smooth the transition to democracy by strengthening the capacity of the democracy movement, specifically the ethnic nationalities, women, youth, and the traditionally disenfranchised. In **Cambodia**, it supported capacity-building for democratic structures at a communal level; while in **Pakistan**, it helped increase the participation of vulnerable groups in decision-making processes in society in order to improve monitoring and respect for human rights in 10 districts.

EU electoral observer missions (EUEOM): the EIDHR supported the transition to democracy in Asia by sending EU electoral observer missions to the elections held in 2002 in **Pakistan, East Timor and Cambodia**. The EU electoral observation mission to the parliamentary elections in **Pakistan** in October 2002 was conducted by nine core team members for 10 weeks, with 43 long-term observers deployed to 13 different locations in all four provinces for three to five weeks. In addition, 30 short-term observers were deployed for up to 10 days, and a delegation of Members of the European Parliament were also present. On election day (10 October), a total of 88 EU election observation mission members were involved in observing polling, the counting of votes and the aggregation of results (1).

(1) The final report of the EUEOM in Pakistan is available on http://europa.eu.int/comm/external_relations/Human_Rights/eu_election_ass_observ/index.htm



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The reconstruction of Afghanistan was a top priority for Community aid in Asia in 2002

In **East Timor**, a presidential election was held on 14 April 2002. The EU electoral observation mission was composed of a core team comprising four experts, **four long-term observers** and **26 short-term observers** ⁽¹⁾. Although funded under the 2001 budget, the EU electoral observation mission to the local elections in **Cambodia** in February 2002 (19 December 2001 to 26 February 2002) fulfilled most of its tasks. This was the first time that the EU had established an EOM to observe local elections, reflecting the importance of the first direct elections to commune councils in the modern history of Cambodia. The mission produced a useful assessment of the election process and recommendations ahead of the parliamentary elections scheduled for July 2003 ⁽²⁾.

An EU election observation mission was approved for the parliamentary elections in **Nepal** (scheduled for November 2002), and the funding decision adopted. However, in the event the elections were postponed and the EUEOM was not deployed.

RAPID REACTION MECHANISM

The RRM is designed to enhance the EU's civilian capacity to intervene fast and effectively in crisis situations in third countries. Its added value is its speed and flexibility in situations of high tension immediately prior to, during and after crises. This new tool proved particularly valuable in Asia in 2002.

The second RRM programme for **Afghanistan** (EUR 5.9 million) included operations/projects to strengthen the institutional capacity of the new administration and help mobilise public support for the reconstruction process. Capacity-building measures included support to the Assistance Coordination Authority, rehabilitation of city planning capacity in

five major cities and training of government staff. The programme also supported the creation of a 'Media house', giving local journalists access to international news sources, the establishment of an independent newspaper, and the training of journalists.

An assessment mission was sent to **Indonesia** in early 2002 to identify possible interventions targeting potential local/regional conflicts in different parts of that country. As a direct result, a number of RRM operations took place in Irian Jaya and Maluku supporting mediation and conflict resolution measures, including a project focusing on the role of women in conflict prevention. The increased awareness of the Indonesian situation enabled the RRM to react quickly to the cessation of hostilities agreement in Aceh (Sumatra) and a project to support the international monitoring mission was put in place in late 2002 (EUR 2.3 million).

An RRM expert mission was sent in 2002 to the Philippines in late November to assess the need for EU/EC assistance in the fight against terrorism. The mission resulted in an assistance programme comprising measures targeting terrorist funding, border controls, police training, capacity-building for the judiciary and emphasising the impact of good governance activities.

An assessment mission was sent to identify possible measures to mitigate the effects of the conflict with the Maoist guerrillas in **Nepal**, especially in areas where important EC development cooperation programmes are located. The mission resulted in a conflict mitigation programme aimed at containing the effects of the conflict, and laying the groundwork for future EC medium-term assistance through confidence-building measures and economic empowerment of the vulnerable local population. It also proposed a programme to promote a free and fair electoral process for the November 2003 elections.

A EUR 1.8 million programme was adopted in September 2002 in support of the ceasefire agreement between the Government of **Sri Lanka** and the Liberation Tigers of Tamil Eelam (LTTE). It comprises measures to facilitate a flow of information on the peace process, support for the Human Rights Commission, and a programme to restore schools in the conflict zone so that they can once again be used for their original purpose.

REHABILITATION/LANDMINES

In addition to humanitarian aid from ECHO and the food security budget line, the bulk of EC assistance to **Afghanistan** in 2002 came from the development cooperation budget line. The complex emergency situation required a multi-sectoral approach. Besides bringing assistance to the needy, the programme helped restore certain government services and promoted civil society activities. Two reconstruction programmes were approved for a total of EUR 127.5 million. Speed was of the essence; contracts for over

(1) The final report of the EUEOM in East Timor is available on http://europa.eu.int/comm/external_relations/Human_Rights/eu_election_ass_observ/index.htm

(2) The final report of the EUEOM in Cambodia is available on http://europa.eu.int/comm/external_relations/Human_Rights/eu_election_ass_observ/index.htm

EUR 85 million were signed in 2002, and almost EUR 55 million was disbursed on operations in the field.

The EC contributed EUR 2 million to **Sri Lanka** for the rehabilitation of a 20 km railway track in the eastern province, aiming to build confidence and bring the tangible benefits of the peace process to the population. Commitments of EUR 28 million were made available for the reconstruction of the newly independent **East Timor**. Three interventions were approved in order of magnitude, the health sector rehabilitation and development programme, the multi-donor trust fund, to which the EC is the largest contributor, and specialised assistance to key government departments. In response to armed conflict and typhoons in **Mindanao (Philippines)** the EC provided direct support for NGO operations and indirect support via ECHO.

Mine clearance formed an integral part of several larger Asian projects, while stand-alone projects were carried out in Laos and Sri Lanka. A technical assistance project in **Laos**, to which the EC contribution was EUR 900 000, is being implemented by Handicap International Belgium. The training system and supporting databases that are being developed are particularly effective and will enable the mine action centre in Savannakhet province to become autonomous. The EC contributed EUR 800 000 towards a landmine impact survey and mine clearance project in **Sri Lanka**, the aim being to allow the safe return of war-displaced populations to their areas of origin and thereby contribute to economic recovery and reconstruction in the northern and eastern provinces.

REFUGEES/DISPLACED PEOPLE

In 2002, the focus in Asia was on displacement of population, mainly in **Afghanistan**. EUR 22 million was provided via a consortium of NGOs to help Afghan refugees and internally displaced persons to return to their homes. The programme, which will directly assist more than four million returnees across most of the Afghan provinces, has two main aims: to facilitate return to areas outside the major cities by repairing or rebuilding infrastructure in the returnees' place of origin and to support communities during the reintegration process, helping them tackle the consequences of long-standing conflict, unprecedented drought, and loss of productive assets. Additionally, a contribution of EUR 2 million was made available to the UN High Commissioner for Refugees for the return of Afghan refugees from Iran and Pakistan to their home country.

Burma/Myanmar: The EC contributed EUR 1.9 million to a project to aid resettlement of returnees in North Rakhine State and improve the welfare of the most vulnerable people, particularly the landless, and EUR 0.54 million to a second project dealing with agriculture and natural resource management in the same State. **Indonesia:** The EC contributed EUR 1.49 million to a resettlement and economic recovery project in Maluku and Central Sulawesi and EUR 0.58 million to a return and resettlement project in North Maluku designed to ensure that primary school-aged children have better access to the formal education system. **Philippines:** Two projects targeted displaced popula-



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EU-financed technical assistance project for demining operations and putting land back to productive use, implemented by the NGO Handicap International (Otdar Meandrey province, Cambodia)

tions on the island of Mindanao. One (EC contribution: EUR 0.97 million) provided refugees affected by the war and unable to return to their place of origin with long-term, sustainable support in the form of income-generating activities and improved social services. The other (EC contribution: EUR 0.60 million) enhanced the living conditions of the population affected by the conflict in rural areas of Maguindanao and Lanao de Sur provinces. The EC is supporting UNHCR programmes in **Sri Lanka, Thailand and Nepal**. In Sri Lanka (EC contribution: EUR 3.9 million), the programme provides assistance to spontaneous returnees and IDPs, whereas in Thailand and Nepal (EC contribution: respectively EUR 2 million and EUR 0.9 million), the programmes give protection and assistance to refugees from Burma/Myanmar and Bhutan who are currently living in camps.

STRENGTHENING MUTUAL TRADE AND INVESTMENT FLOWS

As major forces in the world economy, both Asia and Europe — important trading partners — face many challenges from globalisation. In an increasingly interdependent world, the two regions must work together to ensure the success of an open rule-based multilateral trading system while fostering a climate favourable to foreign direct investment. It is in the joint interest of the two regions to address the adverse effects of globalisation, social or environmental, while embracing, to their mutual benefit, the opportunities it offers.

It is widely recognised that, in the longer term, the future of Asia's developing countries will crucially depend not on aid flows but on the region's own resources, political will, good governance and efficient investment. The thrust of the EC's cooperation efforts in the trade and investment field therefore focuses on pilot projects and technical cooperation schemes aimed at promoting mutually beneficial business-to-business cooperation, improving the economic environment and raising the profile of Europe in Asia and vice versa.

INSTITUTION-BUILDING

In 2002, the EC, in line with the **communication on EC development policy 2000** ⁽¹⁾ and the commitments undertaken in the Doha Development Agenda negotiations in the WTO, devoted considerable efforts to assisting developing Asian countries in their integration into the global economy. A major project focusing on **WTO accession** was approved for China and another for Cambodia and Laos while a project for Vietnam supports the transition towards a market economy. The newly approved Small Projects Facilities for Indonesia and the Philippines will also support economic reform processes. The South Asia Enterprise Development Facility in Bangladesh, implemented by the International Finance Corporation (IFC), aims at reforming the institutional and economic framework under which SMEs operate, as well as providing direct assistance to SMEs.

Several horizontal and regional cooperation programmes with Asia were initiated or continued in 2002. The **Asia Invest** programme, which promotes business cooperation between Asia and Europe, was continued after an evaluation of the results achieved so far, and allocated an additional budget of EUR 35 million. Some 75 projects involving small and medium-sized enterprises in Europe and Asia were implemented with a total EC contribution of EUR 8.4 million. In December 2002, the Commission signed a new grant contract with the **Asia-Europe Foundation** in Singapore, which promotes mutual understanding and cultural exchange in the framework of the **Asia-Europe Meeting (ASEM)**. The Commission will be making a total of EUR 3.5 million available over the next four years to co-finance specific project activities undertaken by the Foundation. Additional funding of EUR 8 million was approved for the **Asia IT & C** (information technology and communication) programme whose purpose is to increase cooperation between Europe and Asia in this area by co-financing projects managed by European/Asian partnerships. The **Asia Urbs** scheme, which supports cooperation on urban and socioeconomic development, continued during 2002, and 15 new pilot projects involving European and Asian local authorities were awarded grants totalling about EUR 6 million. There was immediate interest in this programme in China after it became eligible in late 2001, and four projects were approved for funding there. The **intellectual property rights programme** with ASEAN also saw its budget increased by EUR 2.5 million in order to strengthen Vietnamese participation and include Laos and Cambodia.

EU-Asia cooperation in the field of higher education received a boost in 2002 with the publication of a first call for proposals under the **Asia-Link** programme. Some 44 projects involving 177 higher education institutions in Europe and Asia were granted funding of EUR 12.2 million. Late in 2002, a call for proposals was launched under the **ASEAN-EU university network programme**.

Asia-EcoBest, with an EC contribution of EUR 8.0 million, is a five-year programme (1997-2002) aimed at

assisting European companies to pursue industrial sector environmental investment opportunities in Asia in cooperation with Asian partners. Project funding for more than 170 measures has raised environmental awareness and helped introduce European best practices in Asia. A successor programme, **Asia Pro-Eco** (EC contribution EUR 31.5 million), was launched in 2002.

The **EU-India civil aviation** programme, with an EC contribution of EUR 18 million, promotes cooperation between European and Indian industry and regulatory authorities in the fields of aviation safety, air transport infrastructure development and aerospace industry collaboration. A review in 2002 found the programme to be largely on track with good potential for mutual benefits for Indian and European industries.

The regional EU-Asian civil aviation cooperation project, with an EC contribution of EUR 15 million, aims to enhance aviation safety in the region. The project runs from 2002 to 2006.

POVERTY ALLEVIATION

It is estimated that up to 1 billion people in Asia live in poverty. While many governments have embarked on poverty reduction strategies promoting economic growth and addressing ingrained inequalities, institutional failures and social barriers, the region has also been beset by risk factors that have disproportionately affected the poor. In recent years, some countries, mainly in East Asia, have experienced a major financial crisis, while other countries in the region such as India, with the Gujarat earthquake, suffered devastating natural disasters. East Timor, Indonesia, Nepal and the Philippines endured civil conflict, while the spread of diseases like HIV/AIDS became a major concern throughout the region. Progress to date in alleviating poverty in Asia has been uneven. Income poverty in East Asia has fallen steadily and is now estimated at below 15 % of the population. The case of South Asia is less favourable and while poverty is being reduced here too, it still remains high, at some 30 % of the population.

Against this background, the EC's contribution to poverty alleviation in Asia, in line with the millennium development goals, has focused on four main themes, namely basic education, primary healthcare, mixed rural/social development, and environmental protection. Twenty poverty-focused projects were completed in 2002. Evaluations suggested that many projects had over-ambitious or unclear objectives from the outset. While these shortcomings were corrected during implementation, project outcomes were, at times, less than optimal due to inadequate government commitment, an inappropriate policy environment and institutional weaknesses. The limitations of the project approach were again confirmed, further justifying the EC's move towards sector-wide approaches built on stronger local ownership and enhanced government-donor coordination. The Pakistan financial sector reform programme (EUR 50 million), approved in 2002, is an example of this change in approach.

(1) Communication from the Commission to the Council and the European Parliament on the European Community's development policy, COM(2000) 212 final, Brussels, 26.4.2000.

RURAL/SOCIAL DEVELOPMENT

Rural poverty in Asia is characterised by uneven availability and quality and inequitable access to social services, land tenure problems, poor market organisation and unfavourable prices for smallholders, and inadequate access to micro-finance. The problem is compounded by environmental degradation as the poor are forced to farm in stressed marginal lands, for example, in uplands and coastal areas. In the light of government priorities and the activities of other donors, the EC has addressed several of these issues. The following are examples of important projects completed or evaluated/reviewed in 2002.

Bangladesh — Empowering the poor to become environmental stewards through the Synergy Foundation

Under the project 'Empowering the poor to become environmental stewards', the EC has assisted the Synergy Foundation with a grant of EUR 650 000 for a five-year period to set up an innovative approach to sustainable forestry, bringing together the landless poor and the private sector. The Synergy Foundation, a UK-based charitable green and ethical investment company that has been pioneering this pro-poor reforestation methodology in Bangladesh since 1994, has piloted an 'Environmental stewardship contract team' which is a tripartite production-sharing agreement of between 35 to 60 years with an absentee landowner and local landless people.

The model is proving to be successful because the landless people who care for the newly planted trees are empowered as members of society who can demand their rights to services such as corruption-free banking, fair market access and transparent local government. A share of their profits goes to the local administration which encourages them to vote for candidates who will best represent their interests. In the Chittagong Hill Tracts, an ethnically fragile corner of Bangladesh where the project is expanding its operations, this model is ground-breaking as it is a novel approach to solving the problem of land ownership by the indigenous people of the area.

As the trees and crops start to mature, the Synergy Foundation is starting to set up exciting new partnerships with the private sector. A Bangladeshi company manufacturing matches has signed an agreement and negotiations are ongoing with others including a large fruit juice manufacturer in Bangladesh. Research into the possibility of growing medicinal plants, using local knowledge, is also under way. A move to producing such crops means high value produce, easier transport and less vulnerability to looting.

Under the 2002 monitoring mission, the project received the highest marks and a strong recommendation by the monitoring team that this approach should be further supported beyond its term of February 2004. Partnerships between governments, business and civil society were declared to be a key instrument to deliver the commitments made at the Johannesburg World Summit on Sustainable Development and the project model is an excellent example of such a partnership between the private sector and the poor.

The **Kerala horticulture development programme in India** began in 1993 as a joint effort between the Government of Kerala and the EC to enable farmers to obtain higher incomes by increasing the production of high-value horticultural crops. The project was planned with EC funding of EUR 28.7 million in a total project cost of EUR 36.7 million. Through the project, about **37 500 farmers** were organised into **1 666 self-help groups**, covering an area of **14 230 hectares** spread over seven districts. Around **800 self-help groups** operating through **78 farmer-managed markets** had a turnover of EUR 6.4 million. Crop loans for EUR 26 million have been disbursed with 90 % recovery. As a result of programme interventions, **75 % of farmers** have substantially increased their income. The Nadukarra Agro-Processing Company (NAPC), which has been part of the project, has been able to establish itself as a product brand in Kerala. The NAPC is the first factory in Kerala to have been awarded ISO certification.

A rural social development programme in Pakistan (EUR 25 million) helped improve the socio-economic conditions in rural areas of Pakistan by expanding the capacity of seven NGOs to deliver social services on the ground. In a country where most social services have traditionally been provided by government, this programme uses NGOs to expand and improve the provision of such services through civil society. To date, **311 projects** directly or indirectly affecting up to three million people are being implemented across Pakistan in the areas of primary health-care including sanitation and water supply, basic education and reproductive health.

The support programme for the agricultural sector in Cambodia, which was the subject of a mid-term evaluation in 2002, is addressing the problem of rural poverty in 26 target districts across six provinces through a range of agricultural and social development activities. The project was found to have a high level of beneficiary participation in planning and in implementation while benefiting over **85 000 households**, most of whom are among the poorest of rural dwellers. The multiplier potential is considerable but more time and resources would be required.



Treeplanting terraces — CECAP programme (Philippines)

According to the end of the project review in 2002, **the Central Cordillera agricultural programme**, located in one of the poorer, mountainous regions of the **Philippines**, made an important contribution to the promotion of improved farming and natural resources practices designed to reinforce traditional indigenous agricultural systems. It is estimated that **7 500 farmers** in the **25 municipalities** covered by the project have adopted improved farming methods, bringing about significant increases in their production, food security and incomes. Another **8 000 farmers** have planted **2.4 million trees** and have carried out other improved natural resource management practices that will help curb environmental degradation in the Cordillera. The project was also instrumental in setting up many new 'peoples' organisations' and boosting the membership of existing organisations. Much remains to be done by central and local government to ensure the replication of actions initiated under the programme.

In Nepal, the strengthening of veterinary services for livestock disease control project closed in September 2002, having eradicated rinderpest in Nepal, an achievement officially confirmed by the Office internationale des epizooties. Other achievements nationwide include the enactment of animal health legislation, the strengthening of field veterinary services, the setting up of a surveillance system, manpower development, and training and improvements in quantity and quality of vaccine production. The EC contribution was EUR 8.7 million.

HEALTH

Health services in Asia are faced with a dual burden of disease, as the effects of rising prosperity, e.g. cancers and cardiovascular pathologies, are added to the traditional maternal and childhood illnesses and malaria, prevalent in pockets across the region. HIV/AIDS is gaining a foothold in several countries. Working increasingly through sector programmes, the EC is supporting health sector actions in virtually every country of the South Asian and South-East Asian regions.

The regional malaria control project (EUR 32 million EC contribution) in Laos, Cambodia and Vietnam was finalised in 2002. The wide-ranging activities in country programmes, particularly impregnated bed nets, and early diagnosis and treatment, backed by the regional component, significantly reduced malaria infection rates in these countries. In project areas in Cambodia, malaria morbidity dropped from **170 387 cases** in 1997 to **73 149 cases** (i.e. a reduction of 57 %), and mortality from **865** in 1997 to **211** (i.e. a reduction of over 75 %). In Laos, with **235 781 treated bed nets** distributed by the end of the programme, the impact of the activities is reflected in the reduction of malaria mortality reported in hospitals and malaria morbidity; both have been reduced by more than 90 % compared to data available at the start of the programme.

Additionally, various communication, information networking and public education instruments set up

under the EC regional component to foster collaboration between civilian and military healthcare systems culminated in the establishment of a National Ethics Committee in Cambodia and Laos that will set ethical standards and approve all future proposals for health research in those countries.

The occurrence of malaria has dropped remarkably in Vietnam

In the past five years, Vietnam has carried out an EC-malaria project in the country's remote areas, particularly mountainous regions. As well as supplying malaria drugs to remote areas, the EC provided the Institute of Malaria Parasitology and Entomology with preventive drugs, and equipment to research potential cures for malaria. The project also set up ongoing prevention programmes, publicising the importance of controlling the disease. Since 1998, the incidence of malaria has dropped remarkably, decreasing the number of deaths caused by the disease in the eight worst-affected provinces in Vietnam.

According to Deputy Health Minister, Nguyen Van Thuong, infection rates are down 62 %. Since 1997, deaths from malaria have fallen from 152 to 26 in 2002, a reduction of 83 %, and no epidemic has been reported in the eight provinces during the project's five-year term. In Binh Phuoc province, the number of cases has fallen by 79 %, and in Lam Dong province the figure decreased by 25 %.

Following the 1994 International Conference on Population and Development in Cairo, the **reproductive health initiative in Asia** ⁽¹⁾ (EC contribution of EUR 25 million) was adopted in 1996 to address issues of sexual and reproductive health, regarded as a major determinant of sexual behaviour and reproductive choices. To date, special strategies have been formulated for all participating countries, with a varying focus:

- ▶ on community participation in full reproductive health services in Nepal and Pakistan;
- ▶ on adolescent reproductive health in Cambodia, Laos, Sri Lanka and Vietnam; and
- ▶ on improved quality of reproductive healthcare in Bangladesh.

In total, some 42 projects were undertaken, 39 at national, and three at regional level. Programme activities covered the promotion of gender awareness and capacity-building. A unique feature of the initiative is its strategy to involve international, regional and local non-profit-making organisations in its implementation and to have these partners (over 80 partners in Asia and Europe) work together towards a common goal. The final evaluation in 2002 confirmed the relevance of these activities while recommending that a successor programme should place special emphasis on targeting reproductive health awareness for adolescents ⁽²⁾.

⁽¹⁾ <http://www.asia-initiative.org/rhi.html>

⁽²⁾ See Annex on case study in Vietnam, 'Boosting condom usage'.

The **health and family welfare sector development programme in India**, with an EC contribution of EUR 240 million, is currently in its fourth year of implementation. Overall 24 States in India are covered under the programme with a total disbursement to date of EUR 93.5 million. The programme aims at addressing systemic issues in order to improve the availability, accessibility and quality of public primary healthcare services, essentially for the poor and disadvantaged in rural areas as well as slum-dwellers in selected urban areas. An annual review was carried out in May 2002, which recommended that the implementation strategy be revised to place a stronger emphasis on State facilitation and focus on the decentralisation and delegation of powers to the lower tiers of the health system. Community participation will be enhanced through the involvement of local government bodies and NGOs, as recommended in the review (1).

In **Vietnam**, the mid-term review of the **health systems development programme** (EC contribution EUR 27 million, out of a total project cost of EUR 34 million) indicated that the programme had succeeded in a number of areas and shown weaknesses in others. As a result of the review the programme was revised and extended by 18 months (to 2006). The achievements included improvement of health infrastructure, training of Vietnamese health workers, the promotion of twinning arrangements between secondary medical schools in Vietnam and similar institutions in Europe, and medical curriculum development. By contrast, the review found the programme targets overly ambitious and suggested a redesign to take into account the changing medical environment. The programme was encouraged to improve coordination with other donors and pay more attention to gender issues.

EDUCATION

In some East and South-East Asian countries, government investment in education over the past three decades has been well in excess of that in other developing regions. The countries of South Asia, on the other hand, faced with massive population pressure and slower economic growth rates, have lagged behind. Lack of investment has manifested itself, *inter alia*, in lower enrolment and high dropout rates in primary education, especially for girls, poorly trained and inadequately paid teachers, and shortages of books and other scholastic materials. The EC has a portfolio of some EUR 600 million under way in support of basic education across the region, the bulk of it in the countries of South Asia.

EC support to **the district primary education programme (DPEP) in India** came to a close in December 2002. The EC was the first external agency to make a financial commitment to the DPEP of EUR 150 million, beginning on a small scale in **42 low female literacy districts in seven States** of India. Over time, with the participation of other external agencies, the programme expanded to cover more than **270 districts in 18 States** of India, attracting external investment of nearly EUR 2 billion. Evaluation findings reveal that the DPEP significantly improved

access to primary schooling in all 18 participating States, even in remote and isolated hamlets. Over **86 000 new schools**, most of them alternative schools, were opened for first generation learners. Over **one million teachers** and **three million community members** were trained. The DPEP has also helped narrow the gap in enrolment, dropout and learning achievement between gender and social groups. School attendance rates in rural areas increased from **55 %** in 1992–93 to **75 %** in 1998–99 for girls aged 6 to 10 and from **75 %** in 1992–93 to **83 %** in 1998–99 for boys. An EC evaluation of its support to the DPEP in the States of Madhya Pradesh and Chhattisgarh revealed that programme targets had generally been met. In Madhya Pradesh, the gross enrolment ratio increased from 73 to 99 % during the programme period. The education guarantee scheme model developed by the Government of Madhya Pradesh, whereby the government provides schools and trains local teachers on the basis of community demand and a joint contribution, has succeeded in bringing primary schooling to the remotest parts of the State, and has since been adopted as a national programme.

Primary education centre in India: An evaluation

The final evaluation of the EUR 150 million district primary education programme DPEP in India concluded that quantitative targets were all met and in some cases even exceeded but that more attention had been given to access at the expense of quality. It was also noted that the impact of EC support for capacity-building, technical assistance, monitoring and evaluation could have been significantly enhanced. Overall, however, the programme has proven to be both technically and financially sustainable as illustrated by the figures below.

The objective of the project was to support the efforts of the Government of India to increase access to quality primary education, especially for girls, in selected States and districts in the country (essentially Madhya Pradesh and Chhattisgarh).

The EC contribution was EUR 150 million (EUR 143.5 million to support the education budget of the two beneficiary States, EUR 6.5 million for EC support activities (programme coordination, reviews and evaluation, capacity-building, training, fellowships)). The financing agreement was signed in December 1993. The original completion date of June 1999 was extended to December 2002.

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- to 11-year-olds in Classes 1 to 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 districts in both States. The equity index in

(1) See Annex on case study in Indonesia, 'Social safety net/contraceptive supplies'.



PROMOTE programme logo (gender equality, Bangladesh)

Madhya Pradesh primary school GER has risen for girls to 97.3, for scheduled caste and scheduled tribe children to 98.2 and 99.8 respectively. In Chhattisgarh, social disparities in enrolment have been reduced from 12.7 % in 1996 to 1.2 % in 2000 between tribal children and other groups, and from 7.3 to 1.5 % between caste children and other groups. The gender enrolment disparity has been reduced from 7.8 % in 1996 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 achievements have been noted in Chhattisgarh.

Adult (aged 15 years and over) 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.

In the light of these substantial achievements, a second phase of the programme (Sarva Shiksha Abhiyan programme (SSA), EUR 200 million) has started, focusing on the elementary education sector. A first tranche was released in December 2002.

Female teachers in Bangladesh

Promote (programme to motivate, train and employ female teachers in rural secondary schools in Bangladesh)

The objective was to facilitate the transition to a more gender-sensitive and equitable society in rural Bangladesh by promoting more girl-friendly secondary schools and gender-sensitive teaching. The EC contribution was EUR 36 million. The financing agreement was signed in January 1996. Completion date will be December 2005.

The goal of Promote is to support the government's policy of increasing the proportion of professionally trained women teachers in secondary schools in Bangladesh from 10 to 30 %. To achieve this, Promote provides one-year fellowships for approximately 7 000 women graduates to enable them to study for a Bachelor of Education degree at a governmental

teacher training college in the country. Promote supports employment of the trained women teachers by subsidising the cost of their salary during the first three years of their employment and providing incentives to schools employing female teachers. It also subsidises the cost of more than 150 hostels all over the country designed to enable women teachers to take up teaching jobs in schools away from their home. Promote also provides assistance to teacher training colleges for measures such as the development of resource centres designed to improve the quality and gender-sensitivity of their teaching.

The mid-term review concluded that, after the rather difficult starting phase, Promote had developed substantial momentum and impact in its goal of increasing the number of qualified women teachers in rural secondary schools but that the first stage had mainly benefited women who were already teaching even if they did not have a Bachelor of Education degree. As a result, Promote will now focus more on educating fresh graduates for newly created teaching positions. The government agreed that, during the second stage, at least two thirds of Promote teachers should be fresh graduates and promised to make the necessary provision in its budget. The review analysed and confirmed future demand for hostel accommodation among women teachers and recommended that Promote should better match and publicise employment and hostel accommodation opportunities for women teachers in future. Promote liaison officers at teacher training colleges are being more actively involved. The review also recognised the need for sustained efforts to improve the quality and gender-sensitivity of education. European technical assistance has been strengthened to work on this with teacher training colleges.

In Pakistan, the EC financed a four-year pilot project to **combat the exploitation of child labour**. This ILO-executed project (EC contribution EUR 900 000 of a total EUR 1 728 000) was completed in August 2002. Specifically targeting hazardous industries, the project aimed to remove children from bonded labour and rehabilitate them through education. Some 1 000 children received education in the 18 centres set up by ILO. This pilot project had to be partially redesigned during implementation, which reduced its expected impact, but provided valuable lessons for an expanded programme in 2003.

MACROECONOMIC POLICIES

Approval was given in 2002 for a EUR 50 million EC contribution to the **Pakistan financial services sector reform programme**, designed with the overall objective of improving local livelihoods by providing financial services to the rural poor, and for the development of SMEs. The bulk of EC assistance is to be disbursed in the form of budgetary support, and a first tranche of EUR 10 million was released in 2002. The purpose of the programme is to establish a transparent and predictable regulatory framework and enhanced environment for effective financial services provision.

ENVIRONMENT

Environmental concerns are systematically addressed either as a cross-cutting issue or by means of environ-

mental sub-components incorporated in EC-funded rural production and infrastructure projects throughout the region. In addition, a number of projects specifically targeting environmental concerns are under way in South and South-East Asia. The South-East Asian subregion, for example, has traditionally been one of the world's best endowed in terms of biological diversity. This wealth is fast disappearing in the face of population pressure, and the regulatory framework is inadequate to ensure conservation and sustainable use of resources.

The EC-funded **ASEAN Regional Centre for Biodiversity Conservation**, largely completed and reviewed in 2002, is a regional entity, with a network of national biodiversity reference units aimed at addressing the unfolding crisis of biodiversity loss in the ASEAN region. The project has completed training needs assessments in seven ASEAN member countries and developed training modules and professional competency standards for protected area staff. Additional work is needed to disseminate these resources in the region. The project has initiated and funded more than **50 research projects**, all of which are still ongoing. The outcome will enhance research capabilities in the region, but more emphasis is needed to make the research relevant to cross-border, multi-country and ASEAN-wide issues. The long-term financial sustainability of the institutions responsible for biodiversity conservation is not yet secured and, consequently, innovations in the area of protected area financing will be needed if meaningful progress is to be made.

The **Palawan tropical forest protection project in the Philippines** was the subject of a pre-completion review (PCR) in 2002. According to findings, the project completed a land-use zoning throughout the province of Palawan and has established geographic information system capabilities within the relevant government offices. It has also conducted an effective environmental awareness campaign and trained elementary and secondary schoolteachers in integrating environmental messages into their curriculum. The project also implemented **514 micro-projects** relating to forestry, agriculture, small rural infrastructure and livelihood activities and assisted the formation of **23 community-based institutions**. However, the socioeconomic impact of the project, institution-building of community organisations, and grassroots participation in the micro-projects have not been very satisfactory. The project meanwhile has been extended for a further two years in order to achieve a sustainable impact.

The **Indonesian forest sector support programme** was completed in June 2002. This is a sectoral support programme aimed at updating national and provincial resource databanks based on forest pilot sites and developing an integrated forest resource information system to help improve the capacity of land use planners to monitor the state of the forest and ensure conservation and sustainable management of the resources. The project, with a total EC contribution of EUR 10.5 million, has only partly achieved the expected results. An integrated forest resource information system has been developed, but has not been widely distributed, and institutional shortcomings meant that the project was unable to achieve the planned nationwide coverage during its lifetime.

PARTNERSHIP WITH NGOS

In 2002, the EC co-financed 38 NGO projects in Asia with a total value of EUR 54.8 million; the aggregate EC contribution was EUR 31.9 million. The projects ranged from integrated rural development, capacity-building, and primary healthcare including reproductive health, to human rights and the development of civil society. The main beneficiaries were India, with nine projects, followed by Cambodia, Bangladesh and Vietnam, with four projects each, and Laos, with three projects. Meanwhile, NGOs continued to play a major role as contractors or, in response to calls for proposals, in implementing EC programmes providing social services or rehabilitation and support for refugees and displaced people.

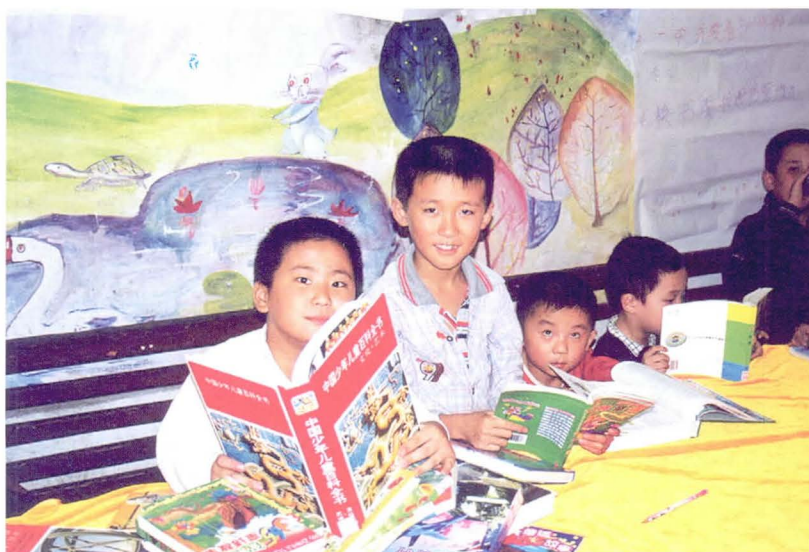
6.5.4. The three Cs (coherence, coordination and complementarity) in Asia

6.5.4.1. Cooperation with Member States and other donors in Asia

It is widely recognised that aid effectiveness depends, *inter alia*, on strong donor coordination. Co-financing or pool-funding arrangements make such coordination all the more necessary. In preparing country strategies for the Asia region in 2002, the EC stepped up its collaboration with bilateral and multilateral donors alike. Coordination with EU Member States was given particular attention. The Commission's delegations in the field actively involve Member State representatives on the spot at key stages in the project cycle through mutual exchanges of information, project visits and debriefings. Vietnam is regarded as a good example of how donor coordination can work, in practice.

Vietnam, an example of coordination

Vietnam has been selected by the Commission as one of four pilot countries (the others being Morocco, Mozambique and Nicaragua) for an initiative on coor-



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dination of policies and harmonisation of procedures, following the conclusions of the Barcelona European Council in March 2002.

A Commission team visited Hanoi at the end of September 2002 to launch the initiative. One of the mission's main findings was that coordination among the donors in general continues to improve, while the EU had stepped up its own internal coordination. In a wider context, the like-minded donor group (a group of seven donors, four of them EU Member States) is instrumental in Vietnam in improving management of ODA and harmonising activities. The formal donor/government coordination fora are the consultative group meetings chaired by the government and the World Bank (bringing together some 50 bilateral and multilateral donors), and development partnership groups.

EU coordination in Vietnam operates in four main areas.

- ▶ **Cooperation:** monthly meetings, joint EU statements, common directory of EU cooperation activities, harmonisation of local costs, aggregate EU pledges, ongoing strategy dialogue including definition of country strategy papers and national indicative programme, briefings and debriefings for every identification and appraisal mission.
- ▶ **Trade/Economic relations:** monthly meetings, annual EU report, joint EC/EU Member State support for the European Business Information Centre (EBIC), a programme designed to disseminate trade-related information to both local and European business.
- ▶ **Human rights:** monthly meetings, exchange of information, local Troika meetings and missions, joint EU statements.
- ▶ **Culture and EU visibility:** monthly meetings, joint actions, cultural events organised by Member States publicised on the delegation web site, with an EU film festival every two years.

Progress notwithstanding, both the EC and Member States recognise that coordination could be further strengthened, particularly as regards harmonisation of procurement and programme evaluation procedures.

6.5.4.2. EIB activities

The European Investment Bank, a policy-driven EU financial institution, participates actively in EU development and cooperation policy in Asia. It provides long-term loans for projects of mutual interest to the beneficiary country and the EU and its loans are guaranteed by the EU budget.

In 2002, the EIB provided Sri Lanka with a EUR 40 million global loan to finance small and medium-scale projects. It also granted a EUR 49.5 million loan for the Telkomsel project (expansion of mobile communications network) in Indonesia.

6.5.4.3. ECHO

A range of humanitarian crises affected Asia in 2002. ECHO's strategy was to adapt its operations to specific situations, as a regional approach is usually inappropriate. It intends to continue this policy approach in 2003.

In **East Timor**, ECHO provided EUR 1.94 million to link emergency, rehabilitation and development aid and prepare its withdrawal from the country following independence. In **Indonesia**, ECHO's activities focused on the needs of those affected by the unrest in the Moluccas, Sulawesi and central Kalimantan (EUR 3.5 million).

In **Burma/Myanmar**, ECHO provided EUR 3.5 million for ethnic minorities and internally displaced persons and EUR 8 million for Myanmar refugees in camps on the Myanmar/Thai border. In **Sri Lanka**, humanitarian operations were focused on displaced persons and on victims of the internal conflict.

In **India**, ECHO financed operations worth EUR 5 million to help victims of community riots in Gujarat and people affected by the conflict in Jammu and Kashmir, and allocated a further EUR 8.3 million to provide Sri Lankan refugees from Tamil Nadu with basic facilities.

In **Nepal**, ECHO granted EUR 3.7 million for **Bhutanese** refugees and victims of the internal conflict. In **Cambodia**, humanitarian projects worth EUR 5.5 million targeted conditions in the poorest regions and the plight of returning refugees.

A total of EUR 73.3 million of assistance was granted for **Afghanistan**, **Pakistan** and **Iran**. Humanitarian operations focused on Afghan and Pakistani victims of the drought, the permanent return of Afghan refugees from Iran and Pakistan, and victims of the earthquakes in Iran and Afghanistan.

In **North Korea**, ECHO committed a total of EUR 21 million for the most vulnerable people, especially children and the sick, and flood victims. In **China**, EUR 4.5 million was also allocated for relief to victims of snowstorms and flooding.

ECHO adopted a EUR 3.5 million action plan under its regional disaster preparedness and prevention programme (**Dipecho**) for South-East Asia with the aim of strengthening the capacity of local communities and institutions to respond effectively to regularly recurring natural disasters.

6.5.5. Results-oriented monitoring

In 2002, a total of 95 monitoring visits were made to 79 projects in 13 countries in the Asian region ⁽¹⁾. The breakdown of projects visited by area of cooperation is presented in the table below.

(1) Monitoring of regional programmes and projects entails the visit of several components, resulting in the production of more than one report for a single programme or project.

European Community Humanitarian Office's financing decisions (2002)

Country	Amount (EUR million)
Afghanistan/Pakistan/Iran	73.25
North Korea	21.02
Sri Lanka	8.30
Cambodia	5.50
Thailand	5.46
India	5.00
China/Tibet	4.45
Nepal/Bhutan	3.67
Indonesia	3.54
Burma/Myanmar	3.50
Dipecho action plan for South-East Asia	3.46
East Timor	1.93
Vietnam	1.19
Laos	1.13
Total	141.40



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In Afghanistan, only 4-5 % of primary aged children get a broad-based schooling

Projects by area of cooperation in Asia (2002)

	Number of reports	Number of programmes	Total budget (EUR million)	Average size (EUR million)
1. Trade and development	2	2	6.1	3.0
2. Regional integration	18	3	52.3	17.4
3. Macroeconomic and social services	20	19	484.9	25.5
4. Transport	3	3	34.0	11.3
5. Food security and rural development	38	38	492.5	12.9
6. Institutional capacity and good governance	13	13	96.0	7.4
7. Other (urban development)	1	1	5.6	5.6
Total	95	79	1 171.4	83.1

Average ratings for monitoring criteria in Asia, by priority area

	Trade and development	Regional integration	Macroeconomic and social services	Transport	Institutional capacity-building
Relevance	3	2.3	2.5	3.3	2.7
Efficiency	2.5	2.7	2.4	3.6	2.5
Effectiveness	3	2.6	2.9	3.3	2.7
Impact	2	2.6	2.7	3	2.3
Sustainability	2.5	2.9	2.6	3.6	2.6
Average	2.6	2.6	2.6	3.3	2.5

Education — A key to poverty reduction

Bearing in mind the EC's overarching goal of poverty reduction, results of projects in the education sector are particularly encouraging. The average performance score of 2.74 for education programmes (based on a sample of 12 reports — EUR 188 million),

compared to an average of 2.64 for all projects in Asia, confirms the potential for high impact in this sector. This positive trend notwithstanding, social sector budgets are constantly under threat and adequate levels of public expenditure remain a priority in the EC's policy dialogue with partner countries.

The overall conclusion from monitoring missions in 2002 is that the performance of projects and programmes in the Asian region is globally positive. Useful lessons have been learned and quality improvement measures are constantly being updated. Findings to date highlight the importance of the twin factors of project/programme relevance and design as the key to successful outcomes. Linked to the devolution process, quality improvement measures have been put in place, namely the intensification of training on project cycle management and the screening of projects from the early stage of identification, with the aim of ensuring more robust project preparation.

In tandem with the wider donor community, the EC is intensifying its dialogue with partner governments in an effort to encourage more strategic sectoral policy approaches in targeting poverty reduction.

6.5.6. Conclusions and perspectives

Through its cooperation activities, the EC strives to make a contribution to reducing poverty and raising the standard of living in Asia. The Community's role also extends to improving these countries' relations with the EU, promoting greater democracy and fostering peace. This involves, among other things, helping with the reconstruction and rehabilitation of conflict-torn countries such as Afghanistan and East

Timor and initiating conflict-prevention activities, including support for the peace process in Sri Lanka. Basic health and primary education are priorities and will continue to receive at least one third of the available funds from the relevant budget line. The focus will be on intervention at the sectoral level, fighting poverty through country-owned programmes and enhanced donor-country coordination. The allocation of aid funding should fully reflect the focus on poverty reduction in the Commission's communication on development policy ⁽¹⁾, with special emphasis on contributing to the millennium development goals.

Economic cooperation with Asia is in our mutual interest, focusing in particular on the business environment while strengthening activities in trade facilitation and such key fields as energy, environmental technology and biodiversity.

Much more can be done to encourage mutual understanding and the sharing of core values and to raise the profile of European operators and academics in Asia and vice versa. With this in mind, the EC is committed to reinforcing and expanding its network of delegations in the Asian region and strengthening their capacities ⁽²⁾. The EU's regional strategy towards Asia is due to be updated in 2003 to take account of new challenges brought about by globalisation and developments on the international political scene.

⁽¹⁾ Communication from the Commission to the Council and the European Parliament on the European Community's development policy, COM(2000) 212 final, Brussels, 26.4.2000.

⁽²⁾ The EU currently has 12 delegations in the region, in Colombo, Dhaka, Islamabad, New Delhi, Bangkok, Hanoi, Jakarta, Manila, Beijing (plus an office in Hong Kong), Seoul, Tokyo, and Canberra. Two of these (Hanoi and Colombo) have been open since 1994.

6.6. Latin America



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Geographically diverse, with a mix of indigenous and immigrant populations, Latin America shares a historical heritage, similar values and common languages with Europe. After years of political instability and subregional conflicts, the whole continent, except for Cuba, is now governed by democratic regimes and internal conflicts have in many cases given way to peace processes. Latin America has also embarked on regional integration processes (Mercosur, Andean Community, Central America), backed up by free trade agreements which play a decisive role for trade, contributing to the economic growth and development of the region. Wealth, however, is unequally distributed both between and within countries; a total of 200 million people are underneath the poverty line. Furthermore this part of the world, with its exceptional environmental riches, is also at high risk from climatic factors and earthquakes. It is against this complex background that the EU encourages and assists regional actors in their efforts towards democratisation, greater social equality, economic integration and preservation of the environment, and helps bring relief to victims of natural disasters.

6.6.1. Strategic objectives and achievements

In 2002, the second summit of Heads of State or Government of EU, Latin American and Caribbean countries (EU-LAC) was held in Madrid, concluding the negotiations for the EU-Chile association agreement that was formally signed in November, and carrying forward the negotiations between the EU and Mercosur. Participants also agreed at the summit to negotiate EU-Central America and EU/Andean Community political dialogue and cooperation agree-

ments. The European Commission has already adopted a recommendation for a Council decision for each of the two subregions authorising it to open negotiations for the conclusions of the agreements.

The Madrid Summit set a number of political, economic and cooperation priorities for the future of the strategic partnership, with a continued focus on human rights, democracy, regional integration, social cohesion, and cooperation in multilateral bodies.

In 2002, a memorandum of understanding was signed between the European Commission and the Inter-American Development Bank, paving the way for joint cooperation projects.

The analysis and programming of cooperation priorities with the Latin American continent as a whole and with each country and each subregion was completed. In implementing cooperation, the incorporation of cross-cutting issues continued. Two of them are of special relevance for Latin America: human rights (Andean region and Central America) and good governance (in particular Chile, Ecuador and Peru).

The Commission also adopted and forwarded to the Council the proposal for a new aid management regulation for Latin America and Asia ⁽¹⁾ designed to bring procedures into line with the requirements of the overall reform of EU external aid management.

6.6.2. Programming priorities

Programming for the period 2002–06 (budget headings B7-310 and 311) takes account of the budget perspectives established.

⁽¹⁾ COM(2002) 340 final, 2.7.2002.

Commitments and payments (2001–02) — Budget headings B7-310 and 311 (except line BA and Cuba)				
B7-headings 310/311	Commitments (EUR)		Payments (EUR)	
	2002	2001	2002	2001
Bilateral subtotal	114 483 623.41	133 292 500	107 028 048	89 057 812
Regional subtotal	129 890 753.99	84 373 500		
Aggregate payments and European country payments (primarily for regional programmes)			32 176 585	35 394 789
Bilateral/regional	244 374 377.40	217 666 000	139 204 633	124 452 601

Overall commitments and payments, Latin America (1999–2002) (EUR million)								
	1996	1997	1998	1999	2000	2001	2002	Total
Commitments	506.8	484.7	486.4	418.7	425.5	315.7	382.0	3 124.7
Payments	263.7	313.9	279.3	325.5	421.9	272.4	271.5	2 042.1

In relation to the total budget, EU aid can be broken down as follows:

- ▶ 37 % for Central America and Mexico;
- ▶ 27 % for Andean America;
- ▶ 17 % for the Southern Cone;
- ▶ 16 % for Latin America (Region);
- ▶ 3 % reserve.

The programming for Latin America follows a number of broad lines.

- ▶ The social sector accounts for 56 % of programming (according to DAC/OECD criteria). This comfortably exceeds the 35 % target, with substantial amounts for education, social infrastructure, support for disadvantaged groups and the fight against poverty: these priorities appear in practically all the regional and national programming documents.
- ▶ Support for civil society accounts for a large share of regional programming, in particular ALFA, AL-Invest, URB-AL and @LIS programmes, continuing throughout the period; and in the three subregional programming exercises, Central America, Andean Community and Mercosur. For some countries (Guatemala) there is a specific civil society allocation.
- ▶ Institutional support, support for the reform of the State, appears in the majority of programming documents: in the Mexican regional document (in the fight against social inequality and support for energy authorities), in all the Central American and Mercosur documents including subregional programming, and for Colombia and Peru.
- ▶ Support for regional economic integration, trade and investment reflects the situation and needs of the different countries and subregions, with a distinction between:
 - horizontal programmes like AL-Invest, @LIS-information society (programmed in 2001 but continued throughout the period);

- support for the establishment of the free trade area with Mexico and scientific and technological cooperation (more than 50 % of available funds, i.e. EUR 30 million);

- support for regional integration in Central America (common customs system, policy harmonisation), accounting for 46 % of available funds; for the Central American countries the share is between 10 and 20 %;

- regional and national programming for the Andean Community (except Colombia, for the time being) comprises an integration and trade section representing 5 to 33 % of available funds;

- all regional and Mercosur country programming, more than 50 % of funds available for this purpose;

▶ at sectoral level:

- the two subregional programmes, Central America and the Andean Community, and the regional programme, given the vulnerability of the region, include a section on the prevention and control of natural disasters with an aggregate value of nearly EUR 70 million;

- the environment accounts for 14 % of total programming (Honduras, Ecuador, Brazil, Chile);

- rural development accounts for the largest share in the Central American and Andean countries.

6.6.3. Main results in 2002

The actions implemented come within the framework of the strategy of defined cooperation during the year 2002 by means of the orientation documents drawn up by country and by region.

6.6.3.1. Country strategies

The dialogue initiated in 2001 between the European Commission and the Latin American countries (the memorandum of understanding process) has improved the quality of cooperation with these countries. One-off measures to remedy the lack of governmental action or resources has given way to joint reflection on priority sectors for the long-term development of each country and how the EU can contribute to governments' efforts.

Preparation of the programming documents was completed during 2002. The Commission adopted 17 national strategy documents, three subregional strategy documents (Central America, Andean Community and Mercosur) and a regional strategy document (Latin America). These documents, in accordance with the new Commission guidelines on external aid, reflect a focusing of priorities and a search for complementarity with other donors and take account of all Community policies which affect the country or the region (trade, agriculture, fishing, environment, research, etc.). Each strategy includes multiannual programming of the activities carried out by EuropeAid and the EU delegations.

By the end of 2002, it was clear that as a result of the serious economic, financial and social crisis in

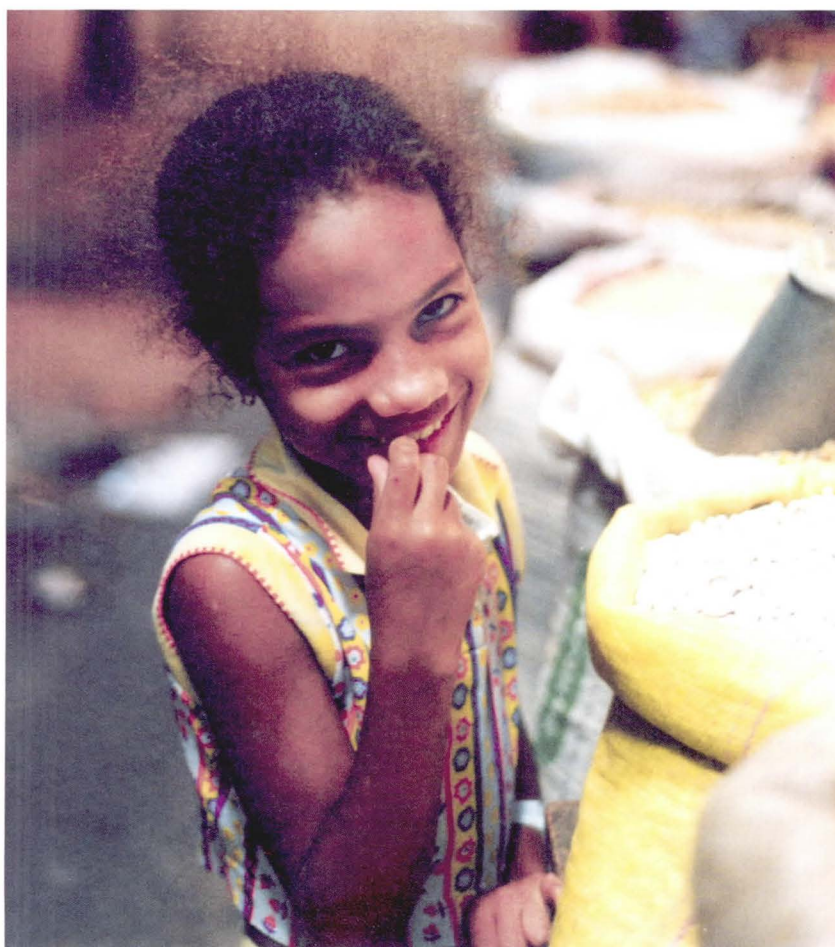
Argentina, the multiannual programming established in the strategic guidance paper was obsolete. Consequently, work was put in hand on adapting the priority intervention sectors and this should lead to a complete revision of the strategy paper in 2003.

It proved impossible to make commitments for a sectoral adjustment programme on export promotion for Paraguay as the conditions for the aid (adoption of suitable legislation and IMF endorsement of the macroeconomic situation) were not satisfied. The Commission, closely monitoring developments, reacted quickly to the situation by planning a conventional programme in this field in place of the sectoral programme.

6.6.3.2. Implementation

The two main types of cooperation with Latin America are financial and technical, and economic ⁽¹⁾. The Commission committed more than the initial appropriation for the various projects and programmes (EUR 244 374 377 as compared to EUR 239 851 500).

The **financial and technical cooperation** projects financed by the European Union in Latin America in 2002 (17 projects; total: EUR 123 million) are mainly in



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(1) Budget headings B7-310 and B7-311, respectively.



The EU chose the Magdalena Medio area as the site for Colombia's first peace laboratory: activities are decided by national and local authorities working together, Colombia

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the following sectors: environment and rural development, institutional support, private sector, health, education, underprivileged groups, the rule of law and regional integration, plus areas crucial to increasing economic development, in particular the strengthening of intra-regional trade.

Economic cooperation projects (five projects; total: EUR 121 million) were mainly regional operations in various fields such as cooperation between European and Latin American SMEs (small and medium-sized enterprises) under AL-Invest III ⁽¹⁾ (total: EUR 46 million), regional integration and higher education under ALBAN ⁽²⁾; (total: EUR 88.5 million, including EUR 45 million committed in 2002), and reinforcement of the ALFA programme ⁽³⁾ (total: EUR 27 million).

CONFLICT PREVENTION, GOOD GOVERNANCE AND RULE OF LAW

In the field of **good governance** the **integrated programme for good governance and decentralisation in the Coquimbo region** (Chile) is designed to reorganise the activities of the Chilean Government to encourage democratisation and good governance in particular by greater decentralisation, both from national to regional and provincial level and from regional to municipal and local level. This forms part of a broader process of encouraging grassroots participation. The mid-term evaluation mission reached a broadly positive conclusion and the experience acquired will be redirected and focused in such a way as to achieve the overall goal.

The two multiannual regional programmes (2001–05) implemented in 2001 (totalling almost EUR 22 million from the 2000 budget) continued. Their aim is to promote human rights and fundamental freedoms in

the Andean Community countries and Central America. The various types of activity under these programmes are carried out by non-governmental organisations, universities and independent institutions.

The Colombian Government's peace process was given a major boost in 2002 with the implementation of the **Magdalena Medio Peace Laboratory** project for socioeconomic revival and poverty reduction measures in the area (EC contribution: EUR 34.8 million).

The sum of EUR 904 000 was committed to support the **Truth and Reconciliation Committee** in Peru in partnership with the United Nations. EUR 12 million was also committed for a programme to **strengthen civil society** in Guatemala.

In 2002, the **European initiative for the defence of human rights** supported new projects in Central and South American countries worth a total of almost EUR 16 million. Micro-projects will also be implemented in three of the EIDHR target countries: Colombia, Guatemala and Mexico. The sum of EUR 939 400 was allocated to **support for conflict prevention** to help stabilise the Andean region by supporting the adoption and implementation of a common security policy and consolidation of the regional integration process. As regards **support for the democratisation process and strengthening of the rule of law**, the EIDHR provided backing for the democratic transition in Ecuador by sending a team of observers to monitor the presidential and legislative elections, and in Colombia it supported public engagement in the electoral process and democratic controls on municipal representatives. Support was also provided for a project setting up an ethics and democratic education code in Ecuador. A EUR 600 000 project in Venezuela aims to promote constructive dialogue between the government and opposition representatives, to provide electoral assistance for the organisation of free and fair elections and to help the process of civilian disarmament. Under the EIDHR the Commission has devoted over EUR 4.8 million to eight projects to **promote and defend human rights and fundamental freedoms**, including three in Colombia (improving the prison system, promoting prisoners' rights, strengthening the office of the ombudsman, legislation on human rights, civil society training and introducing a culture of respect for human rights) and one in Mexico. The EIDHR devoted almost EUR 6 million to the fight against racism, xenophobia and discrimination against minorities and indigenous people in Bolivia, Colombia, Guatemala, Nicaragua, Ecuador, Paraguay and Peru. Lastly, over EUR 2.3 million went to the prevention of torture and support for the rehabilitation of torture victims in Argentina, Peru and Chile.

INSTITUTIONAL SUPPORT

Two **institutional support** projects were closed upon the completion of operations: **'Strengthening of**

⁽¹⁾ http://europa.eu.int/comm/europeaid/projects/al-invest/index_fr.htm

⁽²⁾ http://europa.eu.int/comm/europeaid/projects/alban/index_fr.htm

⁽³⁾ http://europa.eu.int/comm/europeaid/projects/alfa/index_fr.htm

democratic development' in El Salvador, designed to improve administrative procedures, and **'Reform of the Foreign Affairs Ministry'** in Panama (EC contribution: EUR 1 million; duration: one year), the aim of which was to adopt a system of administrative qualifications.

There was no mid-term review of institutional support projects, but activities directed towards institution-building were consolidated during the year, in particular in the fields of justice and decentralisation, to respond more fully to the challenges entailed in good governance and the rule of law in Latin America.

Two institutional support projects were decided in 2002 in Latin America: **'Support for the reform and modernisation of the public service'**, in Honduras (EC contribution: EUR 4 million), and **'Support and modernisation of the administration of justice'** in Mexico (EC contribution: EUR 3.5 million).

In the **private sector**, two projects were finalised, one to set up a **national market information and social promotion centre** to promote and develop Honduras' export trade by providing a suitable information service (EC contribution: EUR 780 000; duration: two years), and the other on **diagnosis of shrimp disease in Ecuador**, in the SME sector, to improve shrimp production, research into their diseases, and stability of employment in the sector (EC contribution: EUR 980 000; duration: three years). A mid-term review of the project **'Regional development and strengthening of Argentina's provincial support structures for SMEs'** was carried out in Argentina. This project's overall objective is to improve the competitiveness of Argentinian SMEs in the context of a new domestic economic situation and international market opening and thus encourage the development of the regional economy (EC contribution: EUR 3 million; duration: three years).

The EC approved a programme of **support for trade development and export promotion** in Bolivia (EC contribution: EUR 6.3 million), its first operation in this sector in Bolivia. In 2002, a programme of support for Latin American SMEs was also approved, in the form of a EUR 200 000 framework contract with the Confederation of European Senior Expert Services (CESES). CESES members will provide training and advice in support of EC programmes.

With regard to **gender mainstreaming**, the **Proigualdad (promotion of equal opportunities)** project in Panama (EC contribution: EUR 9.8 million) was designed to improve the socioeconomic situation of women in classes of society and promote their participation in political, social and economic development.

Proigualdad — Promoción de la igualdad de oportunidades — Panama

Thematically complex and with a large number of actors, this is the largest gender issues project carried out in Latin America to date (EC contribution: EUR 9.8 million; duration: five years).

It has raised awareness of the gender issue throughout Panamanian society, worked with the public sector and civil society in genuine synergy

between all actors (39 governmental and non-governmental organisations), created the conditions for mainstreaming women's issues and equal opportunities in public policy, education and social organisations, and improved the situation of many women involved in the project throughout the country.

It is difficult to quantify the results of this important project, which successfully incorporated the gender dimension into Panama's education system and a number of legal instruments and raised public awareness of women's issues by means of high-impact media campaigns. A large number of awareness-raising and training courses were organised; 16 335 persons, including 3 770 men, followed awareness-raising courses on gender mainstreaming. Particular emphasis was placed on bringing rural and indigenous women into decision-making within the community and involving them in productive projects to improve the quality of life, which in turn entailed provision of training for literacy trainers, including bilingual training for indigenous communities.

Proigualdad is an important step towards a fairer, more balanced and equal society in Panama; a unique gender project whose experience and results could be used in other development cooperation initiatives in Latin America or other parts of the world.

REGIONAL COOPERATION AND INTEGRATION

In the field of **regional integration**, the European Commission continued in 2002 to support the integration processes in the three main regions of Latin America: Central America, the Andean Community and Mercosur.

Two experts were sent on a three-month mission to Central America, to provide institutional support for the El Salvador-based *Sistema de Integración Centroamericana* ((SICA) Central American integration system) (total cost: EUR 200 000). A financing agreement for a customs project was also signed between the EC, SICA and *Secretaría de Integración Económica Centroamericana* ((SIECA) Secretariat for Central American economic integration), the project headquarters (cost: EUR 8 million).

In the Andean Community a start was made on two technical standards and competition law projects (EC contribution: EUR 2 million each) with the adoption of the project management units.

Three institutional support projects in the Mercosur region started up after the technical assistance selection procedures were finalised (total EC contribution: EUR 2 million).

A statistics project with the Andean Community was decided (EC contribution: EUR 5 million).

In parallel with its bilateral cooperation with Latin American countries or regional subgroups, the European Union maintains a regional approach to Latin America as a whole. This regional cooperation involves



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URB-AL thematic programme on public safety, Valparaíso, Chile

implementation of regional programmes open to actors from the countries of both regions. The evaluation of these programmes is generally very positive, which explains the mobilisation of a greater share of the financial resources available.

The **ALBAN** programme of high level scholarships adopted in spring 2002 was launched in Madrid at the second EU, Latin American and Caribbean Summit. Its total budget is EUR 113.5 million, including EUR 45 million as the European Community's financial commitments in 2002.

Thirty-five projects under Stage I of the **ALFA** higher education programme were completed and 70 others are continuing. In 2002, the European Commission approved a second phase — ALFA II (2000–05: additional commitment of EUR 17 million).

In 2002, the Member States approved Stage III of the **AL-Invest** programme, which will be put in hand from the second half of 2003 (amount: EUR 46 million). The strength of the AL-Invest programme lies in the network of operators ⁽¹⁾ set up to ensure that activities run smoothly, consisting of chambers of commerce, industry federations and other representatives of the private sector ⁽²⁾.

At the time of the EU–LAC summit in Madrid, the Caribbean countries asked to be given access to the **@LIS** (information society) programme. This should be done through the EDF.

The rate of participation in the **URB-AL** (urban development) programme increased by almost 100 % in 2002 thanks to the formation of five new thematic networks. Community co-financing reached EUR 8.7 million for 20 projects selected in January 2002, using funds already committed.

TRANSPORT AND INFRASTRUCTURE

Some 10 projects in this sector were under way in 2002, the total European contribution being EUR 54 million. Basic infrastructure projects and support for regional and national integrated resource management initiatives were both stepped up.

Current water and sanitation projects continue to meet the urgent needs of those communities most vulnerable in respect of water supplies and waste water treatment. They include water supply and sewage projects in two towns in Bolivia and in rural areas of Nicaragua, a sewage project for **50 rural communities** in Paraguay, and two projects on the integrated management of the Rio PicoImayo basin in Honduras. Bolivia again came in for special attention as a result of measures undertaken in preparation for a future SWAP programme in this sector.

FOOD SECURITY AND RURAL DEVELOPMENT

No new **food security** commitments were made. Programmes of various types are under way in eight countries (either direct aid or via NGOs, Euronaid or FAO). These are shown in the table in the Annex alongside the amounts (in EUR million) managed in 2002.

Community food security programme in Honduras

To overcome poor people's difficulties in finding adequate access to food and reduce the damage caused by hurricanes, droughts and floods, the Government of Honduras is committed to a series of measures to reactivate the economy, with a particular emphasis on the rural sector, which is worst affected by natural disasters (e.g. hurricanes Mitch and Michelle).

Honduras is eligible for the HIPC initiative, and in December 1999 adopted a poverty reduction strategy involving civil society, with the aid of the World Bank and the IMF. The emphasis is on a number of persistent problems affecting rural areas: institutional, technical and legal obstacles to the acquisition of land, lack of access to credit for small farmers, shortcomings in irrigation infrastructure and problems relating to technology transfer and the marketing of agricultural produce.

In line with the government's poverty reduction strategy, the European Commission's food security programme (1999–2004) focuses on three areas: land reform and access to land, credit and improvements to the food marketing/processing system.

Reflecting the diversity of operations and counterparts (government and civil society), this EUR 32 million programme includes direct aid (e.g. land reform, credit and seed production programmes) and indirect aid (via calls for proposals).

⁽¹⁾ Eurocentros (45) in Latin America and Coopecos (324) in Europe.

⁽²⁾ Number of recorded trade agreements (until December 2001): 306. Value of the trade agreements (until December 2001): EUR 167 700 871. Value of the investment agreements (until December 2001): EUR 47 873 402. Value of the total agreements (until December 2001): EUR 215 574 281.

A mid-term evaluation mission (October 2002) confirmed the expected results, namely strengthening of central and local public institutions and increased food security for the poorest rural households.

In the field of **rural development** the European Commission and Guatemala financed four projects in the Santa Cruz del Quiché, Totonicapan, Baja Verapaz and Alta Verapaz districts. The ALA/Quiché project involved operations jointly implemented with the communities concerned, producers' associations, municipalities, Guatemalan Government bodies, NGOs and other programmes under way locally. The objectives, including support for food production and environmental protection, were achieved.

Three other projects in Guatemala with similar objectives and results were finalised: Totonicapan (EC contribution: EUR 7.5 million), Alta Verapaz (EC contribution: EUR 8 million) and Baja Verapaz (EC contribution: EUR 7.5 million).

The Tropisec project in Nicaragua, started in 1997, was finalised (EC contribution: EUR 7 million). The objectives were achieved and **10 000 families** benefited from the operations. Some **1 536 running water systems** were installed and **2 565 family holdings** and **1 846 km of rural roads** were improved. The project was co-financed with the International Fund for Agricultural Development (IFAD).

In support of the Bolivian Government's strategy to eliminate illegal coca growing activities, the EU carries out alternative development projects, mainly in areas buffering migratory flows towards coca production areas. Two mid-term evaluation missions to Bolivia took place in 2002. Evaluation of the alternative development project, Praedac, a programme of support for the Chapare alternative development strategy, fostering socioeconomic development in the coca production areas of the Tropic of Cochabamba, formulated recommendations as a result of which an extension of the activities was granted until 23 March 2006.

The second evaluation mission was for the Prodevat project, the Arque and Tapacarí Valley development programme, whose general objective is to encourage the inhabitants of the project area to stay in the region rather than migrate to illicit crop areas. The mid-term evaluation noted that the implementation schedule had made up considerable ground and recommended consolidating high-visibility (infrastructure) operations and stepping up sustainable long-term impact initiatives.

A total of 17 projects are being implemented in this field (EC contribution: EUR 231 million). The *facilitadora* (facilitation) approach to integrated rural development was consolidated in 2002. Two rural development projects are under way in Ecuador: the Esmeraldas rural development project and the Cotopaxi province rural development (EC contribution: EUR 5 million each).

In Peru, the Prodapp, an alternative development programme for Pozuzo and Palcazú, started in October 2002 (EC contribution: EUR 21.5 million).

In 2002, the European Commission approved four rural development projects (Honduras, Nicaragua, Panama and Bolivia). The innovative project in the department of Rivas, in Nicaragua, uses 'facilitator' methodology rather than a direct project implementation approach. The Apemin project in Bolivia in support of small-scale mining represents the second stage of a scheme to curb temporary emigration of people affected by the decline of mining towards the coca-growing region of the Chapare.

Rural development — ALA/Quiché — Guatemala

This project in the department of Santa Cruz del Quiché (EC contribution: EUR 17.5 million; duration: seven years) has:

- ▶ provided strong support for food production (cereals, market-gardening, fruit and livestock-farming), environmental protection (reafforestation, management plans for protected areas) and various training activities in the environmental and ecotourism field;
- ▶ introduced new production techniques, marketing methods and facilities by providing support for artisanal production by micro-enterprises whose members receive training on production and services;
- ▶ strengthened local community institutions by helping them organise and training community groupings and stock breeders', agricultural producers' and craftsmen's associations;
- ▶ taken account of gender mainstreaming as a cross-cutting element in most activities;
- ▶ given support to national institutions, communities, municipalities and associations in the form of social, socio-productive and productive infrastructure work with various equipment. It has also set up ecotourism infrastructure and a geographical information system (SIG) to help in land-use planning;



Project to train small producers of Tropicico Seco, Nicaragua (TROPISEC) — water component



Sonsonate hospital in El Salvador before rehabilitation

- ▶ done more to encourage access to formal credit by disadvantaged groups (credit fund managed by Banrural; EC contribution: EUR 2.7 million). Banrural has invested EUR 5.2 million of own resources in Quiché department, compared to the EUR 0.6 million provided for in the project financing agreement.

Several radio and television programmes were broadcast in Quiché and Spanish. A monthly bulletin on the project has been published, along with a number of brochures and teaching materials.

Main results which can be identified:

- ▶ 350 farmers' and craftworkers' groups gained legal recognition;
- ▶ 22 legally recognised farmers' and craftworkers' associations represented by 190 of those 350 groups, which involve more than 12 000 families;
- ▶ one coordinator legally recognised at department level representing the 22 associations (CADIQ);

- ▶ one coordinator legally recognised at department level for 11 savings and credit associations and cooperatives with 20 000 families registered, over 8 000 of which are active members (AODQU);
- ▶ one Credit Supervisory Board comprising a representative of the CADIQ, a representative of the AODQU and a representative of the Government of Guatemala.

HEALTH

Two **health** projects were finalised. The rehabilitation of the Sonsonate hospital, in El Salvador, started up in 1995. After suffering the effects of the earthquakes in January and February 2001, the project finished in April 2002.

The objective of the Apresal (support for health sector reform) project in Guatemala was to improve the health of the country's poorest inhabitants by measures targeting the quality of the healthcare, the distribution of drinking water, access to medicines and the training of human resources.

There was no mid-term evaluation of health projects. However, 11 projects are under way in Venezuela, Peru, Bolivia, Brazil and Central America.

There were no plans in the 2002 budget for commitments in this sector as such. However, as part of the fight against drugs and drug addiction, EUR 1.6 million was committed for a project for the control of precursors covering the five Andean Pact countries. Precursors are chemicals widely used in industrial and pharmaceutical processes, and are marketed quite legally in large quantities. They also play a role in the illicit preparation and the development of narcotic drugs and psychotropic substances. The project will encourage better implementation of the agreements on control of chemical precursors between the European Union and drug-producing countries, the aim being to stop these substances being diverted from the legal market to the illicit market in the Andean countries.

Rehabilitation of Sonsonate hospital — El Salvador

This project successfully achieved its goals: rehabilitation of the hospital buildings, provision of equipment, staff training and administrative support for management (EC contribution: EUR 8.4 million).

The 200 bed Sonsonate hospital, a secondary hospital, plays a strategic role in the country's health service. Now that it has been rehabilitated, it is the referral institution for 19 primary care centres and meets the hospital care needs of 500 000 people in 22 communes.

Even if it is still too early to be able to quantify the results in terms of people's health status, the project has had a number of benefits.

- ▶ It is the first hospital in the country to operate a full computerised management system based on electronic patient files.
- ▶ The waiting list for scheduled surgery has been reduced from six to one month. Theatre produc-



Sonsonate hospital in El Salvador after rehabilitation

tivity has increased from 401 operations in 1998 to 2 068 in 2002.

- Institutional maternal mortality has been reduced by half.

The hospital finances part of its running costs with revenue from its laboratory analysis and radiology services to the private sector (SVC 6.9 million a year, i.e. EUR 756 973).

EDUCATION

In 2002, three projects were finalised in this field, in Nicaragua and Venezuela.

The ASEN programme of support to the education sector in Nicaragua was designed to increase the coverage and quality of the education system, particularly in rural areas. Started in May 1998 it was closed in April 2002.

A second project completed in Nicaragua was Aforpro — Support for vocational training (EC contribution: EUR 5.2 million; duration: five years) — whose main objective was to improve staff training in vocational schools. It was the first EU aid-financed vocational training measure in this country.

Another project in Venezuela, CEMA — Creation of a national training centre for motor mechanics — was designed to update, expand and ensure the continuity of vocational training for young people, train technicians, reintegrate unemployed young people into the workplace and help small and medium-sized enterprises in the motor industry with technical training and management. A total of 1 200 people, including young people and adults, were trained each year.

Fourteen specific projects are in hand in various Latin American countries, in particular in the basic and vocational education sector. An additional EUR 2.8 million was provided to boost the middle-level education project in El Salvador, which was badly disrupted by the earthquakes in January and February 2001. This important and complex project to promote the reform of middle-level technical education, with an initial duration of four years, will thus be extended by two years in order to ensure the sustainability of the work (EC contribution: EUR 14.2 million).

The EC extensively supports higher education in Latin America through two regional programmes: ALFA, strengthened in 2002, and ALBAN, launched in 2002 (total EC contribution: EUR 62 million). They are among the largest in the exercise and reflect clearly the importance attached to the priority sector that is education. Large amounts have also been programmed for 2002–06 to develop operations in this sector in Nicaragua, Honduras and Peru from 2003.

MACROECONOMIC POLICIES

The European Commission does little in the field of macroeconomic policy in Latin America given the disparity between the sheer size of the economies of many of these countries and the amount of aid



Children and adolescents receiving training on the rights of the child under the AMAR project (Paraguay)

resources available, and the Commission's focus in this region on projects targeting limited facets of the economy or sectoral policies.

The influence of macroeconomic policies on cooperation activities, especially in the poorest countries of the area (HIPC beneficiaries and intermediate economies), nevertheless is and will remain very important. In countries like Nicaragua or Honduras, the contribution made by Community aid has a significant impact on the major macroeconomic balances.

A EUR 200 000 grant to CEPAL in 2002 was used to fund a Euro-Latin American network of macroeconomic coordination experts. The aim of this project is to enable macroeconomists in charge of the technical aspects of the budgetary and monetary policies of each Latin American economy to dialogue directly and regularly among themselves, initially within a sub-regional network (Mercosur, CAN and Central America), and subsequently between networks. The project was also designed to present and discuss Europe's experience in moving towards economic and monetary union to enable the Latin American partners to identify operational conclusions for their own regional integration exercise.

ENVIRONMENT

About 15 environment projects were started in 2002, a field in which regional integration remains a priority as a key supporting element in multilateral initiatives for joint operations, partly to improve living conditions but also to prevent and reduce the risks of natural disasters. Projects of this type include the current development of the Honduras–El Salvador frontier region (EC contribution: EUR 34 million).

Commitments in the environmental sector are divided between financial and technical cooperation operations and pilot projects financed under the specific budget line for the environment and tropical forests.

The first category includes three new operations committed in 2002: strengthening local management of natural resources in the Patuca and Choluteca drainage basins in Honduras (EC contribution: EUR 34 million); strengthening civil protection systems in the five countries of the Comunidad Andina de Naciones (CAN) (EC contribution: EUR 9.4 million) and the development of environmental policies in Nicaragua (EC contribution: EUR 1.6 million).

Under the specific budget heading a total of EUR 16.7 million was committed in 2002 for eight new operations in Latin America. The most significant individual contribution concerns a new section of the pilot conservation programme for the Brazilian rain forest (PPG7), the 'Ecological corridors' project, which aims to test and consolidate a new approach to biodiversity protection by the expanding, diversifying and better linking of protected areas within two of the main Brazilian biomes, the Amazonian forest and the Atlantic forest. The EC aid will concentrate on the central Amazonian corridor. In addition to these eight projects, three 'global' projects committed in 2002 on international issues will be carried out at least partly in Latin America. Their aim is to foster understanding of the links between trade, environment and development, and to help the countries of the region improve their capacity to take part in international climate change initiatives.

The programme on flood prevention in Miranda, Falcón and Yaracuy States in Venezuela, committed in 2002, will provide the necessary infrastructure and appropriate measures to reduce the risk of recurring floods and their consequences by means of rational and sustainable management of drainage basins and the introduction of appropriate methodologies and technologies (EC contribution: EUR 10 million).

PARTNERSHIP WITH CIVIL SOCIETY AND NGOS

Commitments for 2002 total EUR 13.8 million for Central America and EUR 24.7 million for South America to which should be added, for completeness' sake, the 'all countries' block grants.

Ação para o Sustento dos Grupos da População Urbana Excluídos do Mercado formal de Trabalho e Integrandos a Defesa Ambiental do Município da Cidade de belo Horizonte — Brazil

Objective: promote social integration of marginalised people, deprived of their rights and living in wretched conditions. The project aimed to promote, organise and structure urban waste recovery and processing activities to create stable sources of income for these people, while helping them to become better integrated in society (total cost: EUR 675 393; EC contribution: EUR 299 485; duration: 24 months).

Contracting NGO: Cooperazione per lo Sviluppo dei Paesi Emergenti (COSPE), Florence

Partners: Associação dos Catadores de Papel e Material Reaproveitável (Asmare), belo Horizonte, Brazil

The project, finalised in March 2002, achieved its goal of organising and structuring urban waste through collection and processing activities by creating and

strengthening associations of workers in the sector, in terms of staffing, skills, infrastructure and equipment. Membership increased considerably and members' incomes became much more stable, thus ensuring the sustainability of the project. Support for the first national congress of associations of reusable waste collection workers provided an opportunity to disseminate best practices and foster cooperation and the development of synergy at the national level.

A new project is planned: the creation of an industrial waste processing unit, to give the associations control of the chain of activities from collection until final sale.

LINKS BETWEEN HUMANITARIAN AID, REHABILITATION AND DEVELOPMENT

The regional rebuilding programme for Central America (PRRAC) was adopted by the Commission in April 1999 in response to the need for reconstructions following the damage caused by Hurricane Mitch. Its objective was to help rehabilitate and improve infrastructure, facilities and management in the fields of education, sanitation and public health, and to improve the sustainability of services in these areas. At present, the PRRAC has reached its cruising speed. The 76 projects approved to date (for a total of EUR 248.6 million) are under way and payments are running at EUR 32.8 million.

REHABILITATION/ANTI-PERSONNEL MINES

The project comprising humanitarian mine clearance on the border between Nicaragua and Honduras and operations under the special action plan for mines (EC contribution: EUR 1.3 million) was implemented in 2002 by the Organisation of American States (OAS). The expected result is the restoration of safety and the release of productive land in the communities concerned.

REFUGEES/POPULATION

Two projects for the disadvantaged were finalised in 2002. One, Proamba, concerning comprehensive support for the socialisation of marginalised minors in Greater Buenos Aires, in Argentina, was designed to help bring about a substantial reduction in the effects of poverty among children and adolescents living in marginal districts of the Buenos Aires metropolitan area (EC contribution: EUR 9.3 million; duration: four years and four months). This innovative and fully participative project, the first of its kind in Argentina, succeeded in bridging the gap between the State and civil society. A total of 58 NGOs provided direct attention for **6 000 children and adolescents** and valuable support for **9 000 families**. Many people received training and nationwide radio broadcasts over a period of **720 days** dealt with issues of children at risk.

The other project, on social development in Quito Old Town, in Ecuador, was designed to improve social service provision, in particular in the health sector, the protection of vulnerable and high-risk groups, and the restoration of the environment (EC contribution:

EUR 3.5 million; duration: three and a half years). To date, **28 specialised health centres** have been built, extended and equipped (early childhood centres, vocational training, family violence centres, centres for the elderly). In all, **8 611 m² of infrastructure** has been built or repaired. More than **160 000 people** have used services set up by this project.

The disadvantaged in Latin America deserve special attention. Currently, 16 projects are under way, particularly targeting juvenile delinquency and women's integration into the labour market. Three projects in this field were the subject of a mid-term evaluation.

Repeme, a programme to support the social reintegration of delinquents and minors in an illegal situation, provides backing for the reform of the legal system as part of the structural reforms undertaken by Venezuela. The project should help improve the physical and psychological conditions of detention in a number of adult and juvenile prisons. By the end of 2001, 1 890 interns and 2 850 officials had followed training courses and seminars. A six-month extension is currently under way.

ACTUA, an integrated programme to combat urban poverty, in Chile (EC contribution: EUR 9.66 million; duration: five and a half years), has had promising results in **six target municipalities** where a model social policy decentralised at municipal level, already adopted by the central government in other municipalities of the country, was developed. A network of State and municipal social services serving approximately **1 300 families** provides comprehensive and personalised assistance and facilitates the preparation and financing of small-scale projects to improve the family incomes and housing.

AMAR, comprehensive assistance to at-risk minors, in Paraguay (EC contribution: EUR 10 million; duration: five years), was evaluated a year and half before the planned end of the activities. The national contribution of EUR 2.7 million was not made available on schedule. The evaluation report noted that the Paraguayan bodies concerned were behind schedule in taking ownership of the project and proposed changes to improve the rate of implementation. These changes are in hand.

Now operations include a project committed in El Salvador concerning social measures to prevent juvenile delinquency and violence (EC contribution: EUR 9.2 million). Its objective is to cut juvenile delinquency by half and improve security in densely populated areas of San Salvador. EUR 1.5 million has also been committed under budget heading B7-312 as a contribution to UNHCR operations to assist displaced persons in Colombia.

6.6.4. The three Cs (coherence, coordination and complementarity)

Consistency with other Community policies is ensured by close coordination between the various European Commission departments at the time the strategic

programming documents — country strategy papers — are drafted; for Latin America they were mainly drawn up in 2002. This approach is essential, particularly in the case of guidelines for regional entities — Central America, the Andean Community and especially Mercosur — where the thrust of the Community measures is the progressive liberalisation of trade (in the spirit of Doha) and hence support for sustainable development, macroeconomic coordination, harmonisation of tax policy, technical standards, research and technology, etc.

The issue of complementarity is addressed during donor coordination of the implementation of existing poverty reduction strategy papers.

6.6.4.1. Cooperation in the region with the Member States and other financial backers

Coordination and complementarity with policies and operations undertaken by the Member States are also addressed from the time the strategy papers are first drawn up.

Coordination with the Member States is particularly advanced in Bolivia, which gets development aid from a wide range of donors. The delegation of the European Commission in La Paz chairs two of the four thematic groups set up as part of an overall coordination mechanism established by the government, on which all donors are represented.

The European Commission is active in the consultative groups of donors organised by the Inter-American Development Bank (IADB), including meetings in 2002 for Guatemala, Ecuador and Peru.

The project to strengthen civil society in Guatemala is an example of close cooperation in the preparation and implementation of individual operations between the EC and the Member States in the field, with regular joint meetings taking place. All proposals for projects in Latin America are thoroughly discussed by the Member States' representatives on the spot, and Member States also give their opinion when the proposals are discussed by the relevant financing committee at headquarters.

The mid-term review of PPG7, the main programme for management and protection of the Amazonian forest and a major cooperation partnership between Brazil and a number of donor countries including the European Commission, was another specific example in 2002 of international donor coordination. Sectoral programmes (support for policies), several of which are in preparation, are developed in close cooperation with the IADB, the World Bank, the International Monetary Fund and the Member States on the spot. In this connection, an important event was the signing in May 2002 of the memorandum of understanding with the IADB, in which the parties undertook to contribute to the social and economic development of Latin America and Caribbean countries by working together in various areas of cooperation: sectoral support for Honduras and Nicaragua, information society, social equality and poverty reduction, natural disasters, consultation of civil society on trade liberalisation and integration processes,

European Community Humanitarian Office financing decisions (2002)

Country	Amount (EUR million)
Bolivia, Peru	1.3
Brazil	0.35
Central America (El Salvador, Guatemala, Honduras, Nicaragua)	5.028
Colombia	9.2
Cuba	0.6
Ecuador	1.248
Mexico	1.0
Paraguay	0.92
Dipecho plan of action for the Andean Community	1.64
Dipecho plan of action for Central America	2.9
Total	24.186

integration in Central America. There is also close cooperation with the World Bank on the same issues (sectoral programmes in Honduras and in Nicaragua). The Commission is now involved in country financial accountability assessments (CFAA exercises) conducted by the IADB and World Bank in Nicaragua and Honduras, assessing public finance management in the two countries. The Commission, in agreement with both governments and the two financial institutions, will check expenditure for conformity and veracity, supplying input for action plans to improve the management of public finance.

6.6.4.2. Activities of the EIB

The European Investment Bank finances projects of common interest to the Latin American countries and the European Union, providing backing for European foreign direct investment or other objectives as part of the EU's cooperation policy.

In 2002, the EIB signed two loans in Latin America worth a total of EUR 85 million.

The first EUR 55 million loan went to Companhia Energética do Ceará, a Brazilian electricity distribution company privatised in 1998. Endesa, a Spanish electricity company, is the largest shareholder and operator. The project will be implemented in one of the least developed parts of Brazil; it has significant development potential and will help reduce regional disparities.

The second EIB loan, of EUR 30 million, went to the Central American Bank for Economic Integration, and will be used to finance small and medium-sized private-sector investment projects in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. Priority will be given to projects that are carried out by subsidiaries of EU companies or EU/Central America joint ventures or involve some other type of common interest (transfer of know-how, particular environmental benefits, regional development, etc.).

6.6.4.3. Humanitarian aid

ECHO's activities in Latin America in 2002 were mainly concerned with the crises in Colombia and assistance

Breakdown of projects visited by area of cooperation

	Number of programmes and projects	Total budget (EUR)	Average size (EUR)
1. Trade and development	2	8 015 000	4 007 500
2. Regional integration (*)	(3)	(7 576 195)	(2 525 398)
3. Macroeconomic and social services	34	220 438 491	6 483 485
4. Transport	—	—	—
5. Food security and rural development	49	403 726 688	8 239 320
6. Institutional capacity and good governance	19	145 214 475	7 642 867
7. Other	—	—	—
Total	104	777 394 654	7 474 949

(*) The sample is too small (three projects) to be statistically relevant.

Average ratings for monitoring criteria, by priority area

	Trade and development	Regional integration	Macroeconomic and social services	Food security	Institutional capacity-building	All Latin America 2002
Relevance	2.00	3.00	2.81	2.79	3.00	2.83
Efficiency	3.00	3.33	2.88	2.83	2.89	2.86
Effectiveness	2.50	3.00	2.96	2.87	3.13	2.93
Impact	2.50	3.33	2.88	2.74	3.00	2.83
Sustainability	2.50	2.33	3.00	2.72	2.56	2.78
Average	2.90	3.00	2.91	2.79	2.95	2.85

to internally displaced persons. In a continent frequently affected by earthquakes, hurricanes and floods, responding to natural disasters also continues to be a priority. ECHO provided relief to victims of flooding and landslides in Brazil, flooding and a volcanic eruption in Ecuador, and snowstorms and intense cold spells in Bolivia and Peru. In Central America (Guatemala, Honduras and Nicaragua), ECHO focused its activities on nutritional problems caused by irregular rainfall. In El Salvador, following the earthquakes of 2001, a project was financed to teach people traditional low-cost earthquake-proof building techniques. In Mexico, ECHO helped settle indigenous peoples in the Chiapas, and in Cuba, money was mobilised to help victims of hurricanes Isidore and Lili.

ECHO supported projects in the Andean Community and Central America under its Dipecho disaster prevention programme, the aim of which is to ensure that the local people are prepared better to face natural disasters. Dipecho also started to transpose lessons learned locally to the national and regional levels.

6.6.5. Results of monitoring

In Latin America, during 2002, a total of 104 projects were monitored, covering a total financing volume of approximately EUR 777.5 million.

The analysis of the monitoring exercise shows that the areas most closely related to poverty alleviation (macroeconomic and social services, food security and rural development, institutional capacity and good governance) make out the bulk of the EC cooperation in Latin America.

In view of the overarching goal of poverty reduction, the results of three important areas, as shown in the above table, are particularly positive. Moreover, the sample of 13 reports on education programmes showed good results in original design (relevance and design, 2.82) and excellent ratings for effectiveness (3.25), efficiency (3.0) and sustainability (3.0). Also here, as in other regions, financial sustainability remains crucial, but shows positive prospects for the projects covered as the interventions are expected to be continued with public financing.

In terms of strengths and weaknesses conclusions suggest that efficiency and impact of projects are often positively influenced by flexibility and adaptation. Socio-cultural, technological and environmental concerns in EC projects tend to contribute positively to their overall sustainability. However, weak original design and lack of timeliness in activity implementation negatively affect performance with regard to relevance and efficiency, respectively. Financial sustainability remains a major source of problems.

6.6.6. Conclusions and prospects for the years to come

Cooperation between the EU and Latin America received a boost in 2002 from the Madrid Summit and the intense activity involved in negotiating comprehensive regional and bilateral agreements.



© ECHO
Dipecho programme in Bolivia

It was also a year in which governments and civil society began to work more closely together. The Commission made a significant contribution to this process, organising the consultation of civil society on the EU–Mercosur and EU–Chile negotiations and the implementation of the existing framework agreement between the EU and Mexico. The Commission also provided backing for meetings organised by civil society in Europe, Latin America and the Caribbean on the occasion of the Madrid Summit.

Already 25 % of Community cooperation in Latin America is implemented by civil society organisations; the challenge in the next few years will be to incorporate intensive dialogue between government and non-governmental actors in the actual framing of cooperation policies between the EU and Latin America.

In the medium term, the success of the negotiations with Mercosur and the start of talks with the Andean Community and Central America will help improve the EU's relations with the three subregions and frame the strategic partnership between the EU and Latin America as a whole.

On the operational front, there were two new developments in Community cooperation in Latin America in 2002.

- ▶ Methodologically the European Commission paved the way for sectoral and budgetary support measures in Central America and Bolivia, the first results of which should be visible as from 2003.
- ▶ Devolution of the management of external aid to the delegations was continued and consolidated. Once they have received the extra staff and equipment they need, which should be in 2003, all the delegations of the European Commission in Latin America will operate on the new lines.



7. Feature: water management in EU cooperation



7.1. The importance of water for development

Freshwater is a finite and precious resource essential for sustaining life, for undertaking economically productive activity, and for the environment. No strategy for the reduction of poverty can ignore people's vital requirements for water, and sustainable development policies must address the need for equitable and sustainable management of water resources in the interests of society as a whole. Overall, the global water crisis threatens lives, sustainable development and even peace and security.

Population growth and rapid urbanisation, changing lifestyles and economic development have led to increasing pressure on water resources everywhere, but especially in developing countries. Without effective action, this situation will get worse. The United Nations estimates that two out of three people will be living with water shortages by 2025. Over the next two decades, it is expected that the world will need 17 % more water to grow food for increasing populations in developing countries, and that total water use will in-

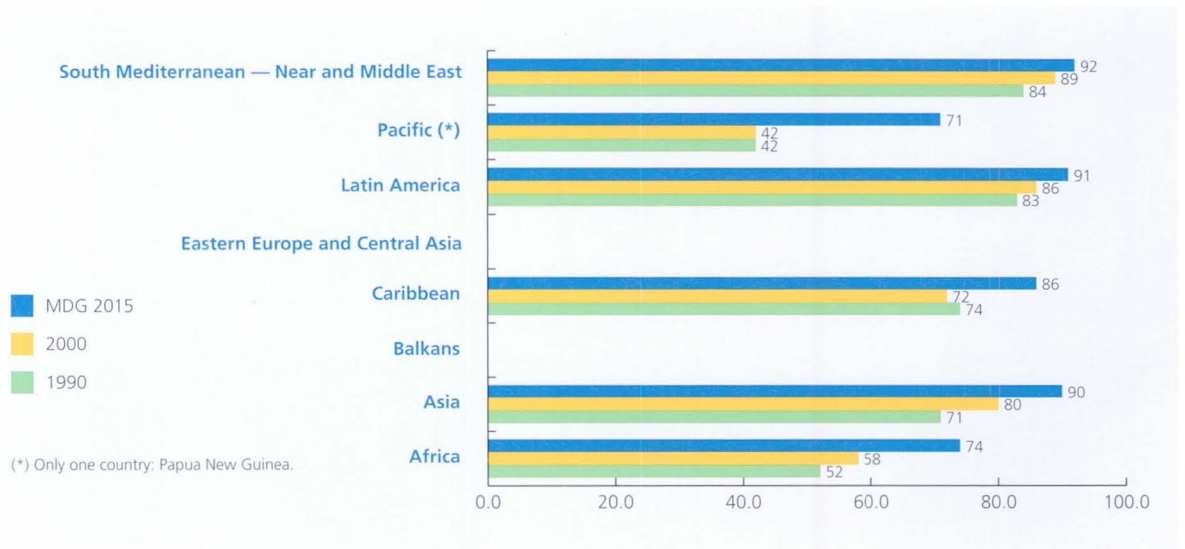
crease by 40 %. One third of countries in water-stressed regions could face severe water shortages this century.

7.2. Water and the millennium development goals

In recognition of the critical importance of water for development and the urgent need to address this crisis, the millennium development goals include a specific target on water: **to halve, by 2015, the proportion of people without sustainable access to safe drinking water**. The chart below shows how far there is to go to reach this target in different regions.

The World Summit on Sustainable Development in Johannesburg in 2002 took a particularly important step with the adoption of a new international target, with strong EU support: **to halve by 2015 the number of people without access to sanitation, to complement the target on access to drinking water**. The adoption of a new target **to develop integrated water resources management plans** was also a positive step forward.

Proportion of population with sustainable access to an improved water source (%)



Water supply and sanitation per sub-sector



Access to water and sanitation is also **critical for the achievement of other MDGs**, such as the target on infant mortality. Adequate supplies of clean water and sanitation could reduce cases of some diseases by as much as 75 %.

The **EU is already the largest provider of development assistance for water-related initiatives**, investing around **EUR 1.4 billion a year** in water-related development aid and scientific cooperation. In addition to interventions carried out in the context of country and regional programmes, water-related activities are also carried out in the framework of NGO co-financing, micro-projects, decentralised cooperation and humanitarian aid. The EU's contribution in this area is set to increase, following the launch of the **EU water initiative** at the WSSD.

7.3. People and water: Improving access to water and sanitation services

Inadequate water supplies are both a cause and an effect of poverty. Invariably those without adequate and affordable water supplies are the poorest in the society. The effects of inadequate water supply — disease, time and energy expended in daily collection, etc. — exacerbate the poverty trap. Donors, recipient countries and stakeholders must work together to improve access to water services.

Actions should be designed to achieve the goal of offering **affordable** water services while ensuring **sector sustainability**. In order to reach this objective, some critical issues should be addressed, including the need to improve operation and maintenance capacity with increased user participation; to minimise unaccounted-for water and reduce water wastage; to introduce water-saving devices, and reuse water where possible; to price water services appropriately so as to safeguard the interests of the poor; to introduce incentives for safeguarding water quality at community level, such as the protection of wells and careful water storage.

Some facts and figures

- ▶ **Over 1 billion people, or 18 % of the world's population, lack access to safe drinking water and over 2.4 billion people do not have adequate sanitation.**
- ▶ **2.2 million people in developing countries, most of them children (6 000 per day), die every year from diseases associated with lack of access to safe drinking water, inadequate sanitation and poor hygiene.**
- ▶ **If current trends persist, by 2025 the demand for fresh water is expected to rise by 56 %, more than is currently available. About 70 % of current demand is from agriculture, the remainder from household, urban and industrial use and consumption.**



© F. Jacobs

EU-financed water pump in northern Mozambique

Water provision cannot be separated from two other inter-related factors — **sanitation and health**. This is because one of the primary causes of contamination of water is the inadequate or improper disposal of human (and animal) excreta. This often leads to a cycle of infection (resulting primarily in diarrhoeal diseases) and contamination which remains one of the leading causes of illness and death in the developing world. The effects of increased access and improved services are thus cross-sectoral, and require interaction with other sectors: **health, education, rural and urban development**.

Extending sanitation coverage and hygiene education: A much greater emphasis on sanitation is required in order to gain ground in this often-neglected area. At any one time it is estimated that half of the world's hospital beds are occupied by patients suffering from water-borne diseases. This means improved hygienic behaviour and environmental sanitation are critical, as is water supply in programmes to promote public health, while low-income communities must be given a better understanding of the links between poor hygiene and disease.

Meeting the challenge of urbanisation: Access to water and sanitation facilities in urban settlements is constrained by two sets of factors, the inadequacy of the existing systems and management structures to cope with growing demand for fresh water and sanitation services coupled with the rapid, unplanned increase in the urban population which has put additional pressure on a system already under severe strain. To make matters worse, the newcomers settle — often illegally — in unserved marginal areas (an estimated 25 % of people in developing country cities purchase their water from water vendors at significantly higher prices than piped water) that would require a considerable capital investment. A local and national policy of urban settlements can help alleviate the pressure of rural-urban migration on the system. Such a policy should not impede migration to urban centres. Assuming that the phenomenon of rapid urbanisation in the developing world cannot be reversed, a sensible approach would be to regulate and plan the growth of cities in order to optimise the resources available.



Women in Africa and Asia walk six kilometres a day on average to fetch water for their families

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poorest and most vulnerable rural dwellers are particularly sensitive to lack of water of acceptable quality.

A number of issues associated with the use of water in food production therefore need to be taken into account in advocating sound water use and management, placing an emphasis on small-scale water-efficient approaches, such as rain water harvesting, small-scale drip irrigation, or reusing waste water for irrigation. Actions to promote food security in poor rural areas should include livelihood diversification, together with water saving methodologies and more sustainable management systems. This would ensure alternative income-generating opportunities for the poorest people, and also decrease the pressure on scarce water resources.

Tropisec — Nicaragua: Water, an important element in a rural development project

Tropisec, a seven-year project co-financed by the EC (EUR 7 million), came to an end in 2002. Located in the Las Segovias region, one of the poorest and driest areas in Nicaragua, the project had the following objectives: training for self-management, institution-building for grassroots organisations, use and handling of natural resources, financial and technical support to rural development.

One of the main components of the project was the provision of drinking water and irrigation systems for the local population. Fondeca, the farmer development fund of Las Segovias, aimed to provide access to credit and help develop a system of sustainable intermediation on behalf of the target groups. The project's main achievements have been the introduction of an artisanal basic grain seed programme, the creation of 2 565 family or communal orchards to improve food security and the facilitation of technology transfer among farmers. Ten thousand families benefited from the project: 1 536 water systems were installed for irrigation, 1 846 km of rural roads were improved and repaired, and 1 650 water systems were constructed for domestic consumption. Environmental training was also provided for 727 technicians, with a significant multiplier effect (training of 19 065 pupils).

Somalia — An integrated approach to support sustainable urban development

In 2002, the Commission completed an urban sector profile study to identify ways of assisting municipal authorities in Somalia to improve their capacity to better serve basic needs and other demands of the population. The proposed strategy is to adopt an integrated approach to urban challenges and needs. Good urban management and good urban governance are seen as the common requirements for balanced and sustainable progress in the different areas for which municipal bodies are responsible.

Under this approach, water management is one of the responsibilities of municipal government, although any action in the field must be linked to the overall goals of better urban management and governance. An example of the linkage between optimisation of water resources and urban planning is the way urban layout affects the cost of water, waste water management and drainage. An element of the integrated approach that applies to the provision of water-related services is the need to build stakeholder capacity at the relevant levels to reinforce ownership and sustainability.

The challenge in rural areas: It is estimated that women in Africa and Asia walk around 6 km daily to collect water, carrying an average of 20 kg of water on their heads. This takes up a lot of time and energy, and the burden is also often borne by children, keeping them away from school. Furthermore, in most developing countries rural economic growth is a critical precondition for overall economic growth, and food production remains the main economic activity of much of the rural population. Expanded economic yield mainly comes from natural resource-based goods, such as agricultural, animal husbandry or fishery products, all of which require sustainable management of water resources. Integrating the management of land and water resources is key to both water and food security, particularly in areas with competition over water resources, and calls for improved water use efficiency in agriculture which is the largest user of freshwater, to reduce the pressure on the resources. The

7.3.1. The EU's policy response to the challenge of improving access to water and sanitation

The EU's policy framework on water and development recognises that achieving results will require progress in many different areas, particularly governance and financing. In both cases, **sustainability is a critical issue.**

Good governance: Increasing access to safe water and sanitation requires that political authorities give it a higher priority, and that measures to address these issues are integrated into national and municipal strategies. Greater awareness and increased knowledge are essential to support planning and decision-making, combined with institutional strengthening and capacity-building activities. Partnerships between public, private and civil society actors have to be promoted, ensuring that those partnerships remain equitable, accountable and transparent, safeguard consumers' and investors' interests and maintain high standards of environmental protection.

Masibambane, a new water services sector support programme in South Africa

A three-year water services sector support programme to the Government of South Africa is funded from the Government's own resources, EC cooperation and bilateral aid from four EU Member States, to the tune of about ZAR 2 220 million (EUR 334 million, including EUR 75 million EC budget support grant). The objective of the programme is to provide basic water supply and sanitation services through a variety of activities including support for strategic policy development, and provision of water and sanitation services for selected poor rural communities in three provinces (Northern Province, KwaZulu Natal and the Eastern Cape). The project also provides institutional support to assist various levels of public sector institutions with emphasis on stakeholder dialogue. In some instances new institutions such as district councils, catchment management agencies and community structures will be established. Good governance and continued coordination among various actors are recognised as critical for the sustainability of the programme and its effects.

The main expected results

A reviewed and updated policy and legislation for the water and sanitation services sector in South Africa orienting the sector towards consumer-driven interventions.

Approximately 2.4 million people in the Northern Province, KwaZulu Natal and the Eastern Cape provided with sustainable water and sanitation services.

Health and hygiene education included in all infrastructure projects.

Technical, managerial and administrative capacity of key role players improved (specifically the capacity of local government and Department of Water Affairs and Forestry (DWAFF) structures, water service authorities and water service providers, but NGOs and private sector will also be involved).

Integrated planning and coordinated management within the sector strengthened.

Gender unit within the water services chief directorate of DWAFF established.

Financial challenges: Traditionally, the municipalities provide water services, but they lack the financial and technical capacity to cope with the rapidly increasing demand. Innovative approaches are needed. Options must be examined carefully to take account of local circumstances including health risks, prevailing attitudes and customs, acceptability, existing knowledge and practices, costs, ownership of facilities, and the regulatory framework. In addition to large capital investments, institutional measures are required to find and exploit new water supply sources and to upgrade and expand water and sanitation reticulation systems. In parallel, institutional measures are required to ensure efficient management of the service, including ad-

equated provision for infrastructure maintenance. Cost recovery is important to ensure the financial sustainability of water services, although tariff structures and collection systems must be designed appropriately to meet the basic needs of poor and vulnerable groups.

Ghana — A public-private partnership, suited to local circumstances to improve small towns' water supply

26 November 2002 — Kokofu, Ghana, 250 km north-west of the capital, Accra

As he does every week, Mr Ansah, Technical Manager at the Water and Sanitation Development Board (WSDB) of Kokofu, is checking the state of the water meters of the 13 public standpipes and 50 private connections connected to the water distribution network. Under an accountant's supervision, he collects the water sales revenue from the water vendors. The cost of water is GHC 100 per 18-litre bucket (EUR 0.68 per m³). The average daily consumption rate here amounts to 11 litres per person. Thanks to this regular revenue collection, the WSDB has so far operated the system for 10 months, and in this space of time has managed to construct 10 additional private connections and provide transport for operating staff. The bank account currently stands at GHC 15 million (EUR 1 700).

Of the revenue from water sales, 10 % is allocated to maintenance, 10 % to small-scale sanitation projects and hygiene education, and 5 % to the extension of the water supply system. The efforts of the community and their representatives since the beginning of the project (consultations, 5 % contribution to investment cost) are paying back. During the four years of implementation so far, public works and monitoring have been established combined with private management in two towns. Capacity-building efforts range from bookkeeping, system maintenance, technical monitoring and management techniques to hygiene education targeted at all levels, from community via district to regional water and sanitation administration.

This example is replicated in the 25 small towns in the Ashanti, Brong-Ahafo and western regions included in this project, serving a total population of 310 000 people. The project is currently preparing the implementation of five additional systems which will eventually serve a population of 350 000 in 30 towns, within the available EUR 15 million allocation. It is just one example of a 'public-private partnership' adapted — so far quite successfully — to local conditions.

In 2002, the EU refined its policy approach to water in the context of development cooperation. In March, the Commission published a **new communication**, which was endorsed by the Council in May (1). This builds on the need to take an integrated, long-term approach, to work in partnership with developing countries and to tackle governance and financial issues, including sustainability, as a priority.

The EU's over-arching framework is 'Integrated water resources management' (IWRM), based on a river basin

(1) COM(2002) 132, 12.3.2002, 'Water management in developing countries — Policy and priorities for EU development cooperation'. <http://register.consilium.eu.int/pdf/fr/02/st08/08958f2.pdf>



Inaugurating a water pump in Penjikent (Tajikistan)

approach. The EU believes that IWRM, combined with strong public participation, transparency and accountability, can play a critical role in helping to achieve the targets. It is particularly important for sustainable development and conflict prevention in the case of transboundary waters.

Integrated water resource management in action

Doon Valley integrated watershed management project — India

This eight-year project, with an EC contribution of EUR 22.5 million, was particularly successful in meeting its objective of reversing ongoing degradation to the Doon Valley ecosystems in Uttaranchal State by means of soil conservation works, including the construction of check dams and the planting of a combination of tree and grass species. Frequency of irrigation and availability of water have thus increased. The living conditions of rural people have improved further as a result of their involvement in the management of their environment. Village associations have been formed to ensure ownership and promote sustainability. Farmers' agricultural needs have generally been met by conventional watershed development, set to move towards community watershed development.

The communication and the Council conclusions identified a number of clear priorities:

- ▶ to ensure a supply of sufficient, good quality drinking water, adequate sanitation and hygiene for every human being, especially the poorest, with a clear focus on the needs of women and children, and with the general objective of reducing poverty and improving people's health, quality of life and livelihood opportunities;
- ▶ to develop sustainable and equitable transboundary water resource management taking into account all relevant interests, integrating the competing needs of the various users and facilitating south–south cooperation;

- ▶ to implement cross-sectoral coordination to ensure equitable, sustainable and appropriate distribution of water between users of different kinds. This requires the mainstreaming of water management principles into related policy areas.

Action and **innovative approaches** are needed to tackle urgent and long-term priorities in providing water services, expanding sanitation coverage and hygiene education, meeting the urban challenge, achieving water–food security, protecting water ecosystems, and managing floods and coastal areas. Conflict prevention and peace-building efforts, which are political priorities for the European Community, must include sustainable and equitable management of shared natural resources such as water. Support for regional activities is recommended where a clear commitment to regional collaboration exists.

The EU also recognises that, as water resources become scarcer, some long-term global issues will become increasingly critical. These include the impact of climate change on access to water, which increases the risk of extreme events and depletes resources, and the interaction between water management and trade in agricultural and industrial products that include a substantial water component.

To promote wider dissemination and uptake of its strategic approach, the European Commission initiated a **capacity-building programme**, targeted at policy makers and other key stakeholder groups in the ACP region, Asia, Latin America and the Mediterranean region.

Promoting the strategic sectoral approach through capacity-building

The EC has taken a leading role in promoting best practice and helping to build capacity for effective water management. The EC's guidelines for water resources development cooperation ⁽¹⁾ whose centrepiece is a 'strategic approach for the equitable, efficient and sustainable management of water resources' establish policy principles for water resources and water services management (institutional, social, economic, environmental, and technological). They draw on internationally agreed core principles. These guidelines illustrate the new focus of Community support for water in developing countries, with more emphasis on social and environmental concerns and management, and increased support for capacity and institution-building. A series of workshops, training courses and mentoring activities have been used to help stakeholder groups familiarise themselves with the key principles essential for sustainability.

7.3.2. WSSD and the launch of the EU water initiative

At the 2002 WSSD in Johannesburg, the EU signalled its intention to expand its role in the international effort to achieve water and sanitation-related targets, with the launch of a new EU water initiative.

The initiative was endorsed at the highest political level with the signature of a joint declaration for a new Africa/EU strategic partnership on water affairs

(1) http://europa.eu.int/comm/development/body/publications/water/en/frontpage_en.htm

and sanitation. A partnership between EU and eastern Europe, the Caucasus and Central Asia was also endorsed at ministerial level during the WSSD.

THE MAIN OBJECTIVES

Through the water initiative the EU is reconfirming its commitment to help meet the MDGs and targets agreed at the WSSD. The initiative focuses on halving, by 2015, the number of people without access to safe drinking water and basic sanitation, currently estimated at about one and two billion respectively.

The second thrust of the initiative is to support the development of integrated water resources management (IWRM) and water efficiency plans by 2005, promoting the general adoption of river basin-scale policy, planning and management, particularly for transboundary catchments.

KEY ELEMENTS OF THE INITIATIVE

- ▶ Reinforce political commitment to action to increase access to water and sanitation with a view to poverty reduction.
- ▶ Promote better water governance arrangements, including stronger partnerships between public and private sectors, and local stakeholders, and institutional capacity-building. Better understanding of the interaction between sustainable water management, poverty reduction, the developing country context and innovation and societal mobilisation are essential to help direct future investments and the development of management practices, policies and technology taking account of societal and equity concerns. For this reason, the EU initiative includes a specific research component. The EU has also opened its sixth research framework programme to partners in third countries⁽¹⁾, to facilitate the sharing of its experience and as a signal of its commitment to face the global and regional challenges together with partners in different parts of the globe.
- ▶ Improve coordination and cooperation: This includes a shift away from standalone projects towards sector-wide approaches, the introduction of multi-stakeholder processes to reinforce partnerships for action, and promotion of south-south collaboration and cooperation.
- ▶ Develop regional and subregional cooperation by assisting in the application of the integrated water resources management approach, including transboundary waters to contribute to sustainable development and conflict prevention.
- ▶ Catalyse additional funding, *inter alia*, by developing new, innovative funding mechanisms to attract new partners. The EU will make use of the full range of financial mechanisms already available for water projects and will take action to address financing gaps. In fulfilment of the commitments it made at the International Financing for Development Conference in March 2002, the EU is prepared to provide increased assistance for water-related schemes. In keeping with the integrated, demand-led nature of the initiative, additional funding will be considered



Water supply project — Ogoniland, Nigeria

in response to requests from partner countries, and resources will be delivered over coming years within the context of countries' efforts to reduce poverty and promote sustainable development. Overall, the initiative will seek to identify the right mix of financing options for both capital finance and cost-recovery programmes that are sensitive to the needs of the poor.

IMMEDIATE PRIORITIES

In the light of all these factors, the main priorities of the EU water initiative are to:

- ▶ develop an overview of the situation in different countries and regions, analysing the main shortcomings and financial needs;
- ▶ prepare a coordinated action programme with a long-term financial strategy providing specific stepping stones up to 2015; and
- ▶ establish a monitoring and reporting mechanism to measure progress in implementation and steer further action.

The EU recognises the need to move quickly towards formulating and implementing programmes that are visible and that deliver results. Progress is already taking place in those countries where water and sanitation are focal areas of development programmes (including, under the ninth EDF, Cape Verde, Chad, Djibouti, Dominican Republic, Ghana, Lesotho, Mauritius, Nigeria, Papua New Guinea, Rwanda, Samoa, Senegal, and Swaziland). In line with its commitment to a partnership approach and recognising the importance of strong local ownership for the success of operations, the EU's top priority is to engage with governments, the private sector and civil society in developing countries and regions that have expressed an interest in the EU initiative. The initiative is being taken forward with the active involvement of EU Member States and the European Commission, the European Investment Bank, the private sector and civil society.

(1) http://europa.eu.int/comm/research/iscp/newsletter/agreements_en.html#01

Preliminary multiannual financial provisions: Distribution across sectors by DAC sector categories

DAC sector categories	CARDS		Takis		MEDA		Latin America		EDF 9		Total	
	2002–04		2002–03		2002–04		2002–06		2002–07			
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%
14. Water supply and sanitation	25.3	2.0	33.0	4.7	50.4	4.0	64.0	4.3	432.2	5.7	604.9	4.7

A MODULAR APPROACH

The EU water initiative is being developed along modular lines with a strong regional focus, so that it can properly take account of both differences between regions, and similarities within them.

- ▶ In Africa, following the signing of the Africa/EC strategic partnership on water affairs and sanitation at the WSSD, two working groups were established to address priorities related to the provision of water and sanitation and integrated water resources management issues at national and transboundary levels. In a spirit of ownership, open coordination and in harmony with other efforts (such as the New Partnership for African Development and the EU–Africa dialogue), the EU partners are working with the African Ministerial Council on Water (AMCOW), central and local governments, civil society, private stakeholders and multilateral agencies to contribute to the achievement of water-related millennium development goals and targets in Africa.
- ▶ For the countries of eastern Europe, the Caucasus and Central Asia (EECCA), again following the agreement on an EU–EECCA strategic partnership on water for sustainable development at the WSSD, a working group has been set up to address both water supply and sanitation and integrated water resources management aspects. Ministers have undertaken to implement WSSD targets and

obligations in their region and apply integrated river basin approaches in transboundary water-courses. The work is closely linked with the development of an EECCA environmental strategy by the NIS countries. An action plan is expected to be presented at the Pan-European Kiev Environmental Ministerial Conference in May 2003.

- ▶ Mediterranean and Latin American components are being developed, following the African and EECCA elements launched at the WSSD.

THE WAY AHEAD

Meeting the three agreed targets on water supply, sanitation and integrated water resource management and overcoming the global water crisis will be a major challenge for the international community. It is critical for poverty eradication, sustainable development and even conflict prevention.

Overall, water needs to be given a higher profile in national and regional policy agendas. The primary responsibility for this rests with governments in developing countries. Ownership is essential to achieve results. But external support is also crucial, in particular to help mobilise additional finance through development assistance and other means. It is now agreed that it is everybody's business to achieve the targets. As Commission President Romano Prodi said at the World Summit on Sustainable Development: business as usual is not an option.

Key elements of the outline action programme for the Africa–EU strategic partnership on water affairs and sanitation — Agreed between the AMCOW and the EU

Prioritise water supply and sanitation and IWRM/institutional support	<p>Prioritise water supply and sanitation in the national poverty reduction strategy papers — making the contribution to the MDGs visible.</p> <p>In parallel with developing services, establish an integrated approach to water resources management to ensure sustainability and meet the WSSD target.</p> <p>Improve the underlying institutions and build capacity.</p>
Specific actions for water supply and sanitation	<p>Implement a dual strategy: (a) sector programme approach for countries with strong institutional capacity; (b) find ways of supporting countries where water is not a priority sector and institutions need reinforcement.</p> <p>Bring the coordination of water supply and sanitation to country level.</p> <p>Use EU and other external funds as a catalyst for increased national funding/private sector and user financing — recognising the huge scale of funding required.</p>
Specific actions for IWRM	<p>Focus on immediate opportunities for preparing IWRM plans in selected countries.</p> <p>Develop programmes for strategic support to build transboundary cooperation (surface and groundwater). First actions to be based on self-selection from the countries and from AMCOW subregional groups.</p>

8. Financial tables

Breakdown by sector of official development assistance (ODA) to part I countries of the DAC list financed on the general budget of the Commission and the European Development Fund (2002)

Sector of destination	Amount of commitments in EUR million+D2		
	Total	Managed by EuropeAid	Managed by other DGs
SOCIAL INFRASTRUCTURE AND SERVICES	2 053.27	1 982.55	70.72
Education	269.44	253.94	15.50
Education, level unspecified	55.02	52.32	2.70
Basic education	21.81	21.81	0.00
Secondary education	89.42	89.42	0.00
Post-secondary education	103.19	90.39	12.80
Health	196.43	196.43	0.00
Health, general	96.76	96.76	0.00
Basic health	99.67	99.67	0.00
Population policies/programmes and reproductive health	170.06	170.06	0.00
Water supply and sanitation	100.91	92.88	8.03
Government and civil society	880.23	875.83	4.40
Other social infrastructure	436.20	393.41	42.79
Employment	10.15	10.15	0.00
Housing	9.71	9.71	0.00
Other social services	416.34	373.55	42.79
ECONOMIC INFRASTRUCTURE AND SERVICES	614.81	585.89	28.92
Transport and storage	318.72	310.67	8.05
Communications	10.31	9.44	0.87
Energy generation and supply	104.90	84.90	20.00
Banking and financial services	120.88	120.88	0.00
Business and other services	60.00	60.00	0.00
PRODUCTION SECTORS	924.83	720.28	204.55
Agriculture, forestry and fishing	359.84	163.23	196.61
Agriculture	111.94	105.18	6.76
Forestry	29.54	29.54	0.00
Fishing	218.36	28.51	189.85
Industry, mining and construction	382.20	382.20	0.00
Industry	180.09	180.09	0.00
Mineral resources and mining	202.03	202.03	0.00
Construction	0.08	0.08	0.00
Trade and tourism	182.79	174.85	7.94
Trade	165.15	157.21	7.94
Tourism	17.64	17.64	0.00
MULTISECTOR/CROSSCUTTING	719.44	520.84	198.60
General environmental protection	85.13	72.57	12.56
Women in development	14.32	14.32	0.00
Other multisector	619.99	433.95	186.04

Sector of destination	Amount of commitments in EUR million+D2		
	Total	Managed by EuropeAid	Managed by other DGs
COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE	1 272.21	1 091.85	180.36
Structural adjustment assistance with World Bank/IMF	619.21	614.35	4.86
Development food aid/food security assistance	477.50	477.50	0.00
Other general programme and commodity assistance	175.50		175.50
ACTION RELATING TO DEBT	88.67	88.67	0.00
Action relating to debt	88.67	88.67	0.00
EMERGENCY ASSISTANCE	613.39	123.64	489.75
Other emergency and distress relief	613.39	123.64	489.75
OTHER/UNALLOCATED/UNSPECIFIED	246.11	205.79	40.32
Administrative costs of donors	141.86	135.54	6.32
Unallocated/unspecified	104.25	70.25	34.00
Grand total	6 532.73	5 319.51	1 213.22

Breakdown by budget line of external aid financed on the general Commission budget in 2002

Amounts in EUR million

Item	Description	Total		Managed by EuropeAid		Managed by other DGs	
		Commitments	Payments	Commitments	Payments	Commitments	Payments
B7-01	Pre-accession — Sapard	554.56	123.87			554.56	123.87
B7-02	Pre-accession — ISPA	1 109.04	398.39			1 109.04	398.39
B7-03	Pre-accession — Phare	1 682.66	1 101.18			1 682.66	1 101.18
B7-04	Pre-accession — Malta, Cyprus, Turkey	147.95	18.87			147.95	18.87
B7-20	Food aid	505.96	417.31	505.96	417.31		
B7-21	Humanitarian aid	520.32	474.25			520.32	474.25
B7-30	Asia	574.87	454.25	574.87	454.25		
B7-31	Latin America	333.22	181.79	333.22	181.79		
B7-32	South Africa	124.18	119.26	124.18	119.26		
B7-4	Mediterranean	632.64	705.37	632.64	700.67		4.70
B7-42	Near and Middle East	150.75	138.03	150.75	138.03		
B7-51	EBRD	0.00	8.44				8.44
B7-52	NIS and Mongolia — Tacis	444.48	395.15	431.98	383.66	12.50	11.49
B7-53	NIS and Mongolia/CEECs — Other actions	0.00	0.06				0.06
B7-54	Western Balkans	820.89	749.17	657.89	619.17	163.00	130.00
B7-60	Co-financing NGOs	203.43	152.69	203.43	152.69		
B7-61	Training and public awareness	3.69	3.57			3.69	3.57
B7-620	Environment/tropical forests	48.97	37.59	48.97	37.59		
B7-6211	Global Health Fund	0.00	60.00		60.00		
B7-63	Social infrastructure and services	13.14	16.74	13.14	16.74		
B7-65	Coordination, evaluation	23.45	16.65	23.45	16.65		
B7-6610	Anti-personnel mines	12.00	10.48	12.00	10.48		
B7-66	Other specific actions	101.13	63.55	31.74	18.44	69.39	45.11
B7-67	Rapid reaction mechanism	23.51	26.07			23.51	26.07
B7-70	Democracy and human rights	109.65	95.50	109.65	95.50		
B7-80	International fishing agreements	190.38	186.17			190.38	186.17
B7-8710	Bananas ACP	44.00	33.82	44.00	33.82		
B7-8	Other external policy chapters	29.99	32.81	0.39	4.52	29.60	28.29
B8-0	Common foreign and security policy	32.80	30.93			32.80	30.93
Total title B7-B8		8 437.66	6 051.96	3 898.26	3 460.57	4 539.40	2 591.39

Breakdown by instrument of development assistance financed from the European Development Fund (EDF) in 2002

Amounts in EUR million

Instrument	Total		Managed by EuropeAid		Managed by other DGs	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Programmed aid	636.04	959.04	636.04	959.04		
Structural adjustment	44.35	284.32	44.35	284.32		
Risk capital	174.42	188.22	174.42	188.22		
Interest rebates	6.40	18.25	6.40	18.25		
Emergency aid	7.48	16.97	7.48	16.97		
Aid to refugees	51.84	19.41	51.84	19.41		
Sysmin	- 5.02	87.22	- 5.02	87.22		
Stabex	0.00	1.62	0.00	1.62		
HIPC	60.00	180.00	60.00	180.00		
Envelope A — Cotonou	477.88	84.67	477.88	84.67		
Envelope B — Cotonou	255.00	13.00	255.00	13.00		
Ninth EDF Regional — Intra-ACP	60.00	0.00	60.00	0.00		
Total EDF	1 768.39	1 852.72	1 768.39	1 852.72	0.00	0.00
Grand total budget + EDF	10 206.05	7 904.68	5 666.65	5 313.29	4 539.40	2 591.39

Breakdown by country/region of external aid financed from the general budget of the Commission and the European Development Fund (2002)

Country/Region	Total in EUR million		Managed by EuropeAid		Managed by other DGs	
	Commitment	Payments	Commitment	Payments	Commitment	Payments
Part I: Developing countries and territories						
Europe — Total	1 133.18	1 073.75	698.85	787.15	434.33	286.60
Albania	47.58	32.49	45.77	28.88	1.81	3.61
Bosnia and Herzegovina	136.28	131.16	88.79	109.21	47.49	21.95
Croatia	59.00	19.43	59.00	18.36	0.00	1.07
Former Yugoslav Republic of Macedonia	59.35	56.71	37.50	46.45	21.85	10.26
Malta	10.23	12.27	0.78	0.23	9.45	12.04
Moldova	10.40	11.96	10.40	11.55	0.00	0.41
Slovenia	66.15	59.87	0.00	1.23	66.15	58.64
Turkey	149.45	145.51	21.22	141.41	128.23	4.10
Yugoslavia, Federal Republic	531.91	553.61	372.56	379.09	159.35	174.52
Europe unallocated	62.83	50.74	62.83	50.74	0.00	0.00
Africa — Total	2 482.23	2 366.90	2 146.89	2 071.97	335.34	294.93
<i>North of Sahara — Total</i>	365.41	339.73	350.06	324.55	15.35	15.18
Algeria	66.58	62.03	52.24	48.27	14.34	13.76
Egypt	80.69	62.21	80.69	62.21	0.00	0.00
Morocco	124.30	123.93	123.29	122.95	1.01	0.98
Tunisia	93.84	91.56	93.84	91.12	0.00	0.44
<i>South of Sahara — Total</i>	2 116.82	2 027.17	1 796.83	1 747.42	319.99	279.75
Angola	93.68	66.37	64.65	38.40	29.03	27.97
Benin	6.85	35.59	6.85	35.59	0.00	0.00
Botswana	29.69	4.05	29.69	4.05	0.00	0.00
Burkina Faso	150.59	75.68	150.59	75.68	0.00	0.00
Burundi	53.00	39.36	35.50	24.08	17.50	15.28
Cameroon	24.06	42.58	24.06	42.58	0.00	0.00
Cape Verde	10.52	12.11	9.16	11.26	1.36	0.85
Central African Rep.	15.05	6.47	15.05	6.17	0.00	0.30
Chad	4.33	47.08	4.33	47.08	0.00	0.00
Comoros	0.57	2.40	0.22	1.78	0.35	0.62
Congo, Dem. Rep.	156.55	77.15	124.55	41.82	32.00	35.33
Congo Rep.	24.64	8.36	24.64	7.48	0.00	0.88
Côte d'Ivoire	31.78	16.75	29.32	14.36	2.46	2.39
Djibouti	13.68	2.05	13.68	2.05	0.00	0.00
Equatorial Guinea	0.45	4.63	0.45	4.62	0.00	0.01
Eritrea	26.98	16.32	26.98	15.64	0.00	0.68
Ethiopia	210.13	129.40	206.13	127.25	4.00	2.15
Gabon	38.53	20.65	36.97	19.25	1.56	1.40
Gambia	0.33	7.15	0.33	7.15	0.00	0.00
Ghana	39.56	53.42	39.56	53.42	0.00	0.00
Guinea	12.47	52.62	4.13	45.11	8.34	7.51
Guinea-Bissau	49.92	23.79	39.92	13.95	10.00	9.84
Kenya	- 44.90	21.73	- 44.90	18.32	0.00	3.41

Country/Region	Total in EUR million		Managed by EuropeAid		Managed by other DGs	
	Commitment	Payments	Commitment	Payments	Commitment	Payments
Lesotho	4.25	14.62	4.25	14.62	0.00	0.00
Liberia	5.65	9.81	0.72	9.43	4.93	0.38
Madagascar	69.59	54.81	67.76	53.61	1.83	1.20
Malawi	59.77	58.78	59.77	57.75	0.00	1.03
Mali	- 9.66	69.31	- 9.66	69.31	0.00	0.00
Mauritania	142.13	131.69	56.13	45.69	86.00	86.00
Mauritius	4.11	15.47	3.90	14.98	0.21	0.49
Mayotte	0.00	0.12	0.00	0.12	0.00	0.00
Mozambique	221.62	148.69	221.62	147.90	0.00	0.79
Namibia	5.13	22.19	5.13	22.16	0.00	0.03
Niger	63.33	42.24	63.33	42.24	0.00	0.00
Nigeria	9.51	11.92	9.51	11.92	0.00	0.00
Rwanda	55.23	45.42	55.23	45.22	0.00	0.20
St. Helena	0.08	0.06	0.08	0.06	0.00	0.00
São Tomé and Príncipe	2.34	2.77	1.36	2.14	0.98	0.63
Senegal	36.87	60.82	20.12	47.21	16.75	13.61
Seychelles	4.44	3.47	0.98	0.47	3.46	3.00
Sierra Leone	19.35	24.95	10.19	15.08	9.16	9.87
Somalia	63.55	24.92	58.50	21.42	5.05	3.50
South Africa	129.11	123.60	129.11	123.20	0.00	0.40
Sudan	17.76	19.77	- 0.24	5.21	18.00	14.56
Swaziland	12.95	5.71	12.95	5.15	0.00	0.56
Tanzania	24.79	92.68	- 2.21	65.35	27.00	27.33
Togo	18.36	4.37	18.36	4.36	0.00	0.01
Uganda	44.22	53.37	43.80	52.77	0.42	0.60
Zambia	44.02	118.93	44.02	116.88	0.00	2.05
Zimbabwe	30.39	22.19	28.39	17.68	2.00	4.51
South of Sahara unallocated	89.47	78.78	51.87	78.40	37.60	0.38
America — Total	545.20	408.13	523.30	383.05	21.90	25.08
<i>North and Central — Total</i>	294.85	242.85	287.61	232.30	7.24	10.55
Anguilla	2.36	0.01	2.36	0.01	0.00	0.00
Antigua and Barbuda	0.21	0.04	0.21	0.04	0.00	0.00
Barbados	- 3.07	0.75	- 3.07	0.75	0.00	0.00
Belize	3.52	3.11	3.52	2.87	0.00	0.24
Costa Rica	1.99	1.51	1.99	1.47	0.00	0.04
Cuba	8.66	6.03	8.06	3.86	0.60	2.17
Dominica	6.83	9.64	6.83	9.64	0.00	0.00
Dominican Republic	13.05	31.28	12.84	30.92	0.21	0.36
El Salvador	17.56	24.80	16.63	21.81	0.93	2.99
Grenada	0.48	0.67	0.48	0.67	0.00	0.00
Guatemala	16.72	34.05	14.92	32.57	1.80	1.48
Haiti	- 20.25	17.18	- 20.65	16.98	0.40	0.20
Honduras	44.78	25.35	43.72	24.80	1.06	0.55
Jamaica	69.32	21.73	69.32	21.70	0.00	0.03
Mexico	7.22	6.28	6.22	5.11	1.00	1.17
Montserrat	3.64	0.13	3.64	0.13	0.00	0.00
Nicaragua	16.21	35.83	14.97	34.51	1.24	1.32

Country/Region	Total in EUR million		Managed by EuropeAid		Managed by other DGs	
	Commitment	Payments	Commitment	Payments	Commitment	Payments
Panama	0.42	1.52	0.42	1.52	0.00	0.00
Saint Kitts and Nevis	0.02	1.40	0.02	1.40	0.00	0.00
Saint Lucia	8.88	6.30	8.88	6.30	0.00	0.00
Saint Vincent and Grenadines	5.66	0.02	5.66	0.02	0.00	0.00
Trinidad and Tobago	3.99	1.48	3.99	1.48	0.00	0.00
Turks and Caicos Islands	0.00	0.34	0.00	0.34	0.00	0.00
North and Central America unallocated	86.65	13.40	86.65	13.40	0.00	0.00
<i>South — Total</i>	124.99	128.29	110.33	113.76	14.66	14.53
Argentina	3.85	5.18	3.85	5.18	0.00	0.00
Bolivia	20.72	23.98	20.01	23.23	0.71	0.75
Brazil	10.70	16.38	10.35	15.67	0.35	0.71
Chile	2.74	7.55	2.74	7.55	0.00	0.00
Colombia	19.13	18.47	9.52	10.52	9.61	7.95
Ecuador	6.80	9.95	5.14	8.33	1.66	1.62
Guyana	8.65	3.60	8.65	3.60	0.00	0.00
Paraguay	2.35	11.47	1.43	10.44	0.92	1.03
Peru	7.98	17.06	6.57	15.04	1.41	2.02
Suriname	0.14	2.79	0.14	2.79	0.00	0.00
Uruguay	2.15	2.73	2.15	2.73	0.00	0.00
Venezuela	22.01	8.88	22.01	8.43	0.00	0.45
South America unallocated	17.77	0.25	17.77	0.25	0.00	0.00
<i>America unspecified</i>	125.36	36.99	125.36	36.99	0.00	0.00
Asia — Total	1 432.49	1 091.00	1 180.66	881.11	251.83	209.89
<i>Middle East — Total</i>	410.07	307.17	354.80	269.00	55.27	38.17
Bahrain	0.00	0.00	0.00	0.00	0.00	0.00
Iran	2.05	3.36	1.55	2.79	0.50	0.57
Iraq	13.17	12.85	0.00	0.30	13.17	12.55
Jordan	93.32	56.02	92.75	55.13	0.57	0.89
Lebanon	20.37	23.33	15.50	18.85	4.87	4.48
Oman	0.00	0.00	0.00	0.00	0.00	0.00
Palestinian administrative areas	231.07	181.48	197.07	163.43	34.00	18.05
Saudi Arabia	0.00	0.00	0.00	0.00	0.00	0.00
Syria	36.57	11.76	36.00	11.28	0.57	0.48
Yemen	10.95	18.37	9.36	17.22	1.59	1.15
Middle East unallocated	2.57	0.00	2.57	0.00	0.00	0.00
<i>South and Central Asia — Total</i>	625.02	477.06	496.59	371.57	128.43	105.49
Afghanistan	247.59	152.50	180.90	89.88	66.69	62.62
Armenia	36.62	30.64	30.62	18.26	6.00	12.38
Azerbaijan	34.35	23.74	34.35	23.49	0.00	0.25
Bangladesh	31.58	26.25	31.58	25.73	0.00	0.52
Bhutan	4.20	3.55	4.20	3.55	0.00	0.00
Georgia	18.19	11.52	16.09	10.21	2.10	1.31
India	13.84	103.28	8.84	100.75	5.00	2.53
Kazakhstan	0.68	6.05	0.68	6.05	0.00	0.00
Kyrgyzstan	20.99	13.61	20.99	13.55	0.00	0.06
Maldives	0.00	0.00	0.00	0.00	0.00	0.00
Myanmar (Burma)	14.44	9.23	10.94	7.76	3.50	1.47

Country/Region	Total in EUR million		Managed by EuropeAid		Managed by other DGs	
	Commitment	Payments	Commitment	Payments	Commitment	Payments
Nepal	22.33	14.23	18.04	12.03	4.29	2.20
Pakistan	90.13	45.25	77.24	40.66	12.89	4.59
Sri Lanka	21.49	13.31	10.53	6.43	10.96	6.88
Tajikistan	17.00	13.60	0.00	2.92	17.00	10.68
Turkmenistan	0.00	2.49	0.00	2.49	0.00	0.00
Uzbekistan	0.00	7.81	0.00	7.81	0.00	0.00
South and Central Asia unallocated	51.59	0.00	51.59	0.00	0.00	0.00
<i>Far East — Total</i>	311.36	245.96	243.23	179.74	68.13	66.22
Cambodia	30.29	29.47	23.22	21.09	7.07	8.38
China	31.24	33.12	26.79	30.13	4.45	2.99
East Timor	29.19	22.47	28.51	22.47	0.68	0.00
Indonesia	77.12	25.41	70.02	16.86	7.10	8.55
South Korea	58.69	64.94	17.66	26.10	41.03	38.84
Laos	10.10	9.13	8.97	8.30	1.13	0.83
Malaysia	0.04	0.41	0.04	0.40	0.00	0.01
Mongolia	6.75	3.26	6.75	3.23	0.00	0.03
Philippines	6.49	21.72	6.49	20.73	0.00	0.99
Thailand	15.47	14.19	10.00	9.34	5.47	4.85
Vietnam	30.49	19.10	29.29	18.35	1.20	0.75
Far East Asia unallocated	15.49	2.74	15.49	2.74	0.00	0.00
<i>Asia unspecified</i>	86.04	60.81	86.04	60.80	0.00	0.01
Oceania — Total	75.10	35.73	75.10	35.65	0.00	0.08
Fiji	10.24	1.04	10.24	0.96	0.00	0.08
Kiribati	0.00	0.91	0.00	0.91	0.00	0.00
Micronesia	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	54.60	12.82	54.60	12.82	0.00	0.00
Samoa	4.32	6.86	4.32	6.86	0.00	0.00
Salomon Islands	- 0.01	4.51	- 0.01	4.51	0.00	0.00
Tokelau	0.00	0.00	0.00	0.00	0.00	0.00
Tonga	0.00	0.75	0.00	0.75	0.00	0.00
Tuvalu	0.73	0.34	0.73	0.34	0.00	0.00
Vanuatu	2.48	4.46	2.48	4.46	0.00	0.00
Wallis and Futuna	0.00	0.05	0.00	0.05	0.00	0.00
Oceania unallocated	2.74	3.99	2.74	3.99	0.00	0.00
LDCs unspecified	563.53	568.41	404.71	417.05	158.82	151.36
Multilateral aid	301.00	376.38	290.00	376.38	11.00	0.00
UNRWA	70.00	63.43	70.00	63.43	0.00	0.00
WFP	100.00	72.95	100.00	72.95	0.00	0.00
HIPC	60.00	180.00	60.00	180.00	0.00	0.00
GHF	60.00	60.00	60.00	60.00	0.00	0.00
UNHCR	11.00	0.00	0.00	0.00	11.00	0.00
Part I (ODA) — Total	6 532.73	5 920.30	5 319.51	4 952.36	1 213.22	967.94

Country/Region	Total in EUR million		Managed by EuropeAid		Managed by other DGs	
	Commitment	Payments	Commitment	Payments	Commitment	Payments
Part II: Countries and territories in transition — Official aid (OA)						
<i>More advanced developing countries</i>	16.71	26.47	5.21	12.57	11.50	13.90
Aruba	0.00	0.57	0.00	0.57	0.00	0.00
Bahamas	0.00	0.17	0.00	0.00	0.00	0.17
Bermuda	0.00	0.00				
Brunei	0.00	0.03	0.00	0.03	0.00	0.00
Cayman Islands	0.00	0.00	0.00	0.00	0.00	0.00
Chinese Taipei (Taiwan)	0.00	0.00	0.00	0.00	0.00	0.00
Cyprus	11.50	11.63	0.00	0.87	11.50	10.76
Falkland Islands	0.00	0.00	0.00	0.00	0.00	0.00
French Polynesia	0.00	2.15	0.00	2.15	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	1.88	8.24	1.88	5.27	0.00	2.97
Korea	0.00	0.00				
Kuwait	0.00	0.00				
Libya	0.00	0.00				
Macao	0.00	0.66	0.00	0.66	0.00	0.00
Netherlands Antilles	3.73	1.22	3.73	1.22	0.00	0.00
New Caledonia	-0.40	1.80	-0.40	1.80	0.00	0.00
Northern Marianas	0.00	0.00				
Qatar	0.00	0.00				
Singapore	0.00	0.00				
United Arab Emirates	0.00	0.00				
Virgin Islands (UK)	0.00	0.00				
MADCT unallocated	0.00	0.00				
CEECs/NIS	3 656.61	1 957.91	341.93	348.36	3 314.68	1 609.55
Belarus	0.00	1.38	0.00	1.22	0.00	0.16
Bulgaria	283.67	137.20	0.00	0.73	283.67	136.47
Czech Republic	208.97	113.97	0.00	1.28	208.97	112.69
Estonia	77.27	38.05	0.00	0.13	77.27	37.92
Hungary	266.57	124.14	0.00	0.20	266.57	123.94
Latvia	105.74	49.12	0.00	0.13	105.74	48.99
Lithuania	239.17	97.70	0.00	0.26	239.17	97.44
Poland	995.17	512.55	0.81	0.11	994.36	512.44
Romania	696.63	233.72	0.00	0.42	696.63	233.30
Russia	126.97	121.01	92.92	86.92	34.05	34.09
Slovakia	153.60	116.74	0.00	0.33	153.60	116.41
Ukraine	88.32	62.08	88.32	61.40	0.00	0.68
CEEC's unallocated	254.65	146.63	0.00	0.27	254.65	146.36
NIS unallocated	159.88	194.54	159.88	194.38	0.00	0.16
CEECs/NIS unallocated	0.00	0.64	0.00	0.58	0.00	0.06
EBRD	0.00	8.44	0.00	0.00	0.00	8.44
Part II (OA) — Total	3 673.32	1 984.38	347.14	360.93	3 325.18	1 623.45
Grand total Part I and Part II (ODA+OA)	10 206.05	7 904.68	5 666.65	5 313.29	4 539.40	2 591.39

8.1. Commitments 2002 — Western Balkans

Conflict prevention, good governance and the rule of law

Country	Project title	Amount (EUR million)
Albania	Judicial reform	8.0
Albania	Police and organised crime	14.0
Bosnia and Herzegovina	Policing	5.0
Bosnia and Herzegovina	Administration of justice	7.5
Croatia	Police and organised crime	2.0
Croatia	Modernisation of justice	4.0
Former Yugoslav Republic of Macedonia	Fight against crime	1.0
Former Yugoslav Republic of Macedonia	Promotion of inter-ethnic relations	1.2
Kosovo	Legal aid in civil matters	2.0
Kosovo	Rehabilitation and equipping of judicial buildings	5.0
Serbia	Support for judiciary	3.0
Total		52.7

European initiative for democracy and human rights

Region	Country	Project	Amount (EUR)
Western Balkans	FRY — Kosovo	Towards a mutually tolerant society with all the ethnic groups	434 547
Regional	Croatia, Serbia, Bosnia and Herzegovina, Kosovo, Bulgaria, Poland, Ukraine, Russia, Georgia, Armenia	Improving indigenous multiculturalism through education	901 489
Western Balkans	FRY	Improving the rights of Roma	718 150
Western Balkans	Bosnia and Herzegovina	Reinforcing the participation of minorities in local governments	520 000
Western Balkans	FRY — Serbia	Promotion of inter-ethnic relations	776 350
Regional	Former Yugoslav Republic of Macedonia, Serbia, Bulgaria, Hungary, Poland, Russia	Prevention of torture	972 731
Western Balkans	Kosovo	Rehabilitation of victims of torture	328 701
Western Balkans	Bosnia and Herzegovina	Rehabilitation of victims of torture	460 000
Western Balkans	Bosnia and Herzegovina	Rehabilitation of victims of torture	428 643
Western Balkans	Albania	Rehabilitation of victims of torture	290 951
Regional	Bosnia and Herzegovina, Croatia, Former Yugoslav Republic of Macedonia, FRY — Serbia and Kosovo, Romania, Bulgaria	Stability pact and the Roma — use your vote with wisdom	300 000
Western Balkans	Bosnia and Herzegovina	Aptitude to supervise and implement the rights of children	600 000
Western Balkans	Bosnia and Herzegovina	Respect of the post-accession engagements in the Council of Europe and developing and maintaining democratic institutions	750 000
Western Balkans	FRY	Support to the accession process in the Council of Europe and in the regional development of the democratic institutions	750 000
Western Balkans	Regional	Implementation instruments for the national strategies for Roma minorities	300 000
Western Balkans	Former Yugoslav Republic of Macedonia	Support to the electoral observation mission of the OSCE-ODHIR	506 000
Western Balkans	Bosnia and Herzegovina, Croatia, Kosovo, Serbia	Support to the regional offices of the International Criminal Court for ex-Yugoslavia	640 000
Western Balkans	Bosnia and Herzegovina	Micro-projects	500 000
Western Balkans	FRY	Micro-projects	500 000
Total			10 677 647

CARDS institution-building

Institution	Country	Project title	Amount (EUR million)
State institutions	Albania	Support for procurement, competition and statistics	6.0
Tax and customs administration	Bosnia and Herzegovina	Introduction of modern practices	9.0
Public procurement	Bosnia and Herzegovina	Improve accountability and efficiency	1.5
State institutions	Croatia	Implementation of the stabilisation and association agreement	6.0
Regional institutions	Croatia	Strategy and capacity-building for regional development	2.0
Public finance	Croatia	Development of financial controls, debt management and customs systems	4.0
Public administration	Kosovo	General and health reforms	14.7
Montenegrin Republican Government	Montenegro	Public administration reform	2.0
Public administration	Serbia	General and health reforms	17.0
Total			62.2

CARDS regional cooperation and integration

Project title	Amount (EUR million)
Integrated border management	1.0
Institution-building	19.4
Democratic stabilisation	7.6
Regional infrastructure	14.0
Other	1.5
Total	43.5

CARDS transport and infrastructure, including energy

Country	Project title	Amount (EUR million)
Kosovo	Assistance to energy production, transmission and distribution networks	55.0
Kosovo	Directorate of roads	1.0
Kosovo	Pristina to Skopje road rehabilitation	4.0
Kosovo	Access roads to ethnic minority enclaves	1.0
Montenegro	Road rehabilitation	0.7
Montenegro	Railway rehabilitation	1.5
Montenegro	Technical assistance to the electricity sector	1.0
Montenegro	Emergency rehabilitation of electricity distribution systems	1.6
Serbia	Energy efficiency agency	5.0
Serbia	Energy regulatory agency	4.0
Serbia	Generation, transmission and consultancy	8.0
Serbia	Nikola Tesla A3 thermal power plant	50.0
Serbia	Reconstruction of the Sloboda Bridge	41.0
Serbia	Transport sector investment capacity-building measures	3.0
Total		176.8

CARDS food safety and rural development

Country	Project title	Amount (EUR million)
Albania	Local community development	7.4
Kosovo	Agricultural and agro-processing credit	4.1
Kosovo	Strengthening of public veterinary services	2.4
Kosovo	Agricultural statistics and policy advisory unit	2.5
Total		16.4

CARDS education

Country	Project title	Amount (EUR million)
Albania	Tempus	2.0
Albania	Support to vocational education and training reform	1.5
Bosnia and Herzegovina	Tempus	2.4
Croatia	Vocational training and educational mobility	6.0
Croatia	Tempus	3.0
Former Yugoslav Republic of Macedonia	Tempus	3.0
Montenegro	Tempus	0.5
Serbia	Tempus	4.0
Serbia	Vocational education and training	2.0
Total		24.4

CARDS environment

Country	Project title	Amount (EUR million)
Albania	Environment legislation and awareness raising	2.5
Albania	Pollution abatement and control at Ballshi Refinery	0.9
Albania	Design of a secure landfill site for hazardous waste	0.6
Bosnia and Herzegovina	Development of a comprehensive environmental regulatory framework	2.0
Bosnia and Herzegovina	Water resources management	2.0
Bosnia and Herzegovina	Solid waste management	2.0
Croatia	Strategy for environmental law	1.2
Croatia	Waste management and water information system	1.6
Kosovo	Strategic management support to public utility service providers	2.4
Kosovo	River gauging and rehabilitation of ash dumps and Mitrovica	2.6
Montenegro	Sewerage and waste water feasibility and treatment	1.7
Serbia	Assist in institutional capacity-building to strengthen environmental protection	0.5
Total		20.0

CARDS partnership with NGOs

Country	Project title	Amount (EUR million)
Albania	Develop civil society and NGO capacity	1.0
Croatia	Support to environmental NGOs	0.2
Former Yugoslav Republic of Macedonia	Support to civil society/Strengthening NGOs	1.8
Total		3.0

CARDS linking relief, rehabilitation and development

Country	Project title	Amount (EUR million)
Bosnia and Herzegovina	Return of refugees and displaced persons	23.5
Croatia	Return of refugees and displaced persons	14
Total		37.5

8.2. Commitments 2002 — Eastern Europe and Central Asia

Conflict prevention, good governance and the rule of law

Country	Amount (EUR million)
Azerbaijan	4.8
Georgia	3.7
Russia	7.0
Ukraine	1.0
Total	16.5

European initiative for human rights and democracy

Region	Country	Project	Amount (EUR)
Regional	Russia, Ukraine, Georgia, Armenia, Croatia, Serbia, Bosnia and Herzegovina, Kosovo, Bulgaria, Poland	Improving indigenous multiculturalism through education	901 489
Caucasus	Armenia, Azerbaijan, Georgia	Training media, reinforcing minorities	1 168 326
Eastern Europe	Russia	Information campaign on fight against racism and xenophobia	1 138 112
Eastern Europe	Russia	Reinforcing diversity	635 839
Eastern Europe	Russia	Educating indigenous people in Siberia	762 300
Eastern Europe	Russia	Access to justice for ethnic minorities	572 550
Caucasus	Georgia	Inter-communal youth centres	672 000
Regional	Russia, Former Yugoslav Republic of Macedonia, Serbia, Bulgaria, Hungary, Poland	Prevention of torture	972 731
Regional	Russia, Latvia, Lithuania, Estonia	Prevention of torture	724 628
Caucasus	Georgia	Prevention of torture	301 510
Eastern Europe	Ukraine	Campaign against torture	685 026
Eastern Europe	Russia	Reinforcing federalism, democracy and mechanisms of protection of human rights	500 000
Eastern Europe	Russia	Continuation of the support to the Moscow School of Political Studies	299 229
Caucasus	Georgia	Improving the functioning of the political institutions and reinforcing the mechanisms of protection of human rights	750 000
Eastern Europe Central Asia	Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Turkmenistan, Mongolia	Information campaign on the International Crime Tribunal and the ratification of its statute	518 169
Caucasus	Georgia	Micro-projects	500 000
Eastern Europe	Russia	Micro-projects	1 000 000
Eastern Europe	Ukraine	Micro-projects	600 000
Total			12 701 909

Institution-building

Country	Amount (EUR million)
Armenia	5.1
Mongolia	0.6
Russia	19.0
Ukraine	23.0
Total	47.7

Regional cooperation

Country	Amount (EUR million)
Regional cooperation	37.0
Cross-border cooperation	27.5
Baltic cooperation	8.0
Support to national coordination units	5.0
EU/EBRD investment preparation facility	10.0
Nuclear safety	56.0
Central Asia	50.0
Chernobyl shelter	20.0
Total	213.5

Transport and infrastructure, including energy

Transport and infrastructure	Country	Amount (EUR million)
Energy	Russia	6.0
Total		6.0

Food safety and rural development

Country	Food safety/Rural development	Amount (EUR million)
Mongolia	Rural development	4.5
Total		4.5

Health and education

Country	Amount (EUR million)
Armenia	3.6
Azerbaijan	1.4
Georgia	6.0
Mongolia	0.9
Russia	17.5
Ukraine	13.5
Total	42.9

Environment

Country	Amount (EUR million)
Russia	24.0
Total	24.0

8.3. Commitments 2002 — Mediterranean and Near and Middle East

Projects committed in 2002 per sector and per budget heading

Regional cooperation	Amount (EUR million)
Information and communication programme (B7-410 MEDA)	10
Good governance and improvement of the law (B7-410 MEDA)	6
Middle East peace project (B7-410 MEDA)	2.6
Subtotal	18.6
Technical assistance (B7-410 MEDA)	10.8
Total	29.4

European initiative for democracy and human rights

Region	Country	Project	Amount (EUR)
Regional	Palestine, Lebanon, Malta, Libya, Egypt, Algeria, Tunisia, Morocco, Turkey, Cyprus, Jordan, Israel	Masters in human rights and democratisation	782 792
Regional	Egypt, Jordan, Lebanon, Gaza Strip, West Bank	Promotion of women's rights	890 000
Maghreb	Tunisia	Strengthening the labour movement	716 800
Middle East	Iran	EU–Iran: Dialogue on human rights	298 514
Middle East	West Bank, Gaza Strip	Legal emergency aid for the Palestinian prisoners in the Israeli military detention centres	260 000
Middle East	Israel	Strengthening the Bedouin community	659 460
Middle East	Israel	Combating discrimination against Palestinian citizens in Israel	897 937
Middle East	Israel	Campaign against racism	650 000
Middle East	Israel	Equal rights for Bedouin citizens	300 360
Middle East	Israel	Mixed cities: Equal access to housing	790 666
Middle East	Israel, Palestinian Territories	Stopping torture	745 000
Middle East	West Bank, Gaza Strip	Rehabilitation of the victims of torture	361 326
Middle East	West Bank, Gaza Strip	Rehabilitation of the victims of torture	649 383
Europe	Turkey	Rehabilitation of the victims of torture	700 000
Europe	Turkey	Role of justice in the prevention of torture	360 374
Middle East	Arab region	Strengthening the role of civil society in political reform and human rights	800 000
Regional	Algeria, Bahrain, Morocco, Lebanon, Jordan, Yemen, Egypt, Palestine, Mauritania	Helping civil society to fight corruption in the Arab world	705 000
Middle East	West Bank, Gaza Strip	EU electoral observation mission	2 500 000
Maghreb	Algeria	Micro-projects	500 000
Maghreb	Tunisia	Micro-projects	250 000
Europe	Turkey	Micro-projects	600 000
Total			14 417 612

Institution-building

Country	Institution-building	Amount (EUR million)
Jordan	Support programme for the implementation of association agreement (B7-410 MEDA)	20
Morocco	Support programme for the implementation of association agreement (B7-410 MEDA)	5
Tunisia	Support programme for the implementation of association agreement (B7-410 MEDA)	20
Lebanon	Support programme for the implementation of association agreement (B7-410 MEDA)	12
West Bank and Gaza Strip	Empowering the Palestinian judicial system (B7-420 Palestine)	7
Tunisia	Increasing professional skills of journalists (B7-410 MEDA)	2.2
West Bank and Gaza Strip	Global allocation — Technical assistance and studies (B7-420 Palestine)	5.5
West Bank and Gaza Strip	Direct budgetary assistance (B7-410 MEDA)	100
Jordan	Institutional support of Aqaba special economic zone (AZESA) (B7-410 MEDA)	10
West Bank and Gaza Strip	Capacity-building for the Palestinian system (B7-420 Palestine)	0.3
Total		182

Transport and infrastructure

Country	Transport and infrastructure	Amount (EUR million)
West Bank and Gaza Strip	Emergency municipal support programme (B7-720 Palestine)	30
Tunisia	Support to the modernisation of ports (B7-410 MEDA)	20
Total		50

Rural development

Country	Rural development	Amount (EUR million)
Morocco	Arganier (B7-410 MEDA)	6
Total		6

Food security projects in the West Bank and Gaza Strip

Country	Title of project	Contract holder(s)	Amount (EUR)
1. West Bank and Gaza Strip	WFP — Food aid contribution to emergency operation in support of civil population	World food programme	5 000 000
2. West Bank and Gaza Strip	Enhancing productive cooperatives among farmers and creating cooperative saving and credit funds	ACAD	1 363 565
3. West Bank and Gaza Strip	A localised composting network for Bethlehem District, West Bank	ARIJ	520 515
4. West Bank and Gaza Strip	Provision of livestock services for sustainable small ruminants production in northern West Bank	VSF	886 500
5. West Bank and Gaza Strip	Production of fresh and pasteurised milk in Khan Younis municipality — Gaza Strip	CRIC	607 790
Total			8 378 370

Health

Country	Programme	Amount (EUR million)
Syria	Health sector modernisation (B7-410 MEDA)	30
West Bank and Gaza Strip	Health sector review/Health sector support programme (B7-420 Palestine)	5
West Bank and Gaza Strip	Emergency support for Palestinian hospitals, East Jerusalem (B7-420 Palestine)	5
West Bank and Gaza Strip	Emergency support to the Palestinian Ministry of Health (B7-420 Palestine)	10
Total		50

Education

Country	Vocational training	Amount (EUR million)
Egypt	Assistance to the reform of the technical and vocational training system (B7-410 MEDA)	33
Morocco	Support to the upgrading of vocational training (B7-410 MEDA)	50
Total		83

Macroeconomic policies

Country	Macroeconomic policies	Amount (EUR million)
Jordan	Structural adjustment facility — SAF III (B7-410 MEDA)	60
Egypt	Enhancement programme B (B7-410 MEDA)	20
Tunisia	Industrial modernisation programme (B7-410 MEDA)	50
Morocco	Enterprise support programme (B7-410 MEDA)	61
Syria	Industrial modernisation programme (B7-410 MEDA)	6
West Bank and Gaza Strip	Emergency support to the SMEs of East Jerusalem (B7-420 Palestine)	5
West Bank and Gaza Strip	Emergency support to the SMEs of East Jerusalem (B7-420 Palestine)	10
Yemen	Support to Yemen accession to WTO (B7-432 Yemen)	7
Yemen	Technical assistance (B7-432 Yemen)	0.5
Total		219.5

Environment

Country	Environment	Amount (EUR million)
Egypt	Water treatment (B7-410 MEDA)	25
Total		25

Partnership with NGOs

Partnership with NGOs	Country	Project	Amount (EUR)
Care Osterreich	Egypt	Safe agriculture for farmers	705 164
Fundación Codespa — Futuro en marcha	West Bank and Gaza Strip	Supporting Palestinian businesswomen	402 890
Heinrich-Boell-Stiftung	Israel	Development and empowerment: a partnership with the Arab community of Israel	738 165
Ricerca e Cooperazione — Associazione per la Ricerca, la Documentazione e il Lavoro Volontario	Yemen	Last chance to freedom — Reintegration into civil society of women, children and minors in conflict with the law	749 000
Comitato Internazionale per lo Sviluppo Dei Popoli	Lebanon	Improving health assistance for Palestinian refugees	746 310
Y Care International	Lebanon	Lebanon YMCA accelerated vocational training programme	736 834
Secours populaire français	Tunisia	Establishment of a non-residential non-educational psychology centre for children with behavioural problems	692 723
Asamblea de Cooperación por la Paz	West Bank and Gaza Strip	Improvement of care and integration into society and family life of disabled people in the districts of Qalqilya, Hebron and Tulkarem	601 211
Comitato Europeo per la Formazione e l'Agricoltura	Morocco	Integrated agricultural development project in the rural communes of Sidi Boumahdi and Meskoura	750 000
Enfants réfugiés du Monde	Algeria	Psychosocial and educational support programme for Sahrawi refugee children (6 to 12 years of age) in youth clubs and primary school	750 000
Movimento Africa 70	Algeria	Animal health in the Saharawi tent cities	596 915
Fondazione Terre Des Hommes Italia Onlus	West Bank and Gaza Strip	Empowering children and youth in Al-Am'Ari refugee camp through increased access to educational opportunities, the strengthening of targeted organisations, and increased children and youth competencies	558 550
Associazione Amici dei Bambini	Morocco	Prevention of child abandonment, development of sustainable health and promotion of social education inclusion for disabled children	544 741
Association DIA	Yemen	Assistance and integration programme for disadvantaged people in the city of Taiz	614 555
Horizont 3000	Egypt	Community development by women empowerment and elimination of discrimination against women in rural areas of upper Egypt	494 274
Plan International UK	Egypt	Child focused community rehabilitation programme	737 704
Questscope	Jordan	Rebuilding the right environment to respond to marginalised children by restoring their neglected rights to education, livelihood options and support in their transition from adolescence to young adulthood	749 695
Save the Children Fund	Egypt	Developing more inclusive educational institutions for pre-school and primary school children	750 000
	Lebanon	Integration of young people in difficulty	2 016 455
Total			13 935 186

Civil society

Country	Programme	Amount (EUR million)
Algeria	Support to local socioeconomic development in the north-east of Algeria (B7-410 MEDA)	50
Jordan	Promotion of human rights and democratisation (B7-410 MEDA)	2
Yemen	Electoral support project (B7-432 Yemen)	0.5
West Bank and Gaza Strip	Financial support to Palestinian electoral process (B7-420 Palestine)	10
Total		62.5

Refugees/Population

Organisation	Programme	Amount (EUR million)
United Nations Relief and Works Agency	11th Convention 2002 (B7-421 UNRWA)	55
Total		55

8.4. Commitments 2002 — ACP countries

Conflict prevention, good governance and the rule of law

Region	ACP country	Project	Amount (EUR million)
Caribbean	Haiti	National census	0.8
Pacific	Vanuatu	Supporting elections	0.7
West Africa	Sudan	Maintaining ceasefire agreement	1.1 (*)
	Côte d'Ivoire	Regionally sponsored peace talks	0.5 (*)
	Nigeria	Supporting elections	6.5
	Togo	Local government training	1.3
		Improving treatment of prisoners	2.0
	Sierra Leone	National census	5.5
Central Africa	Central African Republic	African Union-sponsored peace talks	0.4 (*)
		National census	1.5
Eastern and southern Africa, Indian Ocean	Congo (Brazzaville)	Supporting elections, protecting human rights	14.3
	Eritrea, Ethiopia	Peace process projects, mine clearance	1.0 (*)
	Madagascar	Supporting elections	0.2
	Somalia	Peace talks in Kenya	0.5 (*)
(*) Sub-total (EC budget)			3.5
Sub-total (EDF)			32.8
Total			36.3

Institution-building

Region	Country	Project	Amount (EUR million)
Caribbean	Antigua and Barbuda	Supporting the national authorising officer	0.3
	Haiti	Mission to Organisation of American States	0.8
	Trinidad and Tobago	Supporting the national authorising officer	0.6
Pacific	Vanuatu	Supporting non-State actors	0.6
West Africa	Côte d'Ivoire	Supporting the national authorising officer	2.0
		Management of public expenses	1.9
West Africa	Benin	Supporting the launch of communes	8.9
	Guinea	Supporting the national authorising officer	3.0
	Nigeria	Economic management capacity project	2.0
	Sierra Leone	Supporting the national authorising officer	0.2
	Togo	Supporting NGOs and civil society	1.3
	Central Africa	Central African Republic	Supporting the national authorising officer
Gabon		Supporting the national authorising officer	0.2
Eastern and southern Africa and Indian Ocean	Angola	Supporting the National Institute of Statistics	1.9
	Congo	Human rights, democratisation, elections	14.3
	Democratic Republic of the Congo	First institutional support programme	16.0
	Ethiopia	Financial information system	9.0
	Namibia	Development planning and non-State actors	3.2
	South Africa	Reconstruction and development	4.8
		Conflict and governance fund	4.0
	Sudan	Consultancy non-State actors	0.1
Pacific region		Supporting the regional authorising officer	1.3
All overseas countries and territories		OCTs/EU annual forum	0.8
All ACP countries		Audit — FED interests	5.0
Total			84.2

Transport

Region	Country	Project	Amount (EUR million)
Caribbean	Antigua	Reconstructing harbour	2.0
West Africa	Benin	Constructing Cotonou bypass	3.8
	Burkina Faso	Planning construction of roads	1.4
	Guinea-Bissau	Maintaining road network	35.0
	Mauritania	Planning construction of roads	3.5
	Senegal	Training and funding government transport departments	8.0
	Sierra Leone	Constructing Freetown–Conakry highway	10.0
Central Africa	Central African Republic	Supporting road maintenance	3.2
		Bouar–Garoua Boulai road	55.0
	Democratic Republic of the Congo	Repairing road network	80.0
Eastern and southern Africa, Indian Ocean	Djibouti	Constructing roads in cities	11.6
	Ethiopia	Constructing Addis Abeba–Jima road	17.0
	Ethiopia	Constructing Kombolcha–Mille road	30.0
	Malawi	Constructing Karonga–Chiveta road	5.0
	Rwanda	Training and funding government transport departments	29.9
	Uganda	Constructing Kampala bypass	41.0
	Zambia	Repairing Livingstone and Lusaka airports	11.3
	Overseas countries and territories	Anguilla	Repairing road network
Montserrat		Constructing new airport	2.1
Total			351.6

Infrastructure and energy

Region	Country	Project	Amount (EUR million)
Caribbean	Guyana	Building low-income housing	9.1
	Haiti	Using satellite imaging for planning	0.8
	Saint Vincent and Grenadines	Constructing tertiary-level college	1.5
Pacific	Papua New Guinea	Mining sector support	50.0
West Africa	Benin	Infrastructure preparatory study	2
	Burkina Faso	Repairing and maintaining roads	5
	Ghana	Mining sector support	40
	Guinea (Conakry)	Re-equipping training institute	1.3
	Mauritania	Repairing Nouadhibou port	45.0
	Niger	Strengthening and diversifying mining sector	35.0
	Sierra Leone	Reopening titanium ore mine	25.0
	Sierra Leone	Repairing energy transmission and distribution networks	2.0
	Central Africa	Gabon	Mining sector support
Eastern and southern Africa, Indian Ocean	Botswana	Economic diversification of the mining sector	30.0
	South Africa	Funding development in Durban and surrounds	35.0
	Zambia	Developing and repairing urban markets	16.5
Overseas countries and territories	New Caledonia	Constructing three fishing ports	2.8
Total			336

Food security and rural development

Region	Country	Project	Amount (EUR million)
Caribbean	Several	Raising banana production efficiency	32.5 (*)
	Several (RIP)	Expanding rice production	0.4
	Cuba	Vaccinating against porcine flu	0.3 (*)
	Haiti	Supporting school canteens, reinforcing food security governance	5.5 (*)
	Cuba	Reinforcing food security in Oriente province	2.0 (*)
West Africa	Several	Training banana producers	3.1 (*)
	Several (RIP)	HUB rural development	2.0
	Benin	Rural development	8.5
	Niger	Improving food security	6.0 (*)
Central Africa	Chad	Implementing forestry programmes	2.0
	Cameroon	Raising banana production efficiency	5.1 (*)
Eastern and southern Africa, Indian Ocean	Several	Raising banana production efficiency	3.3 (*)
	Several (NIP)	Seven projects	15.1
	Several (RIP)	Land and water research	4.9
	Several (RIP)	Devising a fisheries management plan	29.9
	Several (RIP)	Devising an integrated pest management programme	4.9
	Eritrea	Supplying 24 000 tonnes of cereals	7.9 (*)
	Ethiopia	Supplying 183 000 tonnes of cereals	49.0 (*)
	Malawi	Supplying 40 000 tonnes of corn	16.0 (*)
	Mozambique	Pluriannual programme: easy currency, supporting actions, technical assistance	14.8 (*)
Pacific	Vanuatu	Supporting farmers' organisations	1.4
	Several (RIP)	Implementing sustainable agricultural development	6.2
(*) Sub-total (EC budget)			180.5
Sub-total (EDF)			75.3
Total			255.8

Private sector development

Region	Country	Project	Amount (EUR million)
Caribbean	Cuba	Improving public financial management and accounting	3.4
West Africa	Burkina Faso	Supporting business opportunities	6.0
Overseas countries and territories	Saint Pierre and Miquelon	Promoting tourism from the Basque countries	0.1
Caribbean region		Caribbean regional trade development programme	1.5
		Caribbean regional tourism development programme	8.0
All ACP countries		Centre for the Development of Enterprise	19.2
		ACP business assistance scheme (extension)	0.7
Total			38.9

European initiative for human rights

Region	Country	Project	Amount (EUR million)
West Africa	Côte d'Ivoire	Community-based projects	0.3
	Sierra Leone	Monitoring elections	1.6
		Supporting Truth and Reconciliation Commission	1.0
		Reporting human rights abuses	0.7
		Rehabilitating victims of torture	1.0
Central Africa	Burundi	Protecting human rights, restoring peace	0.6
		Reconciling divided communities	0.7
	Cameroon	Preventing torture	0.3
	Central African Republic	Combating racism	0.9
	Rwanda	Combating racism	0.3
		Funding legal trials at Gaçaça	0.3
Eastern and southern Africa, Indian Ocean	Angola	Maintaining peace settlement	0.6
	Congo	Monitoring elections	1.0
	Democratic Republic of the Congo	Protecting human rights	0.9
		Strengthening the judicial system	1.0
		Combating racism	0.5
	Ethiopia	Strengthening parliamentary institutions	0.7
		Community-based projects	0.4
	Kenya	Preventing torture	0.4
		Monitoring elections	1.8
	Madagascar	Monitoring elections	1.0
	Zimbabwe	Preventing torture	0.7
		Promoting good governance	0.3
Caribbean	Fiji	Promoting good governance	0.6
		Supporting Human Rights Commission	0.5
	Haiti	Strengthening civil society	0.7
	Cuba	Developing democracy	0.5
	Dominican Republic	Combating racism	0.7
	Jamaica	Ensuring free and fair elections	0.2
Regional	Caribbean	Abolition of the death penalty	1.1
	Botswana, Cameroon, Ghana, Kenya, Lesotho, Malawi, Nigeria, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe	Abolition of the death penalty	0.4
	Senegal, Mali, Burkina Faso, Gambia, Ghana, Nigeria, Togo, Côte d'Ivoire, Sierra Leone, Benin	Preventing torture	1.2
Total			22.9

Macroeconomic support: Structural adjustment programmes

Region	Country	Budgetary support programme	Amount (EUR million)
Caribbean	Jamaica	Poverty reduction	30.0
West Africa	Mali	Poverty reduction	25.7
	Niger	EIB debt arrears and poverty reduction	20.0
	Côte d'Ivoire	Internal public debt arrears	40.0
	Burkina Faso	Poverty reduction	125.0
Central Africa	Central African Republic	EIB debt arrears	4.4
Eastern and southern Africa, Indian Ocean	Democratic Republic of the Congo	Emergency programme: African Development Bank debt arrears	5.5
	Madagascar	Emergency programme: Debt arrears; roads; drugs provision; elections; health and education	70.0
	Burundi	EIB debt arrears and poverty reduction	22.6
	Ethiopia	Poverty reduction	44.0
	Mozambique	Poverty reduction	168.0
Total			555.2

Health (including HIV/AIDS)

Region	Country	Project	Amount (EUR million)
Caribbean	Suriname	Reducing illicit drug demand	0.75
West Africa	Niger	Making blood transfusions safe	2
	Nigeria	Funding reproductive healthcare	
Central Africa	Cameroon	Complementary support to the health sector	0.5
	Central African Republic	Complementary support to the health sector	2.2
Eastern and southern Africa, Indian Ocean	Democratic Republic of the Congo	Complementary support to the health sector	9
	South Africa	Raising HIV/AIDS awareness	10
		AIDS vaccine initiative	1.4 (*)
	Zambia	Complementary support to the health sector	0.7
Regional		UNFPA/IPPF	32
		Youth HIV/AIDS	22.9 (*)
		Maternal health	5.0 (*)
		Barcelona Conference participation	0.5 (*)
		Ending female genital mutilation	1.4 (*)
		Impact	1.1 (*)
		Combating AIDS, TB and malaria	60
(*) Sub-total (EC budget)			32.3
Sub-total (EDF)			117.15
Total			149.45

Education (including culture)

Region	Country	Project	Amount (EUR million)
Caribbean	Dominican Republic	Feasibility and programming study for the ninth EDF	0.2
Pacific	Fiji	New building of Laukota teachers' college	4.2
	Papua New Guinea	Improvement of rural primary education facilities	5.0
	Vanuatu	Training of Vanuatu air traffic controllers	0.3
Central Africa	Gabon	Cultural activities	0.4
	São Tomé and Príncipe	Cultural activities	0.2
West Africa	Burkina Faso	Supporting decentralisation	1.9
		Pan-African cinema festival	0.3
	Côte d'Ivoire	Training to combat prostitution	0.1
Eastern and southern Africa, Indian Ocean	Angola	Funding for the film 'Comboio da canhoca'	0.4
		Funding for the film 'Na cidade vazia'	0.1
	Botswana	Supporting Ministry of Finance	2.0
		Upgrading of Gaborone technical college	3.9
	Comoros	Strengthening civil society	0.1
	Ethiopia	Capacity-building in education	0.7
		Establishing law faculty at Mekelle University	2.0
	Tanzania	Primary education development plan	25.0
	Zimbabwe	Implementation of terms of employment studies	0.1
	Overseas countries and territories	Netherlands Antilles	Youth development
Regional programmes	West Africa	Study of theatre festivals in sub-Saharan Africa	0.1
			0.0
		Supporting the 'Sand School' (Dakar)	0.7
	West Africa	Mobile numerical cinema	0.3
		Training in numerical and radio recycling	0.6
		Post masa 2001	0.3
	All countries		Fespaco 2003 film festival
		Functioning of regional operational centre for junior achievement	0.4
		Participation in the eighth Ceramics Biennale	0.2
		Funding for the film 'Zulu love letter'	0.2
		Preliminary work on regional reform	2.0
Total			56.6

Environment (including tropical forests and water management)

Region	Country	Project	Amount (EUR million)
Caribbean	Dominican Republic	Solid waste programme	4.0
West Africa	Burkina Faso	Improving rural water distribution	10.0
Central Africa	Cameroon	Managing protected forest areas through government, NGO and civil society partnerships	1.2 (*)
	Gabon	Using new wildlife management method	1.7 (*)
Eastern and southern Africa, Indian Ocean	Kenya	Sustainable forest management	1.9 (*)
	Kenya, Somalia	Managing natural resources in semi-arid regions	1.3 (*)
	Lesotho	Six towns water supply	2.0
	Malawi (NIP)	Social forestry project	0.9
	Mozambique	Beira sanitation	1.9
	Mozambique	Community-based natural resource management and carbon management	1.6 (*)
	Namibia	Karasburg sanitation	1.5
	Rwanda	Bugesera/Karenge drinking water supply	19.3
	South Africa	Water sector support programme	7.3
	Tanzania	Sustainable forest management	1.8 (*)
Pacific	Samoa	Infrastructure technical assistance	0.4
Overseas countries and territories	Saint Pierre and Miquelon	Saint Pierre sanitation	1.2
Regional	Caribbean, Pacific	Community-based fisheries management and coral reef restoration	0.5 (*)
	Pacific	Sustainable management of biodiversity	1.3 (*)
	West Africa	Maintenance of tropical forest biodiversity	0.4 (*)
	West Africa, Central Africa, Eastern and southern Africa, Indian Ocean	Forest law enforcement and governance	0.5 (*)
	Central Africa, Eastern and southern Africa, Indian Ocean	Technological development for sustainable resource management: Cybertracker	1.6 (*)
	Ethiopia	Reducing rural poverty reduction and managing forests sustainably through development of non-timber products and community institutions	1.2 (*)
	Ghana, Namibia, South Africa, Mozambique and Angola	Education — Environmental capacity development programme	0.9 (*)
(*) Sub-total (EC budget)			15.9
Sub-total (EDF)			48.5
Total			64.4

Partnership with NGOs

Region	Country	Amount (EUR million)
West Africa	Benin	2.2
	Burkina Faso	1.3
	Cape Verde	0.5
	Côte d'Ivoire	0.6
	Guinea	2.2
	Guinea-Bissau	2.1
	Liberia	0.8
	Mali	1.8
	Mauritania	0.6
	Niger	0.8
	Nigeria	0.3
	Senegal	1.4
	Sierra Leone	0.7
	The Gambia	0.3
Togo	0.6	
Central Africa	Cameroon	0.7
	Central African Republic	0.4
	Chad	5.3
	São Tomé and Príncipe	0.7
Eastern and southern Africa, Indian Ocean	Angola	6.9
	Burundi	2.1
	Democratic Republic of the Congo	1.0
	Eritrea	0.7
	Ethiopia	1.8
	Kenya	2.1
	Madagascar	2.1
	Malawi	1.5
	Mozambique	2.9
	Namibia	0.5
	Rwanda	1.5
	Somalia	4.4
	South Africa	0.6
	Sudan	2.9
	Tanzania	5.0
	Uganda	2.0
	Zambia	1.3
Zimbabwe	1.0	
Caribbean	Cuba	1.6
	Dominican Republic	1.5
	Haiti	4.3
Regional	Angola, Congo, Gabon	0.7
	Ethiopia, Kenya, Sudan, Tanzania, Uganda	0.4
	Pacific (all countries)	0.6
	West Africa (Burkina Faso, Ghana)	1.5
	West Africa (Benin, Togo)	0.8
Total		75

Linking relief, rehabilitation and development

Region	Country	Project	Amount (EUR million)
Caribbean	Dominican Republic	Micro-projects	7.0
West Africa	Guinea-Bissau	Reintegrating ex-combatants in rural areas	3.0
	Togo	Micro-projects	14.6
Central Africa	Central African Republic	Micro-projects	4.2
Eastern and southern Africa, Indian Ocean	Angola	Micro-projects	7.4
		Supporting displaced people	16.3
		Programme of emergency and support to the peace process	30.0
	Burundi	Complementary support to rehabilitation programme	9.6
	Congo	Micro-projects	5.5
		Improving healthcare provision	2.0
	Democratic Republic of the Congo	Reconstruction at Goma, medical assistance	10.0
	Djibouti	Helping displaced communities return home	2.0
	Eritrea	Emergency demobilisation and reintegration support	7.0
		Supporting refugees and internally displaced people	2.2
		Supporting voluntary repatriation and reintegration	6.8
		Clearing mines	0.7
	Ethiopia	Reintegrating Ethiopians displaced from Eritrea	6.7
		Landmine impact survey	1.0 (*)
	Malawi	Micro-projects	38.0
	Mozambique	Landmine technical survey, Inhambane and Maputo provinces	1.0 (*)
	Namibia	Reintegrating ex-combatants	1.2
	Rwanda	Micro-projects	3.2
	Somalia	Rehabilitation programme	50.0
		Mine action capacity-building, landmine impact survey in north-east	1.5 (*)
Sudan	Landmine expert	0.2	
	Mine ban education in south	0.1 (*)	
Tanzania	Training refugees to be self-reliant	4.0	
	Micro-projects	2.0	
Zimbabwe	Micro-projects	3.8	
All countries	Great Lakes	Demobilisation and reintegration	20.0
	Eritrea	Demobilisation and reintegration	20.0
(*) Sub-total (EC budget)			3.6
Total			281

8.5. Commitments 2002 — Asia

Conflict prevention, good governance and the rule of law

Country	Project title	Amount (EUR)
Indonesia	Office of Attorney-General	775 000
Afghanistan	Rapid reaction mechanism	5 900 000
Indonesia	Rapid reaction mechanism	2 774 000
Nepal	Rapid reaction mechanism	615 000
Sri Lanka	Rapid reaction mechanism	1 800 000
Cambodia	Rapid reaction mechanism	3 000 000
Total		14 864 000

Regional cooperation and integration

Country	Project title	Amount (EUR)
Asia	Asia-Urbs (increase)	3 000 000
Asia	ASEAN-IPR (increase)	2 500 000
Asia	Asia-Europe Foundation phase II (ASEF)	3 500 000
Asia	Asia Invest II	35 000 000
Asia	IT & C (increase)	5 000 000
Asia	Framework contract/Studies	3 600 000
Total		52 600 000

Transport and infrastructure

Country	Project title	Amount (EUR)
Nepal	Renewable energy	15 000 000

Food security and rural development

Country	Project title	Amount (EUR)
Bhutan	Medicinal plants	4 200 000
Bangladesh	Rural towns development	10 000 000
Total		14 200 000

Institution-building

Country	Project title	Amount (EUR)
ASEAN	APRIS (institution strengthening)	4 000 000
Vietnam	SME Development Fund	995 000
Bangladesh	SEDF — Enterprise development	10 000 000
Cambodia	Multilateral trade assistance	2 080 000
China	WTO II (support to China's integration, etc.)	15 000 000
Indonesia	Small project facility	6 180 000
Laos	Multilateral trade assistance	1 080 000
Philippines	Small project facility	3 000 000
Vietnam	Vietnamese Government interpreters' training programme	850 000
Vietnam	European technical assistance programme for Vietnam (ETV2)	11 034 800
Total		54 219 800

Macroeconomic policies

Country	Project title	Amount (EUR)
Pakistan	Support to government reform/Financial sector	50 000 000
Vietnam	Labour market facility	10 000 000
Total		60 000 000

Health

Country	Project title	Amount (EUR)
Indonesia	Support to Community health services	35 000 000
Thailand	Healthcare reform	5 000 000
Burma	HIV/AIDS project (within UN joint plan of action)	5 000 000
Asia	Reproductive health/UNFPA-II	18 540 000
Pakistan	Drugs — Reach out II	993 360
Total		64 533 360

Education

Country	Project title	Amount (EUR)
Vietnam	Assistance for street children	990 000
Pakistan	Northern Pakistan education programme	20 000 000
Laos	Support for basic education	6 000 000
Bangladesh	Smiling (support to NGOs)	8 000 000
Cambodia	Support to the education sector	20 000 000
China	European studies	10 328 100
Total		65 318 100

Environment (including tropical forests, water management)

Country	Project title	Amount (EUR)
Indonesia	Participation management of national resources in Berau	17 000 000

Linking relief, rehabilitation and development

Country	Project title	Amount (EUR)
Afghanistan	Rehabilitation/Reconstruction	57 500 000
Afghanistan	Second recovery programme	70 000 000
Total		127 500 000

8.6. Commitments 2002 — Latin America

Good governance and the rule of law

Country	Projects	Amount (EUR)
Peru	Truth and Reconciliation Commission	904 000
Guatemala	Strengthening civil society	12 000 000
Venezuela	Strengthening democracy	600 000
Total		13 504 000

European initiative for democracy and human rights

Country	Projects	Amount (EUR)
Colombia	Strengthening the judicial system	600 000
Colombia	Strengthening the office of the ombudsman	650 000
Colombia	Protection of human rights activists	599 525
Mexico	Strengthening the institutional capacity of public human rights organisations	640 000
Bolivia	Promoting the human rights of the indigenous peoples of Chaco	347 408
Colombia	Increasing the capacity of the indigenous peoples of Antioquia to exercise their rights	694 448
Guatemala	Maya human rights and social participation	600 000
Ecuador, Peru	Reunification, cultural redevelopment and continuity of the Secoya people	401 565
Nicaragua	Promotion and defence of the rights of the indigenous peoples and descendants of African origin	983 188
Guatemala	Combating ethnic discrimination	1 218 414
Colombia	Supporting the organisation of 120 Afro-Colombian communities	643 790
Paraguay	Combating discrimination against ethnic minorities and the indigenous population	353 861
Argentina	Rehabilitation of torture victims	645 674
Chile	Rehabilitation of torture victims	200 000
Peru	Rehabilitation of torture victims	819 734
Peru	Prevention of torture	671 343
Ecuador	EU election observation mission	1 215 800
Ecuador	Creating a code of ethics and democratic education	119 350
Colombia	Increasing public involvement in the electoral process	349 858
Andean region	Conflict prevention	939 400
Colombia	Micro-projects	500 000
Guatemala	Micro-projects	300 000
Mexico	Micro-projects	500 000
Total		13 993 358

Institutional support

Country/Region	Title of projects	Amount (EUR)
Honduras	Support for reform and modernisation of the public administration	4 000 000
Mexico	Support for modernisation of the administration of justice	3 500 000
Bolivia	Support for trade development and investment promotion	6 300 000
Latin America	Support for small businesses and financially weak institutions in Latin America	200 000
Total		14 000 000

Regional cooperation

Region	Projects	Amount (EUR)
Latin America	ALBAN high-level grant programme	45 000 000
	AL-Invest programme: support for investments	46 000 000
	ALFA II – Academic cooperation	17 000 000
Andean Community	Andean Community statistics	5 000 000
Total		113 000 000

Transport and infrastructure

Country/Region	Title of projects	Amount (EUR)
Venezuela	Flood prevention programme in the States of Falcón, Yaracuy and Miranda	10 000 000

Rural development

Country/Region	Title of projects	Amount (EUR)
Nicaragua	Rural development in the Rivas department	10 500 000
Bolivia	Support for small-scale mining (Apemin)	7 000 000
Panama	Support for small rural producers in the central region of Panama	102 421
Honduras	Support programme in the Olancho area	1 970 000
Total		19 572 421

Food security

Country	Direct aid (EUR million) (period)	NGOs (EUR million) (number of projects 2002)	EuronAid (EUR million) (number of projects 2002)	FAO (EUR million)
Peru	79.5 (1995–2004)	3.4 (12)		
Ecuador	6.4 (2000–2004)	3.2 (4)		
Bolivia	80 (1995–2005)	6.6 (17)		
Nicaragua	33.5 (1995–2004)	11.4 (21)	1.5 (2)	
Honduras	25 (1996–2004)	6.1 (19)	0.7 (1)	0.1
Guatemala	No direct aid	2.4 (6)	1.3 (2)	
Salvador	No direct aid	3.2 (5)		
Cuba	2 (2003–2005)	0.5 (1)		
Total	226.4	36.8 (85 projects)	3.5 (5 projects)	0.1

Health

Region	Title of project	Amount (EUR)
Andean Community	Combating dependencies — control of chemical precursors	1 600 000

Education

Country	Title of project	Amount (EUR)
El Salvador	Reform of intermediate technical education (extension)	2 800 000

Macroeconomic policies

No commitments in 2002

Environment

Country	Projects	Amount (EUR)
Brazil	Ecological corridors	7 000 000
Brazil	Sustainable development of the Cuiaba-Santarem ecological corridor in the Central Amazon region: reconciling economic growth with large-scale forest protection	1 497 295
Nicaragua Honduras Guatemala	Forest economics for the poor: certification, development of the market and establishment of an economic and political environment conducive to sustainable forest management in Central America	2 221 846
Central America	Integration of the civil sectors into co-administration of protected areas (Comanejo) and management of environmental conflict in Central America	862 032
Honduras	Improving local management of natural resources in the Patuca and Choluteca river basins	20 000 000
Nicaragua	Improving environmental policies	1 600 000
Andean Community of Nations	Programme for strengthening civil protection systems	9 450 000
Panama Colombia Ecuador	Conservation and sustainable development in the bio-geographical region of Chocó: establishing the capacity to improve incomes and environmental sustainability	2 115 120
Ecuador	Participative development of a transposable model of development based on bamboo in the Andean countries	1 000 000
Chile	Rio H — Civil agenda to combat poverty and desertification, environmental protection	845 071
Argentina	Conservation and management of natural resources in the region between the Teuc and Bermejito rivers within the framework of the Chaco regional plan for sustainable development	1 175 021
Total		47 766 385

Partnership with NGOs

Country	Number of projects	Amount (EUR)
Central America	1	978 577
Argentina	4	2 129 144
Bolivia	5	6 251 190
Brazil	5	3 349 377
Colombia	4	3 491 131
Ecuador	4	2 802 823
Guatemala	3	2 082 200
Honduras	3	3 749 464
Mexico	3	1 581 816
Nicaragua	4	2 269 258
Panama	1	313 750
Peru	4	3 695 523
Paraguay	2	1 427 260
Uruguay	1	746 227
Venezuela	2	856 506
Salvador	3	2 818 851
Total	49	38 543 097

Links between humanitarian aid, rehabilitation and development

Country	Title of project	Amount (EUR)
Honduras	Fourth budget commitment for the PRRAC	36 330 000
Nicaragua Honduras	Fourth budget commitment for the PRRAC	30 880 000
Total		67 210 000

Rehabilitation/Anti-personnel mines

Country	Title of project	Amount (EUR)
Nicaragua	Humanitarian demining operations on the Nicaragua/Honduras border and operations under the special action plan for mines	1 300 000

Refugees/Population

Country	Title of project	Amount (EUR)
Salvador	Prevention of violence and juvenile delinquency	9 200 000
Colombia	Programme to assist displaced populations	1 500 000
Total		10 700 000

9. Annexes

9.1. Harmonisation of contract and financial procedures

9.1.1. Financial regulations

The EuropeAid Cooperation Office has been heavily involved in the consultations on the new Financial Regulation applicable to the general budget and on the implementing rules. The specific provisions governing external actions which make for their smooth implementation, in particular the manual of instructions of 10 November 1999, have been preserved.

EuropeAid has started preparing for the entry into force of the new Financial Regulation by, *inter alia*, revising the manual of instructions and its practical guide to EC external aid contract procedures and devising standard models for financing proposals/agreements. This has been hindered, though, by the fact that the implementing rules were only finalised at the very end of the year.

In view of the newly adopted regulatory framework and the subsequent establishment of updated guidelines on the segregation of duties and adaptation of the accounting system, Sincom2, at the central level of the Commission, EuropeAid has promptly updated its financial circuits for actions financed from the general budget. The update of the financial circuits has namely involved the clear identification of the initiating and verifying agents, on the one hand, for the operational aspects, and on the other hand, for the financial aspects and the introduction of an additional ex ante control (on a temporary basis).

EuropeAid has also been heavily involved in the drafting of the Financial Regulation applicable to the ninth EDF. The proposal adopted by the Commission, which is very close to the new Financial Regulation applicable to the general budget, is currently being discussed within the Council by the Member States.

9.1.2. General regulations for contracts financed by the EDF

The Commission has had the general regulations and the general conditions for contracts, and the procedural rules on conciliation and arbitration applicable to contracts financed under the Cotonou Agreement adopted by the ACP-EC Council of Ministers. With the new general regulations, the contractual procedures under the ninth EDF will be largely similar to those of the other programmes of EC external aid since the adoption of the manual of instructions of 10 November 1999.

9.1.3. International organisations

The Commission has negotiated with the UN Secretariat to revise the 1999 EC-UN framework agreement and adapt it to the stronger partnership both institutions want to build. A draft financial and administrative framework agreement was agreed by the negotiators in early November and is now subject to internal approval procedures on both sides. Once adopted, it will allow the Commission, in its relations with the UN, to make full use of the possibilities offered by the new Financial Regulation for cooperation with international organisations.

EuropeAid has supervised the implementation of the 8 November 2001 trust fund and co-financing framework agreement with the World Bank, and negotiated a first amendment to adapt it to the new Financial Regulation. This is going through the internal approval procedures.

EuropeAid has taken a leading role in discussions with the WFP, which were successfully concluded by a decision of the WFP Executive Board on 22 October to decrease the level of administrative costs charged to donors by this organisation from 7.8 to 7 %.

9.1.4. Miscellaneous

The network of contract/finance units meets monthly to discuss subjects of general interest and coordinate positions among the various directorates.

EuropeAid has implemented verifications and training missions and provided further guidance notes and tools (examples being a memo on harmonisation of the system for archiving financial and contractual supporting documents, web pages on the financial and contractual procedures, and visibility guidelines for contractors and implementing partners).

EuropeAid has put in place a training scheme on contractual procedures, including advanced training, based on practical cases, and has carried out various training sessions at headquarters and in devolved delegations (South Africa, Bosnia, Croatia, Burkina Faso, etc.). It also provided training on financial circuits at headquarters in Brussels. These training sessions were also open to colleagues working in some devolved delegations.

FIGURES FOR THE WEB SITE OF EUROPEAID COOPERATION OFFICE IN 2002

- ▶ Some 5 724 tenders and grants documents were published (of which 1 395 were calls for tenders and proposals).
- ▶ There were more than four million hits per month.
- ▶ More than one million html pages were downloaded each month.

9.2. RAL

'RAL' refers to 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 decommitted.

9.2.1. External assistance financed by the EU budget

9.2.1.1. Old budget commitments

PRIOR TO 1995

► Progress since the initial inventory (November 1999)

In the case of EuropeAid-managed budget lines of heading 4 (external aid), the RAL has decreased 80 % in financial volume, from EUR 1 092 million to 223.9 million. This reduction has been achieved both by payments (EUR 382 million) and decommitments (EUR 486 million).

A total of 1 432 pre-1995 budget commitments have been closed in the accounting system, their remaining balances having been fully paid and/or decommitted. This accounts for 87 % of the initial stock of 1 646 budget commitments ⁽¹⁾ to be reviewed for budget lines in EuropeAid's portfolio.

Taking into consideration the commitments already decommitted (1 432), plus the open commitments

reviewed or under review (214), **action has been taken on all the initial stock of old commitments to be reviewed.**

► Progress in 2002

Since the beginning of 2002, the RAL for pre-1995 budget commitments has fallen from EUR 429.7 million to **EUR 223.9 million** (– 48 %). By way of reference, the overall objective for the end of 2002 was EUR 232.8 million.

There are now 214 open commitments compared with 532 at the beginning of 2002, a 60 % decrease over the year.

Of the budget commitments still open, 48 out of the 214 still outstanding (22 %) **are reported as on-going** and have valid final due dates in the accounting system. **These account for EUR 143.7 million, 64 % of the pre-1995 RAL** in financial volume.

The end-of-year report for 2001 identified in the stock left open and carried over to 2002 a total of 354 budget commitments 'to be closed'. Excluding line B7-6100 (transferred to the Development DG), there were 338 budget commitments in the EuropeAid portfolio to be closed. **A total of 318 budget commitments were cancelled in 2002, 94 % of the stock identified for closure.**

The RAL is the difference between the cumulative amounts committed (less the decommitments) and the cumulative amounts paid: the RAL measures the outstanding unpaid commitments.

Measuring the outstanding commitments (RAL) against the amounts paid each year enables us to

RAL situation from 1994 to 2002 by payment year

	The Balkans	Tacis	Latin America	Asia	Mediterranean	South Africa	Food aid	DHR	Others	Budget	EDF	Total
1989										2.42	3.68	3.13
1990										2.70	3.45	3.11
1991										2.81	3.68	3.25
1992										3.26	2.28	2.66
1993										3.11	3.32	3.21
1994	5.98	4.11	4.85	8.55	3.06	1.95	1.62	1.78	2.02	3.31	2.95	3.12
1995	4.36	3.68	5.57	7.26	4.32	4.24	1.65	1.70	2.12	3.50	3.10	3.31
1996	8.21	4.11	6.02	6.17	4.09	10.19	2.02	1.81	2.12	3.75	3.38	3.59
1997	8.12	4.01	6.81	6.88	4.81	5.87	2.23	1.88	2.18	4.06	3.26	3.75
1998	3.41	3.66	7.68	7.99	5.75	5.63	3.24	2.08	2.81	4.55	3.37	4.06
1999	3.04	2.78	6.49	7.34	7.87	4.20	3.09	3.85	2.92	4.40	5.01	4.61
2000	1.49	3.01	5.79	7.18	6.69	3.95	2.57	4.09	3.80	3.85	5.48	4.43
2001	1.00	3.55	8.28	6.18	6.37	4.61	2.06	4.52	3.65	3.58	3.99	3.74
2002	1.40	3.80	7.82	5.18	4.36	3.76	2.49	2.54	2.65	3.43	4.41	3.78

⁽¹⁾ Initial reference figure; all commitments from budget line B7-610, transferred to the Development DG, now totally excluded although they were part of EuropeAid's review and closure activity between November 1999 and September 2002, and thus counted as such in previous reports.

determine the estimated period for remaining disbursements. The overall evolution masks significant disparities between the main aid programmes.

The RAL situation for the major programmes appears to be under control, except for the Latin American programme, which has to reduce the time taken to disburse its RAL in coming years. Most programmes have either a positive trend (Asia and the Mediterranean) or are lower than average. The Tacis programme has a negative trend, even if its RAL disbursement period is still lower than average.

1995

► Progress since specific review started

In 2001, commitments from 1995 were added to the systematic review exercise for old commitments. There was EUR 656.7 million outstanding at the beginning of 2001 for 504 open budget commitments, counting only lines presently in EuropeAid's portfolio.

The RAL in financial volume fell by 52.2 %, to EUR 313.65 million by the end of 2002; this reduction was achieved by both payments (EUR 202.23 million) and decommitments (EUR 140.88 million).

The decrease in the number of budget commitments with outstanding balances is more significant, from 504 to 152 (70 % of commitments closed).

Taking account of the commitments already decommitted (352), plus the open commitments reviewed or under review (152), **action has been taken on all 504 commitments of the initial stock from 1995** added to the review exercise in 2001 (line B7-610 transferred and excluded from initial stock).

► Progress in 2002

Since the beginning of 2002, the RAL fell from EUR 455.89 million to EUR 313.65 million (- 31 %). By way of reference, the overall objective for year's end was set at EUR 312 million.

For budget commitments still open, 62 out of the present total of 152 outstanding (41 %) are reported as ongoing and have valid final due dates in the accounting system. These account for EUR 277 million, 88 % of the RAL from the 1995 budget year in financial volume.

The end-of-year report for 2001 identified in the stock left open and carried over to 2002 a total of 168 budget commitments 'to be closed'. The **number of closures in 2002** rose to 141, **84 % of the stock from 1995 identified at the start of the year for closure**.

1996, REVIEWED IN 2002

Budget commitments from 1996 fell into the category 'old' when applying the criteria 'open for more than

five budget years'. The objective of systematic reviewing and closing them wherever possible was set at the beginning of 2002: 485 budget commitments from 1996 for a sum of EUR 656.25 million thus came under review. The outstanding amount (RAL) **decreased by 40 %** to EUR 390.1 million by the end of the year. This reduction was achieved by both payments (EUR 152.6 million) and decommitments (EUR 113.5 million).

The number of open commitments fell to 235: a total of 250 commitments, or **52 % of the stock to review, had been fully paid or decommitted**.

Taking into account the commitments already decommitted (250), plus the open commitments reviewed or under review (205), **action has been taken on 455 of the 485 commitments, 94 % of the initial number of budget commitments from 1996 added to the review exercise in 2002**. The 30 budget commitments not yet examined (or for which no reporting information had been received by the time of drafting) came under several lines: ECIP (the EC International Investment Partners) and other thematic lines, food security lines, NGOs, etc. However, these account for only 2 % of the outstanding RAL.

GLOBAL RESULT FOR OLD COMMITMENTS (PRE-1997) AND FOLLOW-UP OF DIRECTORATES' RAL REDUCTION OBJECTIVES FOR OLD COMMITMENTS

Following a recommendation from EuropeAid's Board, targets for reduction of old RAL, broken down by directorate, were adopted in 2002. It aimed to stabilise the old RAL in financial amounts on a year-on-year basis, in other words, cancel the automatic increase in the old portfolio created by adding each new year to the category 'old'.

The level of old RAL, EUR 885.53 million at the end of 2001 (pre-1995 plus 1995), rose to EUR 1 541.78 million when the budget year 1996 was added, and the target was to bring it down to EUR 899 million by the year's end.

The **end-of-year result was EUR 927 million for old RAL pre-1997**, which is an **overall reduction of EUR 614 million**, 96 % of the reduction target. This reduction was achieved both by payments (EUR 329.4 million) and decommitments amounting to EUR 284.6 million.

For Directorate A (Tacis and CARDS programmes), the result has been negatively affected by the very low level of payments in the 1995 portfolio. This poor performance is due to the two major nuclear safety budget commitments in this portfolio being stalled (these two budget commitments ⁽¹⁾ account for 85 % of the RAL from 1995). Any improvement in the old RAL situation for Directorate A relies on either an adequate level of execution and payments following the announced contracting or decommitment of actions that cannot be executed within reasonable time frames.

(¹) Chernobyl 1995, RAL EUR 28.66 million, and nuclear safety 1995, RAL EUR 17 million.

For Directorate D, the final result was also hindered by a relatively low level of payments on the old portfolio. The reason can be sought in the slow disbursement pace and very long average lifespans of the Asia programmes. Higher levels of payments and/or decommitments will be necessary to improve results in 2003.

For Directorate E (Latin America cooperation budget lines), the final result was affected by a low level of decommitments (relative level lower than the level of the other geographical directorates).

WHAT COMES NEXT: 1997, TO BE REVIEWED

Budget commitments from 1997 now fall into the old category when applying the criteria 'open for more than five budget years'. This single budget year had at the end of 2002 a RAL of EUR 890 million for 395 outstanding budgetary commitments. Note that the 1997 figure showed a year-on-year decrease of 23 % in 2002 from its level of EUR 1162.6 million at the beginning of the year, ahead of the systematic review process to be undertaken in 2003. This was the result of current implementation.

Two remarks can be made about this budget year, which has been added to the 'old' stock for systematic examination.

- ▶ Its financial volume (EUR 890 million) is significantly higher than that of the old RAL of 1996 in 2003 (EUR 656 million) ⁽¹⁾.
- ▶ The proportion of dormant RAL in this new stock for examination is fairly small (EUR 71.2 million, 8 % of the total), though the proportion in terms of commitments is much higher (185 cases, 47 % of total).

As for the budget chapters and portfolios, B7-4 (Mediterranean) accounts for over 43 % of the amount outstanding from 1997 (EUR 385 million). If one adds the Asian and Latin American cooperation

lines, the proportion of these three portfolios to be reviewed in the new year is 77 % of the total value, higher than the previous year (when they accounted for 69 % of the RAL from 1996 added to old stock for review).

For these chapters, the outstanding amounts compared with initial amounts committed are higher than in the previous year. At the start of 2003, the ratios RAL to initial commitment (for the portfolio from 1997) are 61 % for the Mediterranean, 57 % for Asia, 55 % for Latin America, whereas the equivalent ratios at the start of 2002 (1996 added to the old stock) were 53 % for the Mediterranean, 46 % for Asia and 48 % for Latin America.

A significant share of the present volume of RAL from 1997 that has been added to 'old' (EUR 401 million of 890 million) is accounted for by a small number of budget commitments (53) with a disbursement ratio of less than 20 % of initial commitment, meaning that these are commitments with a very slow execution rate by any standards. This set of budget commitments warrants special attention, either in the form of anticipated closure or partial decommitment if initial amounts are now manifestly over-estimated, plus taking into consideration consistent implementation of non-extension stated policy. These commitments, specifically those with the highest RAL in absolute terms, have been targeted when preparing at year's end the specific review to be launched in 2003 of under-performing commitments.

OVERALL RAL TRENDS FOR OLD COMMITMENTS

The table below shows the trends in old RAL over the period 1999–2002. As evidenced in the table, results achieved in reducing the old RAL portfolio, though not entirely cancelling the increases created by adding successive budget years, have been steadily improving year on year, both in absolute terms, that is a decrease in the RAL, and in percentage terms.

Old RAL (EUR million)	November 1999 (first inventory)	1 January 2000	End-2000	1 January 2001	End-2001	1 January 2002	End-2002	1 January 2003
Pre-95	1 092.08	1 020.75	740.94	741.23	429.65	429.70	223.91	223.91
B95				656.76	455.98	455.89	313.65	313.65
B96						656.32	390.14	390.14
B97								889.84
Total		1 020.75	740.94	1 397.99	885.68	1 541.91	927.70	1 817.54
Decrease year-on-year			- 279.81 - 27 %		- 512.1 - 37 %		- 614.21 - 40 %	

⁽¹⁾ The figure given at the end of the 2001 report was EUR 686 million for 509 open budget commitments from 1996. These included all the MEDA lines, including Turkey. Excluding MEDA Turkey commitments, the figures are EUR 656.3 million RAL for 504 open budget commitments from 1996.

9.2.1.2. Dormant commitments

At year's end there were 743 dormant budget commitments in EuropeAid's portfolio, an outstanding amount of EUR 788 million. Total RAL from dormant commitments have fallen by 40 % year-on-year, which is a **significant improvement** of this indicator.

The table below shows trends over the period 1999–2002: after a slight deterioration at the end of 2000, the reversal of this trend achieved last year is now confirmed and speeding up (a 32 % reduction compared to a 15 % reduction last year).

Dormant	End-1999	End-2000	End-2001	End-2002
Number of commitments	2 223	1 900 (*)	1 458 (*)	743
Not old	1 180	1 055	715 (*)	360
Total RAL (EUR million)	1 537	1 493 (*)	1 160 (*)	788
Not old	1 314	1 350 (*)	898 (*)	634
NB: 'not old'	95/96/97	96/97/98	97/98/99	98/99/2000

(*) Figures in the 2001 table were EUR 1 558 million at end-2000 and EUR 1 319 million at end-2001, as they included the total MEDA line (Turkey included). The figures were recalculated excluding Turkey commitments, which were in fact already out of EuropeAid's management portfolio.

The year-end figures were established on the basis of comparison with the RAL two years earlier, rather than the strict 24 months without payments criteria. Budget commitments for which partial decommitments have been made are thus not considered dormant. Figures for end-2002 were established following the same method, for consistency of comparison.

Dormant commitments that are **not old** (from 1998 to 2000, 1997 already being excluded and considered old (¹)) **stand at EUR 634 million, 80 % of the dormant total**. This proportion is broadly unchanged from the previous year (78 % at end-2001). The most recent budget years 1999 and 2000 now account for 74 % of total dormant RAL in financial volume.

In an analysis of **disbursements (payments already made or zero disbursement)**, a modification is observed: dormant commitments (RAL) with no disbursements at all ('zero payments commitments') showed a significant net decrease in absolute terms, from EUR 1 061 million at end-2001 (Turkey included) to EUR 531 million at end-2002, and in percentage terms from 80 to 67 %.

This trend is considered a real improvement. As pointed out in the 2001 report, dormant budget commitments in start-up phase were considered as symptomatic of structural delays within the project cycle and their level last year was considered too high. The current trend should continue and led to negligible amounts of dormant commitments with no disbursement. Any start-up delays of two years or more will have serious consequences for the availability of funds for the project in question (new Financial Regulation, decommitment of amounts not contracted within three years of budget commitment).

A breakdown of dormant commitments by budget lines/chapters show that the four top programmes for dormant amounts are the same as in 2001, and in the same order (Mediterranean, Latin American and Asian cooperation lines, plus food aid). The overall proportion of these four programmes has decreased, accounting now for 74 % of the total, against 90 %.

Besides the overall decrease in absolute terms, in relative terms only the Mediterranean can be singled out, as its share fell from 44 to 39 % of the total dormant. If the respective rehabilitation/refugees budget lines are added to the Asian and Latin American figures, Latin America's share in total dormant amounts shows an increase from 15 to 20 % of the total, Asia's share decreasing slightly (from 13 to 12 %).

9.2.1.3. Efforts to close files and make decommitments

In 2002, EUR 502 million in EuropeAid's management portfolio was decommitted. As in previous years, this is a result not only of closure of old files but also of the overall effort of reviewing the whole open portfolio. The part of old pre-1997 commitments in total decommitments amounts to EUR 285 million. The level of decommitments of old RAL in 2002 is thus similar to the one observed in 2001 (EUR 291 million), though higher in proportion (57 % of total against 49 % the previous year).

Decommitments in financial amounts can result from partial decommitments or from closure of commitments whose remaining balances are fully decommitted.

In terms of breakdown by budget line/chapter, the thematic lines managed by EuropeAid Directorate F account for 73 % of the total number of commitments closed.

9.2.1.4. Situation of potentially 'abnormal' RAL (old or dormant)

Potentially 'abnormal' RAL, taken as an indicator for surveillance and review of open budget commitments, have in the past two end-of-year reports been defined by EuropeAid as comprising 'old' commitments (open for more than five budget years) plus 'dormant' commitments not yet counted in old.

The ratios calculated for the past two end-of-year reports were based on the portfolio at the beginning of the new financial year, i.e. they already integrated the next year's stock of old commitments in the total for 'old'.

The total RAL, old or dormant, at the beginning of 2003 (thus including 1997) stands at EUR 2 451.5 million (EUR 1 817.5 million old RAL, plus EUR 634 million dormant, not old), which is a **small year-on-year increase of EUR 11.6 million, + 0.5 %, on 2002** (EUR 2 439.92 million). This is due to adding 1997, which brought with it a greater amount of old

(¹) Not counting 1997 as old yet the figure is EUR 705 million (1997/98/99/2000).

Trends in dormant commitments (2000–02)

Budget line B2002	Situation end-2002 (EuropeAid portfolio)				Situation end-2001 (EuropeAid portfolio)				Situation end-2000 (EuropeAid portfolio)						
	Total dormant		of which, commitments with zero payments		Total dormant		of which, commitments with zero payments		Total dormant		of which, commitments with zero payments				
	Number of commitments	RAL end-2002 (EUR)	Number of commitments	RAL (EUR)	Number of commitments	RAL end-2001 (EUR)	Number of commitments	RAL (EUR)	Number of commitments	RAL end-2000 (EUR)	Number of commitments	RAL (EUR)			
B7-20 Food aid	58	82 387 833.35	10	43 894 824.00	132	137 941 114.41	36	97 737 209.85	182	142 237 248.09	41	111 883 406.99			
Asia cooperation (B7300+B7301)	41	86 970 726.42	10	67 425 000.00	64	140 508 136.80	22	126 996 601.00	198	339 733 999.71	53	302 664 050.00			
Asia refugees/rehabilitation	14	6 654 873.80	1	1 900 000.00	59	13 140 965.62	7	3 149 000.00	56	13 253 497.72	8	5 746 400.00			
Latin American cooperation (B7310+B7311)	159	108 899 523.12	30	61 992 147.00	180	168 230 960.44	50	140 342 447.00	231	269 889 754.66	231	228 011 640.00			
Latin American refugees/rehabilitation	16	45 928 069.58	4	44 160 000.00	74	10 178 273.89	1	3 500 000.00	64	8 642 505.43	1	3 500 000.00			
B7-32 South Africa	13	33 152 042.92	3	16 710 000.00	21	13 573 064.52	3	3 444 291.00	19	20 070 173.40	5	11 599 291.00			
B7-4 Mediterranean	95	305 686 597.86	31	247 071 836.00	155	508 252 374.01	52	436 939 404.00	204	519 009 082.79	57	429 592 398.00			
B7-52 Tacis	22	15 697 174.97	7	9 947 755.00	9	11 323 966.05	3	8 700 000.00	14	17 443 606.74	5	14 700 320.00			
B7-54 Balkans	25	14 784 462.86	10	3 130 000.00	18	5 926 176.41	9	3 741 700.00	8	3 327 898.91	3	2 566 139.56			
B7-6 (NGOs and thematical actions)	170	47 910 286.85	4	2 496 127.00	364	104 183 198.86	49	55 648 848.00	465	100 171 591.77	56	56 902 941.00			
B7-7 Democracy and human rights	97	11 168 232.31	15	5 499 585.00	222	24 778 718.22	26	9 726 813.00	206	41 712 288.69	44	28 260 310.00			
Access to markets (B7-8500 + B7-8710 + B78720)	33	28 681 939.99	8	27 285 000.00	160	21 729 901.58	26	14 097 656.30	253	17 515 755.81	30	5 028 118.91			
Grand total	743	787 921 764.03	133	531 512 274.00	1458	1 159 766 850.81	284	904 023 970.15	1900	1 493 007 403.72	534	1 200 455 015.46			
								B65411	2	86 762.02	0	0.00			
								B8 PESC	6	8 217 760.74					
								<i>Figure total SCR end-2000</i>				1908	1 501 225 164.46	534	1 200 455 015.46
			MEDA Turkey	24	159 302 875.12	15	157 533 000.00	24	57 168 000.00	15	55 953 000.00				
			Total Mediterranean	179	667 555 249.13	67	594 472 404.00	228	576 177 082.79	72	485 545 398.00				
			Total with Turkey	1 482	1 319 069 725.93										

RAL than did adding 1996 in 2002. This offset the decrease in dormant amounts.

The percentage of 'abnormal' RAL (old plus dormant not included in 'old') was 21 % at the beginning of 2001 (with 1996 already included in 'old' (1)), down from 23 % at the end of 2000. For 2003, this ratio remains unchanged at 21 % of the portfolio at year's start, as both actors in the calculation, the total RAL and the total old or dormant, showed a very slight increase of roughly the same amount.

9.2.2. RAL external assistance financed by the EDF

The analysis includes all EDF programmes (EuropeAid: NIPs/RIPs, structural adjustment, Sysmin; Development

DG: Stabex; Humanitarian Aid Office: emergency aid (2); EIB: interest-rate subsidies, risk capital, loans).

9.2.2.1. RAL on old commitments

OLD RAL OF PRE-1995 COMMITMENTS

For the EDF, the **RAL in financial volume decreased by 60 %**, from EUR 901 million on 31 December 1999 to EUR 363 million on 31 December 2002.

In 2002, the RAL for pre-1995 commitments fell from EUR 497 million to 363 million (– 27 %). By way of reference, the objective for the year's end was set at EUR 375 million.

(1) Excluding from MEDA line B7-410, the Turkey MEDA portfolio not managed by EuropeAid.

(2) ECHO in 2002 reviewed all individual cases of sleeping commitments under its responsibility (EDF and B7-210). As a result, for ECHO, the amount of sleeping commitments is down to less than 4 % of the average annual budget.

OLD RAL OF 1995 COMMITMENTS

Amounts committed in 1995 were added in 2001 to the old RAL (commitments outstanding after five years). They totalled EUR 375 million at the end of 2000. Since then, the **RAL in financial volume decreased by 51 %** to EUR 183 million at 31 December 2002.

Over the year, this RAL decreased from EUR 245 million to 183 million (- 25 %). By way of reference, the objective for the year's end was set at EUR 180 million.

OLD RAL OF 1996 COMMITMENTS

At the beginning of 2002, 1996 commitments fell into the category 'old' in applying the criteria 'open for more than five years'. On 31 December 2001, the commitment portfolio from 1996 totalled EUR 319 million. The outstanding **RAL** at 31 December 2002 **decreased by 34 %** to EUR 210 million. By way of reference, the objective for the year's end was set at EUR 240 million.

SUMMARY OF THE SITUATION AT YEAR-ENDS

The year-on-year situation of the old RAL can be summarised as follows.

Situation at:	
31 December 1999:	EUR 901 million pre-1995 commitments
31 December 2000:	EUR 996 million pre-1996 commitments
31 December 2001:	EUR 1 061 million pre-1997 commitments
31 December 2002:	EUR 756 million pre-1997 commitments EUR 194 million 1997 commitments EUR 950 million pre-1998 commitments
Forecast (*)	
31 December 2003:	EUR 410 million pre-1997 commitments EUR 540 million pre-1998 commitments
(*) Subject to adjustment in the course of the year.	

At the end of 2002, all open pre-1998 commitments became 'old'. The corresponding old RAL total EUR 950 million. In other words, it looks like **the tendency of 'old RAL' to increase** from year to year (EUR 901 million at the end of 1999, over EUR 996 million at the end of 2000, to EUR 1 061 million at the end of 2001) **has been reversed**. Furthermore, **all objectives** for year-end 2002 **were met** and in most cases **exceeded**.

9.2.2.2. Dormant commitments

EVOLUTION SINCE 31 DECEMBER 1999

In the case of the EDF, dormant RAL relate to financing decisions for which no contracts have been concluded **and** no payments made over the last **24 months**.

Situation at:	
31 December 1999:	EUR 399 million (no movement for 18 months)
31 December 2000:	EUR 536 million (no movement for 18 months)
31 December 2001:	EUR 648 million (no movement for 18 months)
10 June 2002:	EUR 522 million (no movement for 24 months) (*)
19 September 2002:	EUR 485 million (no movement for 24 months)
31 December 2002:	EUR 449 million (no movement for 24 months)
(*) In order to make the RAL surveillance criteria converge with those applied to budget operations, the series is calculated on the basis of 24 months with no movement from 2000 onwards. There remains however a difference, since the criteria is 24 months with no payments or contracts (EDF secondary commitments); for budget financed operations, the accounting system Sincom1 and 2 is unable to provide that level of detail until financial year 2001.	

9.2.2.3. Forecasts

The EuropeAid Board's objective of EUR 400 million for 31 December 2002 was not met. However, one has to take into account that an exceptionally high amount was committed in 2000 (EUR 3 757 million in total, the highest amount ever committed). In this context, the performance was exceptional in that there was **a reduction rather than an increase** in 2002, from EUR 648 million at the beginning of the year to EUR 449 million at the year's end.

9.2.2.4. Analysis of the dormant RAL

The table below presents an overview of the dormant RAL at present, split up by EDF, by 'dotation' and by project status (to remain open (TRO): EUR 520 million; to be closed (TBC): EUR 39 million; status unknown: EUR 30 million). It also explains the reasons why the projects concerned are sleeping. Attention should be paid to the fact that we are talking about **dormant projects without movement for 18 months**, since this definition has been agreed with Parliament and the Court of Auditors. Since this definition is more stringent than the definition adopted by EuropeAid's management (no movement over the last 24 months), the amount in the year-accounts for dormant RAL in the table (EUR 590 million) is higher than the amount indicated in point 9.2.2.2 (EUR 449 million).

With reference to the table below, of the projects to remain open, those having a RAL of more than EUR 1 million account for EUR 460 million or 88 % of the total TRO. An analysis of the files shows the following.

- ▶ Ongoing litigation with third parties: EUR 38 million (7 % of TRO)
- ▶ Projects managed by the EIB: EUR 61 million (12 % of TRO)
- ▶ Suspension due to political situation: EUR 26 million (5 % of TRO)

- ▶ Funds blocked until advances are justified: EUR 6 million (1 % of TRO)
- ▶ Projects without contracts: EUR 330 million (63 % of TRO)
- ▶ **TOTAL: EUR 460 million (88 % of TRO)**

9.2.2.5. Action to reduce the RAL

- ▶ The total RAL of the EDF is in the order of EUR 8.4 billion. Old RAL (EUR 756 million) accounts for only 9 % of global RAL. Dormant RAL (EUR 449 million — no movement in the last 24 months) corresponds to no more than 5.3 % of the total.
- ▶ Four specific exercises have been undertaken to reduce old and dormant RAL.

From December 1999 and throughout 2000 specific surveys were undertaken on:

- contracts whose deadlines expired in six months;
- advances granted but not cleared;
- 'sleeping' projects ready to be closed.

This exercise resulted in the closure of more than 3 000 commitments.

A more specific review focused on old commitments was then undertaken from October 2000. The analysis of almost all of the old commitments has now been finalised.

In November 2002, an analysis was made of non-committed RAC (*reste à contracter* — uncommitted balances on primary commitments) relating to financing decisions before 1998. All delegations and operational units have been asked to verify whether an agreement to decommit these unused balances could be obtained from the local authorities. Furthermore, projects concluded in the period 1998–2000 with less than 10 % contracted (i.e. slow implementation rate) were identified and the departments and delegations concerned were encouraged to take the necessary steps to accelerate implementation. As a result of this exercise, old RAL fell in the **last two months** of 2002 by **EUR 138 million** (from EUR 894 million at 1 November 2002 to EUR 756 million at 31 December 2002) and sleeping RAL by **EUR 68 million** (from EUR 517 million at 1 November 2002 to EUR 449 million).

One of the main obstacles jeopardising the reduction of RAL is the fact that under the EDF the agreement of the national/regional authorising officer (NAO/RAO) is always needed for closures of projects and decommitments of funds. Appropriate guidelines to deal with this situation have been drawn up, including a tacit approval procedure.

- ▶ The EDF accounting system enables us to break down RAL into RAC and RAP (*reste à payer* — remaining balances to be paid on contracts,

secondary commitments). Since the Commission pays most EDF invoices within the regulatory deadline (in 2002, 86 % of all invoices received were paid within 60 days), we can conclude that the RAP is nearly at its correct value (since there is no substantial delay in payments). Nevertheless, note that in the context of the decentralisation within the EDF, it is beyond the Commission's control if there is a backlog in the processing of invoices by national authorising officers.

- ▶ Therefore, **efforts to reduce (old/dormant) RAL should be focused on the RAC (operational units and delegations); this means decommitting old RAC where possible and speeding up implementation of slow RAC. Indeed, the absence of contracts accounts for a large share of the RAL** (more than half of old RAL, one third of dormant RAL and 65 % of total RAL).

- ▶ The other measures can be summarised as follows.

- Delegations have been informed that extensions to financial agreements are only allowed in duly substantiated cases and for short periods.
- Contractual/financial officers in headquarters will ensure that the situation of the RAL is systematically incorporated in country review papers so as to boost decommitments.
- Systematically and especially in the course of the devolution exercise, 'reports on the financial management of EDF projects' will be produced by headquarters for non-devolved delegations and by the financial/contractual units in devolved delegations. These reports shall focus on problematic dossiers (old commitments, sleeping RAL, etc.) in order to promote the reduction of RAL.

At regulatory level, the Commission has proposed the following new articles for the ninth EDF Financial Regulations (not yet adopted by the Council) to keep the RAL under control:

- repayment of sums due under 'direct labour contracts' (Article 47): the recourse to new work programmes is subject to justification of advance payments still outstanding under previous approved work programmes. This should keep outstanding RAL under control;
- 'sunset clause' N + 3 for concluding contracts under financing agreements (Article 55);
- extension of a financing agreement (Article 134). Only one extension is allowed for sixth, seventh and eighth EDF commitments, for a period of not longer than three years. This should help keep the RAL of such commitments within acceptable limits.

The relevant departments in EuropeAid are currently drafting explicit guidelines to inform all delegations and units of the consequences of these new ninth EDF regulations. In addition, specific clauses to that end will be included in ninth EDF financing agreements concluded between the Commission and the NAO/RAO.

SITUATION OF DORMANT COMMITMENTS

The table below shows slow implementing commitments for each of the sixth, seventh and eighth EDFs. A commitment is considered dormant or slow if over the 18 months before the end of the financial year:

- ▶ no new contract has been concluded;
- ▶ none of the existing contracts have been amended;
- ▶ no payment or clearing of advances has been recorded for contracts open before 31 December.

Also included are commitments not covered by this definition but which are blocked or suspended. Slow commitments are classified in three categories, projects that have to remain open, projects to be closed and projects of uncertain status.

The accounting values correspond to the above definition and represent the amount of resources linked to slow commitments (namely the sum of financial resources decided but not contracted plus those contracted but not paid).

CONCLUSION AND PROSPECTS FOR 2003

The figures and analysis show that work to examine old and dormant commitments is proceeding at a good pace, as shown by the results achieved in 2002: a significant decrease in dormant RAL, sustained efforts to raise the number of commitments closed and amounts decommitted for old commitments, greater net absolute reduction of old RAL in 2002.

Work has already started to transfer and incorporate this RAL reporting into the single management database, the CRIS system.

The adding of budget year 1997 to the old RAL will require further efforts to tackle closures and

payments, given the size of the absolute net increase in the old portfolio resulting from the automatic adding of this budget year. The setting of the 2003 reduction objectives by the directorate has been launched and is taking this into account. However, most of the financial volume of old commitments in 2003 (pre-1998, 1997 included) is accounted for by budget commitments with final due dates in the accounting system beyond 2003 (at present 80 % of the old RAL portfolio in financial volume).

The challenge in 2003 will be to pursue these goals in an environment where most of the portfolio is managed by the delegations. Operational directorates will have to play a decisive role in ensuring that objectives for reducing the old RAL and closing underperforming commitments, plus the stricter policy on extensions, are understood and pursued by headquarters and delegations.

9.3. Legal affairs

9.3.1. Dealing with longstanding backlog of disputes

The mapping in 2002 of the longstanding backlog (approximately 80 cases) of disputes is almost complete. The sorting of the backlog has revealed that a great number of cases can be considered closed simply because of the time that has elapsed and some disputes were resolved without the intervention of legal affairs units. To recall, the purpose of such an examination has been to identify those disputes which still need to be examined and at the same time those which can now definitively be closed. The identified 'live' disputes will then be opened and actively pursued as and when staff resources so allow. Today, the identified backlog stands at 14 cases and the potential unidentified backlog at more or less 20 cases.

Allocation	Sixth EDF				Seventh EDF			
	Unpaid amount of commitment	Balance to be left open	Balance to be closed	Uncertain status	Unpaid amount of commitment	Balance to be left open	Balance to be closed	Uncertain status
Programmable aid (*)	40 801 553.11	19 302 746.57	19 119 177.77	2 379 628.77	171 790 161.31	141 341 483.22	15 818 007.92	14 630 670.17
SAF	665 962.21		665 962.21		1 128 287.57	101 840.18	793 131.03	233 316.36
Emergency aid					818 078.28	117 194.00		700 884.28
Aid for refugees	51 551.38	51 551.38			1 605 793.74	1 375 885.74	229 908.00	
Stabex								
Sysmin	22 018 268.92	21 818 268.92		200 000.00	33 323.80	16 655.30	16 668.50	
Interest rate subsidies					4 438 929.00	4 438 929.00		
Risk capital	500 000.00	500 000.00			18 481 946.00	18 481 946.00		
AIDS	1 473 255.53		1 089 431.81	383 823.72				
Total	65 510 591.15	41 672 566.87	20 874 571.79	2 963 452.49	198 296 519.70	165 873 933.44	16 857 715.45	15 564 870.81

(*) Includes grants, special loans and balance of previous funds.

Dotations	Eighth EDF				Sixth, seventh and eighth EDF			
	Unpaid amount of commitment	Balance to be left open	Balance to be closed	Uncertain status	Unpaid amount of commitment	Balance to be left open	Balance to be closed	Uncertain status
Programmable aid (*)	263 187 995.21	251 485 967.35	598 214.71	11 103 813.15	475 779 709.63	412 130 197.14	35 535 400.40	28 114 112.09
SAF	6 513 243.01	5 630 000.00	700 000.00	183 243.01	8 307 492.79	5 731 840.18	2 159 093.24	416 559.37
Emergency aid	35 000.00			35 000.00	853 078.28	117 194.00		735 884.28
Aid for refugees					1 657 345.12	1 427 437.12	229 908.00	
Stabex	12 165 852.00	12 165 852.00			12 165 852.00	12 165 852.00		
Sysmin	52 724.97			52 724.97	22 104 317.69	21 834 924.22	16 668.50	252 724.97
Interest rate subsidies	19 149 839.40	18 830 540.13		319 299.27	23 588 768.40	23 269 469.13		319 299.27
Risk capital	24 736 003.98	24 736 003.98			43 717 949.98	43 717 949.98		
AIDS					1 473 255.53		1 089 431.81	383 823.72
Total	325 840 658.57	312 848 363.46	1 298 214.71	11 694 080.40	589 647 769.42	520 394 863.77	39 030 501.95	30 222 403.70

(*) Includes grants, special loans and balance of previous funds.

9.3.2. Current state of active disputes

Compared with 2001, when 10 new disputes were recorded, there was a sharp increase in disputes in 2002, with 24 new disputes opened. During the same period, 16 disputes were closed. Of the closed disputes, nine came from the backlog. Currently, the unit responsible is actively dealing with 38 cases. New disputes that have arisen seem to be randomly distributed among all types of contract, including disputes about extra-contractual liability.

9.3.3. Complaints to the Ombudsman and complaints made under the code of good administrative behaviour

During the period, 30 complaints were received by the Ombudsman and 16 cases were closed, two with critical remarks. Of the files from the Ombudsman, two cases have now ended up at the Court of Justice in Luxembourg and are still open. Currently, the unit concerned is dealing actively with 15 complaints. An analysis has been made of the complaints closed in 2001 with critical remarks, and a report was sent to management in September 2002.

Three complaints concerning non-respect of the code on good administrative behaviour were received.

9.3.4. Cases before the courts

In 2002, the unit concerned became involved in six new cases brought either before the Court of Justice in Luxembourg or the courts of Brussels.

9.3.5. Measures against corruption

Corruption and other irregularities is an area of increasing concern for the unit in charge. This has resulted in it

actively following the current major corruption case in Lesotho and participating in anti-corruption events and meetings. On the basis of its experience, the unit has developed a training course for staff leaving for delegations. The training course has now been given twice with the general ethics course.

9.3.6. The Advisory Committee on Procurements and Contracts (ACPC)

The ACPC continued until the end of the year, handling more than 900 EuropeAid files. Two members of staff were fully occupied with the closure of the ACPC at the end of the year. With this closure this work will now take the form of a helpdesk for the part of EuropeAid's procurement which would normally have been presented to the ACPC.

9.3.7. General legal work

With devolution, the Legal Affairs and Disputes Unit is frequently called on to give advice to colleagues in delegations on a multitude of problems. These consultations are often more formal than would have been the case had the question been raised at headquarters before devolution.

The unit has developed a series of frequently asked questions on legal interpretations and situations needing legal assistance that will be published on the intranet.

Much ad hoc legal work was undertaken in 2002 as follows:

- ▶ participation in the inter-service working group for the preparation of the framework agreement for Cuba;
- ▶ participation in the inter-service working group on the Commission's regulation implementing the OCTs Council decision;

- ▶ participation in the inter-service working group on the fight against fraud;
- ▶ preparation of the decision on the appointment of the chief authorising officer for the EDF;
- ▶ preparation of the subdelegation from the EDF chief authorising officer to ECHO.

9.4. Audits

9.4.1. Internal audits

The Internal Audit Unit was set up in August 2001 to serve both the EuropeAid Cooperation Office and ECHO. The unit began its full activities in March 2002 when staff joined. Work started on the basis of the common work programme, which had previously been approved by the Director-General of EuropeAid and the Head of Service of ECHO.

In the course of 2002, the unit carried out a continuous audit of five of EuropeAid's operational directorates, looking at the way they were implementing the 24 internal control standards. An audit was also carried out of various aspects of the management of the European initiative for democracy and human rights. Recommendations from this audit, dealing mainly with control measures, were adopted and implemented.

The unit has developed a methodology for workload assessment. This methodology was tested in a review of the delegation in South Africa and assesses workload against the staff resources following devolution. This exercise showed that the methodology was viable and it will be refined in the course of time. The review which is required by the communication of January 2002 on devolution is part of a series which will continue in 2003, the ultimate aim being to obtain an indication of the balance between workload and staffing made available to the delegation in the course of devolution.

The unit issued an internal audit manual. It actively participated in the work of the Commission's 'Auditnet' and liaised with the Internal Audit Service. It also cooperated with other Relex internal audit units in the framework of the Relex audit, and proffered advice on a number of management and control areas within EuropeAid.

9.4.2. External audits of operations

In 2002, the External Audit Unit finalised 13 audits (four EDF, two international organisations, one Tacis, two MEDA, one ECIP programme and three Asia). Amongst these, two were particularly important audits in terms of size and complexity: the ECIP financial instrument programme and the food aid for the Federation of Russia project.

The year was characterised by a new approach to the organisation of external audits of the Office. As from 2002, the External Audit Unit has no longer been solely responsible for all audits. In the context of the

reform to shift responsibilities to the authorising officers, the operational directors are responsible for selecting the external audits to be carried out in their directorates.

To ensure consistency in the organisation of the audits by the operational directorates, an external audit network of the Office was created. It brings together representatives of all the operational directorates with the objective of:

- ▶ addressing the specific needs of the operational directorates and delegations in 'their' geographic zones;
- ▶ proposing the improvement of the systems as a result of the experiences gained and according to the needs of the services;
- ▶ collaborating in the establishment of standards of best practice and rules and their interpretation;
- ▶ ensuring the collection and dissemination of information;
- ▶ preparing the audit programme and monitoring its implementation;
- ▶ assuming the role of 'pre-clearing' for proposals to be submitted to management for decision.

The audit network met eight times. Amongst other tasks, it prepared for the first time an external audit programme for 2003.

In 2002, a framework contract was signed with professional audit firms for carrying out audits of programmes and projects financed by the budget of the Commission (Tacis, CARDS, MEDA, Asia, ALA programmes and the horizontal budget headings). A user guide, standardised specific terms of reference, and a management tool were made available. Nine purchase orders for audit services were signed, including one important audit of the framework contract AMS/451. One of the purchase orders is for training and will result in the creation of a training syllabus in external audit, scheduled for completion in 2003. Full information of the framework contract (audit) was made available, mainly via a web site.

The remaining budgetary resources to launch audits under the EDF are small as the available credits of the existing EDF framework contract have almost been fully used. In November 2002, the EDF Committee gave its approval for the use of EUR 5 million to finance future audits. Procurement procedures for another framework contract audit will be initiated for this purpose.

9.5. Transparency and visibility

The European Commission has made continuous efforts to improve transparency in the management of its external assistance. In 2002, the very first annual report on EC development policy and the implementation of external assistance was the subject of a communication to the Council and Parliament, and

then printed and widely distributed in the 11 official languages. Both the Council and the European Parliament acknowledged this undertaking.

As to the visibility of the EC external assistance activities in the field, the Commission recorded a significant increase in consultations and visits of its Internet server (www.europa.eu.int). The number of pages on the web site has steadily risen in the course of the year: the assistance activities in some of the main regions are already described in considerable detail. The exercise should be completed in 2003.

The 'EU in the world' portal, where people can see the most important external activities at a single glance, has also received more visitors than in the past.

The following table shows the number of hits for the different external relations web sites on the European Commission server in 2001 and 2002. However, it should be borne in mind that the number of hits is always larger than the actual number of times a computer user accesses a particular web site, since a hit is recorded for each element of the webpage (including photographs and links).

The European Commission external relations web sites

Services	Address	Average hits per month (2001)	Average hits per month (2002)
External Relations DG	europa.eu.int/comm/external.relations	2 125 000	3 400 000
Development DG	europa.eu.int/comm/development	600 000	600 000
EuropeAid Cooperation Office	europa.eu.int/comm/europeaid	4 200 000	5 000 000
Trade DG	europa.eu.int/comm/trade	1 800 000	600 000
Enlargement DG	europa.eu.int/comm/enlargement	400 000	800 000
ECHO	europa.eu.int/comm/echo	250 000	90 000
The EU in the world	europa.eu.int/comm/world	200 000	700 000

9.6. EC communications referring to external assistance in 2002

Title of communication	Reference	Date
Untying: Enhancing the effectiveness of aid	COM(2002) 639	18.11.2002
Proposal for a Council decision concerning the coverage of costs incurred by the EIB for the management of the investment facility of the Cotonou Agreement	COM(2002) 603	7.11.2002
Participation of non-State actors in the EC development policy	COM(2002) 598	7.11.2002
Proposal for a Council regulation to avoid trade diversion into the European Union of certain key medicines	COM(2002) 592	30.10.2002
Proposal for a Council decision on the position to be adopted by the Community within the ACP-EC Council of Ministers regarding a decision on the reallocation of unallocated resources as well as uncommitted interest subsidies from the eighth European Development Fund	COM(2002) 582	25.10.2002
Trade and development: Assisting developing countries to benefit from trade	COM(2002) 513	18.9.2002
Proposal for a Council decision on the signing and conclusion on behalf of the European Community of the International Cocoa Agreement 2001	COM(2002) 438	30.7.2002
Fighting rural poverty — European Community policy and approach to rural development and sustainable natural resources management in developing countries	COM(2002) 429	25.7.2002
Energy cooperation with the developing countries	COM(2002) 408	17.7.2002
Financial information on the European Development Funds	COM(2002) 372	9.7.2002
Proposal for a regulation of the European Parliament and of the Council concerning Community cooperation with Asian and Latin American countries and amending Council Regulation (EC) No 2258/96	COM(2002) 340	2.7.2002
Administrative reform of the Unified External Service	SEC(2002) 745	2.7.2002
Recommendation for a Council decision authorising the Commission to negotiate economic partnership agreements with the ACP countries and regions	COM(2002)168/2 — no final SEC(2002) 351	9.4.2002
Health and poverty reduction in developing countries	COM(2002) 129	22.3.2002
Water management in developing countries' policy and priorities for EU development cooperation	COM(2002) 132	12.3.2002
Proposal for a regulation of the European Parliament and of the Council on aid for policies and actions on reproductive and sexual health and rights in developing countries	COM(2002) 120	7.3.2002
Education and training in the context of poverty reduction in developing countries	COM(2002) 116	6.3.2002
Proposal for a regulation of the European Parliament and of the Council on aid for poverty diseases (HIV/AIDS, malaria and tuberculosis) in developing countries	COM(2002) 109	4.3.2002
Preparation of the International Conference on Financing for Development (Monterrey, Mexico, 18–22 March 2002)	COM(2002) 87	13.2.2002
Towards a global partnership for sustainable development	COM(2002) 82	13.2.2002
Responses to the challenges of globalisation: A study on the international monetary and financial system and on financing for development	COM(2002) 81	13.2.2002
Reform of Community aid: Plan for the implementation and financing of devolution	SEC(2002) 85	30.1.2002
The European Union's contribution to Afghanistan reconstruction: Approach to the Tokyo Ministerial Conference, 21–22 January 2002	SEC(2002) 43	15.1.2002
Establishment of a European Commission (EC) Office in Afghanistan	SEC(2002) 31	15.1.2002

9.7. EC assistance not covered by this report

Like the previous report, the 2002 report covers all the external assistance activities managed by the EuropeAid Cooperation Office in line with the Commission's reform of its management practice.

Humanitarian and pre-accession aid do not fall within the scope of the report. Nevertheless, a concise description of ECHO's interventions forms an integral part of the whole EC contribution. For a detailed account of ECHO's humanitarian activities, the reader is advised to consult the ECHO Annual Report 2002 ⁽¹⁾.

The same can be said about macrofinancial assistance to third countries, for which the Directorate-General for Economic and Financial Affairs is fully responsible. These activities are reported on in separate documents ⁽²⁾.

The Commission implements MFA in association with support programmes of the IMF and the World Bank, and after consulting the Economic and Financial Committee and securing a Council decision. MFA incorporates a set of principles which underline its exceptional character (ad hoc Council decisions), its complementarity to financing from international financial institutions and its macroeconomic conditionality. It is an instrument designed to help the beneficiary countries experiencing serious but generally short-term macroeconomic imbalances (serious balance-of-payments and fiscal difficulties). In close coordination with the IMF and the 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 2002, EUR 141 million of MFA were disbursed, comprising EUR 130 million in grants to the Balkans: EUR 115 million to Yugoslavia, EUR 15 million to Kosovo and EUR 11 million to Armenia.

⁽¹⁾ http://europa.eu.int/comm/echo/information/publications/echos_annual_reports_en.htm

⁽²⁾ http://europa.eu.int/comm/dgs/economy_finance/index_en.htm

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