



EUROPEAN  
COMMISSION

# Annual Report

ON THE IMPLEMENTATION OF  
THE EUROPEAN COMMISSION'S EXTERNAL ASSISTANCE

Situation at 01.01.2001



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# **Annual Report**

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Situation at 01.01.2001



# Foreword

Financial assistance to third countries is one of the central components of the European Union's external action, alongside trade policy and political dialogue. It is thus an important tool for promoting the fundamental values of the European Union and for meeting the global challenges of the 21<sup>st</sup> century.

The European Union is one of the major actors in international co-operation and development assistance. In total, the European Community and the Member States provides some 55% of total international Official Development Assistance (ODA) and more than two thirds of grant aid. Over the past fifteen years Community external assistance, originally concentrated on ACP countries, has acquired a global reach and the Community is today financing projects in more than 140 countries.

Like other international donors the Community is faced with the challenge of increasing the quality and impact of its financial assistance throughout the world. For the Commission, this challenge is particularly great because the overall volume of its assistance (commitments) has increased rapidly from €3.3 billion in 1990 to €9.3 billion in 2000, which means some 10% of the entire world ODA.

This is why, in May 2000 the Commission launched a fundamental reform of its external assistance. This included concentrating the development assistance on a limited number of priority areas with the overriding objective of poverty reduction in developing countries worldwide and better integration of the partner countries into the global economy. At the same time the Commission embarked on an ambitious programme of measures to make significant improvements in the quality and timely delivery of projects while ensuring robust financial management. This reform is an important element of the present wider administrative reform of the Commission.

The full implementation of this ambitious programme will take time and 2000 was a year of initiation and transition. Nevertheless, the preliminary results in terms of concentration on priority areas, streamlining and harmonising approaches and procedures were already apparent in 2000. Also 2000 saw the first sign of quicker implementation of programmes funded in the EC budget by comparison with the previous four years.

This first Annual Report is in itself a reflection of the reform - very much a work in progress. Future editions will provide a comprehensive picture of the EC's external assistance programmes and thus will respond to a range of formal reporting requirements and to the need to better inform the European public.

We have started the most comprehensive reform ever and are looking forward to future reports that will provide clear information on progress with the fundamental improvements in the management of external assistance that we are determined to achieve.



Christopher Patten, Chairman



Paul Nielson, Chief Executive



Günther Verheugen, Board Member



Pascal Lamy, Board Member



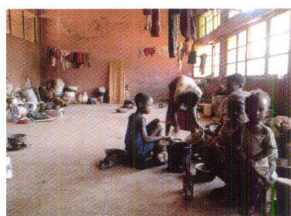
Pedro Solbes Mira, Board Member

## The Board

### EuropeAid Co-operation Office

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Director General of EuropeAid Co-operation Office



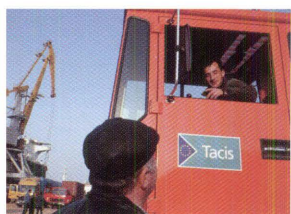
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# Introduction

Managing external assistance of more than €9 billion per annum and involved in more than 140 countries, the European Community is one of the main actors in the area of development aid. This document brings together for the first time all the actions taken in the framework of the different external aid programmes of the Commission in 2000, except pre-accession instruments, macro-financial aid, Common Foreign and Security Policy and the Rapid Reaction Facility.

A pilot exercise, developed by the EuropeAid Co-operation Office in close collaboration with the Development and External Relations Directorates General, this document brings together elements which were under the responsibility of different services of the Commission. Thus, it reflects the reform of external aid management decided by the Commission on 16 May 2000.<sup>(1)</sup>

However, the actions described were prior to the actual start of the reform and to the creation of the EuropeAid Co-operation Office, on 1 January, 2001. Therefore, the 2001 annual report, to be published in 2002, will show the effects of the new direction in development policy and the reform of the European Community's management of external aid. Nevertheless, the Commission endeavoured to take fully into account the changes already made in accordance with the reform process, in the structure and the content of this document. Thus, it shows the new direction in development policy and the reform of the management of external aid, the actions taken in horizontal matters, and the assistance programmes organised by large geographic zones:<sup>(2)</sup>

The first chapter places the emphasis on the fight against poverty as the primary objective of development aid, which has focused on six priority areas as decided by the Commission on 26 April 2000:<sup>(3)</sup>

- ▶ The link between trade and development
- ▶ Support for integration and regional co-operation
- ▶ Support for macro-economic policies which have a direct link with strategies to reduce poverty
- ▶ Transport
- ▶ Food security and sustainable rural development
- ▶ The strengthening of institutional capabilities, notably in the areas of good governance and the rule of law.

This chapter then presents the key elements of the reform of external aid management, according to four main objectives:

- Improving the quality of the projects
- reducing the time taken to implement them
- harmonising and simplifying technical, financial and contractual management procedures
- improving the impact and the visibility of the European Commission's external aid.

(1) Communication of 16 May 2000 on the reform of external aid management.

(2) The present document does not cover assistance to countries that are candidates for adhesion. These are covered in reports specific to the three existing assistance instruments: Pare (preparation for adhesion), Sapard (agriculture and rural development) and Ispa (transport infrastructure and environment).

(3) Communication of 26 April 2000 on the European Community development policy.



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The second chapter describes the actions taken in the following priority sectors: Human Rights, partnership with non-governmental organisations (NGOs), gender equality, health (aids and demography), drugs, refugees and rehabilitation, food security, environment and forests.

The geographical chapters contain examples of intervention in these areas in order to put emphasis on the integration of thematic actions in the whole of external aid.

Each of the geographical sections is organised according to the same structure:

- ▶ General indications (list of countries, global amount of European Community assistance)
- ▶ Priorities of Community aid in the region
- ▶ Actions developed in 2000, illustrated by examples
- ▶ Conclusions and perspectives.

In addition to the information given in the geographical chapters, the recapitulation tables attached in the annexes indicate the amount of Community aid by countries and by themes, according to the nomenclature of the Development Aid Committee of the OECD.

Also included in the annexes are the main measures already applied in 2000 by the Common Service for External Relations (SCR) and which are situated within the framework of the reform; in particular the strengthening of the evaluation process, the winding up of old projects, the simplification of contractual procedures, and the improvement of transparency. The EuropeAid Co-operation Office replaced the SCR on 1 January 2001.

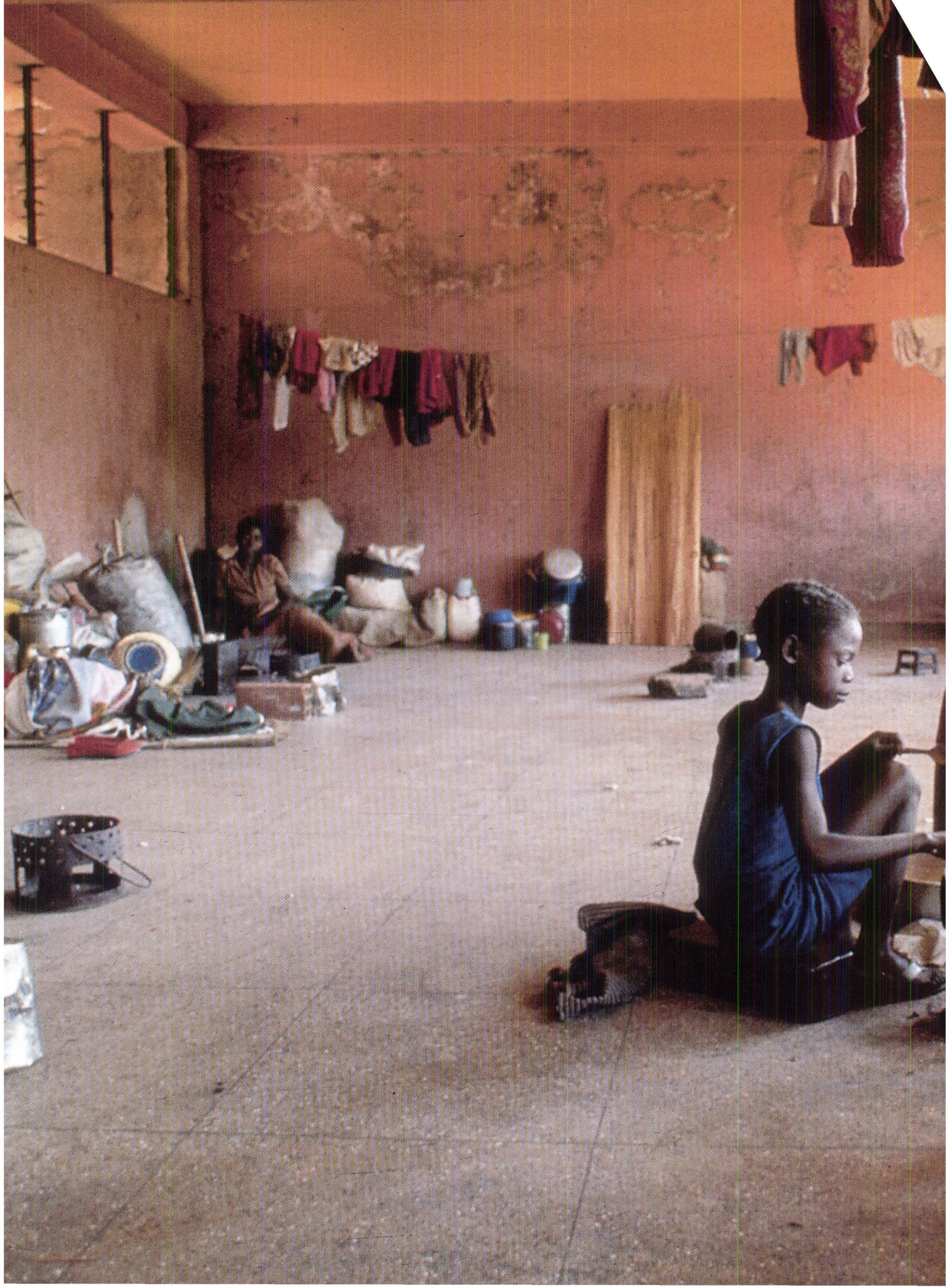
A list of reports of activities, which the Commission must produce according to various regulations regarding assistance programmes, may be found in the electronic version of this report ([www.europa.eu.int/comm/europeaid/report/index\\_en.htm](http://www.europa.eu.int/comm/europeaid/report/index_en.htm)).

It is necessary to underline in this regard that from 2002, the complete annual report of the European Community's external aid will replace all specific reports, within the limits of the Commission's legal obligations.



**Giorgio Bonacci**

*Director General of the EuropeAid Co-operation Office*





## I External aid: A new Policy, a new Management Structure

The European Union is a major player in international co-operation and development aid. It is also the world's largest humanitarian aid donor. Today, the European Community has political and financial responsibility for over 10% of the world's public development aid (PDA), compared with 5% in 1985.

In order to improve the quality and the impact of its contribution to development efforts worldwide, the European Commission set, on 26 April 2000, new directions for its development policy, centred on the primary objective of reducing poverty. Parallel with this, the Commission also decided to reform the way it manages third country aid, so as to improve project quality, to cut implementation time, to harmonise and simplify financial, technical and contractual management, and to increase both the impact and visibility of foreign aid.



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People sleeping beside animals in the street is not an uncommon sight in certain parts of the world.

## 1. A new strategy for poverty alleviation

It is an uncomfortable but inescapable fact that, at the start of the 21<sup>st</sup> century, of the world's 6 billion people, almost half live on less than US\$2 a day and 1.5 billion – a quarter – live on less than US\$1 a day. The problem of poverty is proving so intractable that the number of countries classified by the UN as "least developed" has risen from 24 in 1971 to 49 in 2001.

The European Community and its Member States are strongly committed to reaching the international development targets for poverty reduction set by the United Nations at the second World Summit for Social Development, held in Geneva in 2000. These targets, now referred to as the Millennium Development Goals, include reducing the proportion of people living in extreme poverty by half before 2015, with the term 'extreme poverty' referring to people living on less than US\$1 a day.

In 2000, the Commission proposed new guidelines for the EC's development policy.<sup>(4)</sup> These were endorsed by the Council in a Joint Statement with the Commission in November 2000<sup>(5)</sup> and commit the Commission to:

### Mainstreaming poverty reduction

In the Amsterdam Treaty, the campaign against poverty in developing countries is stated as one of the three main objectives of the EC development cooperation policy.<sup>(6)</sup> This ties in

with the other two goals of the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them, as well as the smooth and gradual integration of the developing countries into the world economy. As a result, poverty reduction and its overall eradication in all developing countries is the overarching objective of the **EC's new development policy**.

The **Cotonou Agreement**,<sup>(7)</sup> which sets out the legal framework for trade and development co-operation between ACP countries and the EU over the next 20 years, also specifically refers to poverty reduction and eradication as the central objective of EU-ACP cooperation (Article 19). Poverty reduction corresponds to one of the five pillars on which the new agreement is based.

The Commission is also active in the construction of **Poverty Reduction Strategy Papers** (PRSPs). The PRSP concept was launched by the World Bank to provide a framework for mainstreaming poverty reduction in government and donor policies and to ensure donors co-ordination. The central feature of the PRSPs is that country ownership of the strategy is paramount and governments have the responsibility for both the design process and the final product. PRSPs should be developed through a participatory process involving all stakeholders including the civil society and donors. The PRSPs now provide an important framework for the different aspects of the 9th European Development Fund (EDF) and by the end of 2000, the European Commission had already undertaken the assessments of the interim PRSPs of several developing countries: Benin, Kenya, Chad, Uganda, Sao Tome, Burkina Faso and Ethiopia.

The PRSP concept signifies greater support for agreed public expenditure plans which are focused on poverty reduction. This in turn implies a move towards budget support. As a result, the EC is working with other donors to develop sector approaches which contribute towards poverty reduction. This **Sector Wide Approach (SWAp)** defines a new way of working between government and donors through a long-term partnership. With a SWAp, all financial assistance from donors supports a single sector policy and expenditure programme led by a government. Donors move a greater part of their support through the recipient country's public sector systems. SWAp has now become the preferred approach towards supporting pro-poor policy reforms in the social service sectors in developing countries, including the health and education sectors.

(4) COM (00) 212 final of 26 April 2000 "Communication from the Commission to the Council and the European Parliament. The European Community's Development Policy".

(5) The European Community's Development Policy - Statement by the Council and the Commission (10 November 2000).

(6) Article 177 of the Amsterdam Treaty.

(7) ACP-EU Partnership Agreement, Cotonou, 23 June 2000.

## Concentrating on priority areas

Experience has shown that if donors are to be effective it is not possible for them to address all the issues connected with poverty reduction. For reasons of efficiency, the Commission has therefore refocused its activities on six priority areas:

- ▶ link between trade and development
- ▶ support for regional integration and cooperation
- ▶ support for macro-economic policies and promotion of an equal access to social services
- ▶ transport
- ▶ food security and sustainable rural development
- ▶ institutional capacity building, particularly in the area of good governance and the rule of law.

### I *Link between trade and development*

Trade is a major factor of growth and the creation of wealth in all countries. Being a leading player in both trade and development aid, the Community has a key role in ensuring that a link is established between these two areas to help the integration of developing countries into the world trading system. The Community is committed to facilitating preferential access to markets in the developed countries. However, if the opening up of developed countries' markets is to have a positive impact, the competitiveness of developing countries' business sectors need to be strengthened. The international community will also need to support the reforms of developing countries' trade policies; the concerns of these countries must be taken on board in the World Trade Organisation (WTO). With this in mind, in 1999 the Community financed the opening of an ACP secretariat antenna in Geneva, home of the WTO head office.

### II *Regional integration and cooperation*

Regional integration is a key element in sustainable development. Many developing countries have chosen regional integration as a way of increasing the potential competitiveness of their products. Regional integration also plays a decisive role in consolidating peace and preventing conflicts. Furthermore, this is the only effective way to address trans-boundary issues. The EC intends to use all the instruments at its disposal to support developing countries' moves towards regional integration.



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### III *Macroeconomic policies and equitable access to social services*

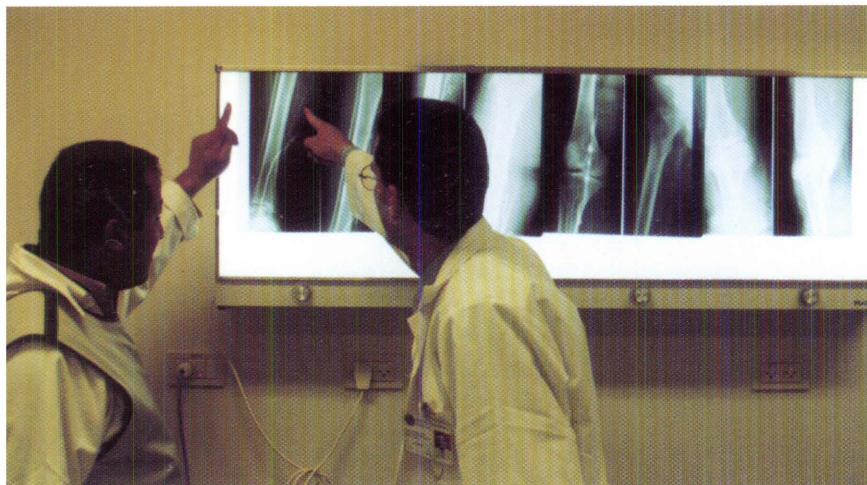
Macroeconomic policies are vital to promoting growth and more equal income distribution. However, macro economic reforms can only have sustainable effects if they fully embrace the objectives of social and human development. The emphasis on social sectors is consistent with the approach developed in the PRSPs. In line with the macro economic framework, the EC is also committed to continuing its support for social sectors (health and education), with emphasis being placed on a sectoral rather than a project-based approach.

### IV *Transport*

Reliable transport networks are crucial to economic and social development. Regional integration is also largely dependent on an efficient transport system. For many years, the EC has been a major donor in this sector and the added value of the Community's contribution to the transport sector has been recognised in many evaluation reports. In addition, the EC has the financial standing to mobilise the large-scale investment required to ensure the construction and maintenance of transport infrastructure in developing countries. In July 2000, the European Commission adopted a Communication setting out policy guidelines for promoting sustainable transport in development cooperation.<sup>(8)</sup> This policy paper underlined the need to make optimal use of existing facilities as well as the importance of public-private partnership.

***Focusing on specific areas of assistance is probably the best way to effectively reduce poverty.***

(8) COM (00) 422 of 6 July 2000 'Communication from the Commission to the Council and the European Parliament promoting sustainable transport in development cooperation'.



Two doctors examining x-rays in the newly built Gaza Hospital.

© Christos Gofias

#### V Food security and sustainable rural development

Coherent food policies at national and regional level are essential to reduce dependence on food aid and counteract harmful effects on the local environment of food production. The EU has significant experience in food security gained through managing the transition from humanitarian aid towards long-term development assistance.

#### VI Institutional capacity building

Well-functioning democratic institutions are vital in the fight against poverty. Good governance, which includes the fight against corruption, and the rule of law, is decisive in poverty reduction strategies. In this context, and as it is perceived to be more neutral, Community action tends to be better suited than Member State action in supporting the strengthening of partner countries' institutional capacities.

In addition, horizontal principles have been mainstreamed in all areas of the EC's activities. These include the promotion of human rights, equality between the sexes, children's rights and the environmental dimension. These are essential factors in ensuring the impact and sustainability of EC cooperation with developing countries.

#### Expanding activities in the social sectors

In developing countries, infectious diseases such as HIV/AIDS, malaria and tuberculosis continue to be a major

barrier to human development and poverty reduction. At the 2000 G8 summit in Okinawa (Japan), the leaders of the world's seven richest countries plus Russia committed themselves to three critical UN targets to be reached by 2010:

- ▶ a 25% reduction in the rate of HIV/AIDS infections among young people;
- ▶ a 50% reduction in TB deaths and prevalence of the disease (WTO Stop TB Initiative); and
- ▶ a 50% reduction in the incidence of malaria (WHO Roll-Back Malaria).

On 28 September 2000, the European Commission hosted a high level international Round Table to discuss the EU's policy to confront HIV/AIDS, malaria and tuberculosis within the context of poverty reduction. The Commission's new policy framework for confronting these diseases was outlined in two Communications, in September 2000<sup>(9)</sup> (defining a set of policies in the area of development, trade and research to confront these diseases) and in February 2001<sup>(10)</sup> (further developing the policy framework and indicating how the Commission will meet the challenges of this ambitious agenda).

Education also has a fundamental role to play in a society's development and its fight against poverty. In the education sector, the EC channels its activities in the following areas:

- ▶ access to primary education and basic education as a whole (literacy, formal and informal training) with priority given to female education;
- ▶ job related vocational training to complement work being done by other donors; and
- ▶ higher education, particularly at regional level, in which the EC has a comparative advantage.

This approach is consistent with the conclusions of the UN "Education for All" Conference held in Dakar in 2000, as well as with the view of the OECD's Development Assistance Committee (DAC).

The Commission will also seek to avoid information and communication technologies becoming factors which increase the marginalisation of the poor. The Commission believes that the EC and its Member States must rapidly examine the approach they should adopt in relation to this issue. In addition, the Community is committed to promoting research in developing countries.

**There is an acute shortage of health equipment in many countries.**

(9) COM (00) 585 final of 20 September 2000 "Communication from the Commission to the Council and the European Parliament Accelerated action targeted at major communicable diseases within the context of poverty reduction".

(10) COM 2001(96) final of 21 February 2001 "Programme for action: accelerated action on HIV/AIDS, malaria and tuberculosis in the context of poverty reduction".

### ASSISTANCE TO CANDIDATE COUNTRIES: A SEPARATE ISSUE

"The European Community also provided over €3 billion of assistance in 2000 to third countries who are candidates to the European Union. Assistance is allocated to priority areas indicated by the Commission in an "Accession Partnership" for each country, which is based on the weaknesses identified in the Commission's annual Regular Report on the preparations of the candidate country for accession.

Nearly 95% of the assistance was directed to the ten candidate countries of Eastern and Central Europe through three pre-accession assistance programmes. Half of this amount is accounted for by Phare, which is managed by DG Enlargement, and is focused on helping the countries prepare to implement the *acquis communautaire* upon accession. One third is for Ispa, which is managed by DG Regional Policy, and is focused on major investments in the environment and transport sectors. One sixth is for Sapard, which is managed by DG Agriculture, and is focused on rural development and agriculture.

About 5% of the assistance is allocated to Turkey and is currently implemented using the Meda Regulation. A new financial regulation for Turkey has been proposed by the Commission with a view to replacing financing from the three existing sources in 2002. Finally rather less than 1% of the total is allocated to Cyprus and Malta on the basis of a specific regulation. The assistance to Turkey, Cyprus and Malta is managed by DG Enlargement. It should be noted that these countries remain eligible for support from Meda horizontal projects in the context of the Barcelona process.

For each pre-accession financial instrument the managing DG is responsible within the Commission for the whole project cycle from programming through implementation to evaluation. However it should be noted that these programmes are carried out on a highly decentralised basis with the candidate country itself directly responsible for managing project implementation (subject to some checking of tendering and contracting by Commission Delegations on-the-spot).



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Water is a common treasure that all use with parsimony.

minate payment delays, reduce commitment backlogs, harmonise and simplify contracting and subsidy-granting procedures, and rationalise information systems (see details in the Annex).

On 16 May 2000, the Commission decided to go a step further and set in motion a major reform programme. The concern was, in particular, to:

- ▶ considerably improve the quality and adaptability of project management;
- ▶ significantly reduce the time taken to implement projects;
- ▶ provide harmonised financial, technical and contract management procedures to meet the best international standards of ethics and responsibility;
- ▶ strengthen the impact and visibility of the European Union's co-operation and development aid.

This reform programme has four main thrusts:

- ▶ a total revision and unification of external aid programming, in line with the objectives and priorities of European Union policies;
- ▶ integrated management of the entire operations cycle;
- ▶ setting up a single department (EuropeAid Co-operation Office) tasked with the project cycle from identification to evaluation;
- ▶ large-scale devolution of project management towards the Commission Delegations.

## 2. Improving external aid management

At the same time as defining new directions for the Community's development policy, an ambitious reform of the way external aid is managed has been launched, aimed at improving project quality and cutting the time taken to implement them.

A first step towards unification of the services tasked with executing the third country aid programmes, and towards improving management was the setting up, in 1998, of the Common Service for External Relations (SCR). The SCR set to work to eli-



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### **A total revision and unification of external aid programming, in line with the objectives and priorities of European Union policies**

Since 16 May 2000, the European Union's strategic priorities towards a particular country or region are formalised in "strategic frameworks". From now on, the Commission will use a single model, applicable immediately to the European Development Funds and to the ALA and MEDA programmes, and applicable progressively to all States in receipt of Community assistance (an approach confirmed in the conclusions of the Development Council of 10 November 2000).

The aid programming implements the global directions in line with the strategic framework in a manner consistent with its other objectives (political, commercial, etc.).

Programming is multi-annual, indicative and negotiated with the beneficiary country.

The reform also foresees the strengthening of the task of evaluation and its best integration into the project cycle. A follow up system analysing the efficiency, effectiveness, impact, relevance and sustainability of the projects is currently being examined. In addition, the Evaluation Unit has started to study the feasibility of performance indicators in order to measure the global impact of European Community aid.

The management Committee of the EuropeAid Co-operation Office sets the work programme of the Evaluation Unit and makes its decisions based on its reports and recommendations.

#### **A 'QUALITY SUPPORT GROUP' FOR PROGRAMMING**

**An interservice quality support group (IQSG) has been set up, consisting of a small number of members selected for their skills and experience. Its task is to ensure that programming documents meet minimum quality standards and conform with evaluation results and set objectives. The IQSG works apply to all external aid, with the exception of the pre-accession instruments.**

### **Integrated management of the entire operations cycle: from identification to implementation.**

Since 1 January 2001, the Directorates-General "Development" and "External Relations" have been responsible for the political directions and multi-annual programming, which the EuropeAid Co-operation Office is responsible for managing during the remainder of the operations cycle. In order to ensure the proper implementation of the objectives defined at the programming stage, the EuropeAid Co-operation Office is tasked with: identifying and preparing projects and programmes, preparing financing decisions, implementation and monitoring, and project and programme evaluation.

### **The EuropeAid Co-operation Office, a single service tasked with implementing the Commission's external aid.**

The creation of the EuropeAid Co-operation Office on 1 January 2001, constitutes a central element of the reform of the foreign aid management mechanism.

The EuropeAid Co-operation Office is tasked with implementing the full range of the Commission's external aid instruments, with the exception of the pre-accession programmes (Phare, Ispa, Sapard), the humanitarian activities, macro-financial aid, the Common Foreign and Security Policy (CFSP) and the Rapid Reaction Facility.

The EuropeAid Co-operation Office has been set up in a way to:

- ▶ construct a geographically-based organisation covering five Directorates: Europe, Caucasus, Central Asia; Southern Mediterranean, Near and Middle East; Africa, Caribbean, Pacific; Asia; Latin America. This new structure should facilitate the integrated management of the entire operations cycle, and ensure stability during the process of management deconcentration towards the EC Delegations;
- ▶ gather together in a single Directorate the management of the thematic programmes (food aid, co-financing with NGOs, Human Rights, etc.) in order to ensure a consistency of approaches and a synergy of skills;
- ▶ organise the functional activities according to their nature: one Directorate for operational support and one Directorate for organisational support.

**Many developing countries already have an acute pollution problem.**



## OPERATING STRUCTURE

The EuropeAid Co-operation is a Commission Department. It operates under the supervision of a Board consisting of C. Patten (External Relations Commissioner), President, P. Nielson (Development and Humanitarian Aid Commissioner), Chief Executive Officer, G. Verheugen (Enlargement Commissioner), P. Lamy (Trade Commissioner) and P. Solbes Mira (Economic and Monetary Affairs Commissioner).

Political responsibility for the EuropeAid Co-operation Office's actions towards the College lies with the President and the Chief Executive Officer according to their respective responsibilities. The President supervises the strategic approach of the Board whereas the Chief Executive Officer ensures that the political guidelines defined by the Board are complied with.

The Board approves, in particular, the annual work programme and the annual report of the Office's activities, the annual budget programming (including the annual forecasts of the European Development Funds) and the annual evaluation programme. It is advised of the results of the evaluations and formulates recommendations based on these evaluations.

The Director-General of the EuropeAid Co-operation Office is responsible for all operating budget appropriations falling within the field of activity of the Office and of the European Development Funds.



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## EuropeAid Co-operation Office major priorities in 2001

### I Implementation of external aid:

- ▶ identifying and preparing financing decisions for over €7 billion;
- ▶ ensuring the implementation of ongoing projects and programmes, including their evaluation and closure;
- ▶ finalising the inventory of the project portfolio and of ongoing programmes;
- ▶ pursuing the liquidation of former and dormant commitments in a sustained fashion;

### II Implementation of the reform of external aid management:

- ▶ setting up the Office;
- ▶ successfully completing the devolution of tasks and responsibilities towards the Commission Delegations;
- ▶ integrating, at the Office and in the Delegations, the functions of the Technical Assistance Offices that support the Commission in project and programme design and implementation (see box);

### III Reform of management methods so as to speed up implementation of projects and programmes:

- ▶ continuing efforts to harmonise and simplify procedures, beyond the harmonisation of contracting and subsidy allotment which was completed at the end of 2000;
- ▶ equipping itself with a high-quality information and management system in the form of a single information system (CRIS – Common Relex Information System), replacing the heterogeneous information systems inherited from the Directorates-General that formerly managed the projects. From mid-2002 onwards, this system should permit sectional classification of programmes and projects following the Development Aid Committee (DAC) and the OECD nomenclature;
- ▶ strengthening the task of evaluation by enhancing it to include the outcomes of regional and sectional policies and programming efficiency;
- ▶ strengthening project and programme monitoring capacities (see box);
- ▶ intensifying training initiatives in order to ensure a high level of professionalism.

*The entire project cycle is now managed by a single structure.*



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#### BOOSTING MONITORING CAPACITIES

The EuropeAid Cooperation Office has taken over and intensified work on creating a uniform project and programme monitoring system in the countries of the Western Balkans, Mediterranean, Latin America, Asia and ACP zones:

- external opinion: using independent specialists;
- global system: monitoring over 3000 projects in 100 countries;
- regular: once a year and then, progressively, twice a year.

By the end of 2000, the test phase had been completed, allowing for the progressive extension of the uniform monitoring system (two to three years from 2001).

#### TECHNICAL ASSISTANCE OFFICES CLOSING-UP

As per the Commission's decision, the EuropeAid Co-operation Office will conclude the activities of the 48 Technical Assistance Offices (TAO) in 2001. The tasks undertaken by the TAO will be taken up by the EuropeAid Co-operation Office or the Delegations.

In order to balance the additional workload the Commission is currently recruiting external staff.

#### IV Large-scale devolution of project management towards the Commission Delegations

The reform establishes a principle that now constitutes the Commission's line of conduct: "Everything that can be better managed or decided locally, close to the field, should not be managed or decided in Brussels".

Analysis of the various foreign aid programmes shows that part of the funds are already being allocated in a devolved fashion. The Commission has, however, started taking the necessary action to broaden and deepen the devolution process in order to complete it in 2003, should the Budgetary Authority agree the additional resources.

This involves boosting the statutory and non-statutory staffing of the Delegations, and their progressively taking over responsibility for the identification, preparation and implementation of the projects and programmes. The role of the Head Office will then move towards supervising the deconcentrated activities and providing support (technical, financial and contractual) to the Delegations.

In 2001, the Commission is proceeding with the devolution of the aid management towards 22 Delegations. This exercise should be finalised in 2002 in Europe, the Caucasus region, Central Asia, the Mediterranean, Asia and in Latin America while the process should continue in the ACP area (some 32 Delegations). The remaining 31 Delegations should be devolved in the course of 2003.

#### THE 22 DELEGATIONS INCLUDED IN THE DECONCENTRATION PROCESS IN 2001

Europe: Croatia, Russia et Yugoslavia

Mediterranean: Egypt, Morocco, Tunisia and Turkey

Asia: China, India, Indonesia and Thailand

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

Africa: South Africa, Ivory Coast, Kenya, Mali and Senegal

Caribbean: Dominican Republic

*Deconcentration is one way we hope to improve the efficient management of projects.*



More generally, the process of reforming the management of external aid goes hand in hand with a search for a better relationship between the priorities of the Community's external assistance policy and the budget resources allocated. During the informal Council of Evian (2-3 September 2000) and the General Affairs Council of 9 October 2000, the Ministers for Foreign Affairs insisted on the strengthening of coherence in the Union's external action, the translation of objectives into concrete commitments, and the improvement of synergies between Community action and that of its Member States, so that external action may become more visible and effective.

Following the initial debate (held on 23 January 2001), on the direction the European Union was taking regarding its assistance to third countries, the Commission developed guidelines for strengthening operational co-operation between the Community and its Member States in the field of external aid.

As part of this effort, the Commission has prepared data sheets showing, for each beneficiary country, the financial assistance allocated by the Community (aid and bilateral cooperation, macro-financial loans, and loans from the European Investment Bank), bilateral assistance from Member States, and multilateral assistance provided by Member States via the EBRD, the IMF and the World Bank.

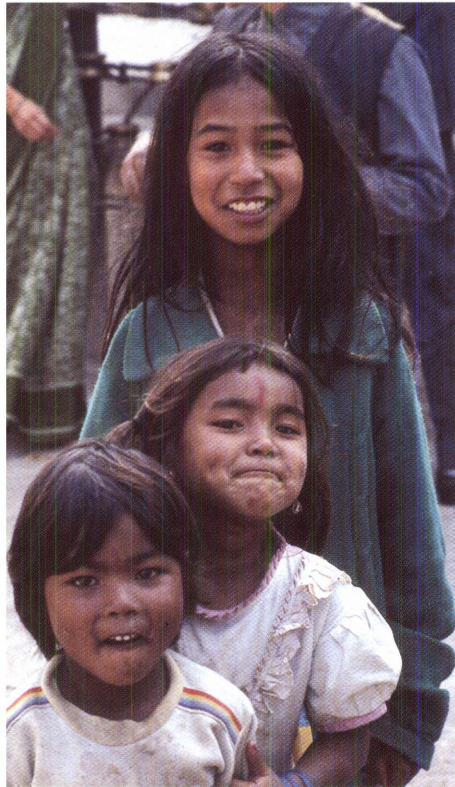
For the first time, a single document has been compiled showing the commitments made on behalf of each country since 2000, the new commitments agreed, the payments made in 2000 and the outstanding amounts still due to operations.





## II Human Rights, Environment and Other Horizontal Issues

The respect for Human Rights and the rule of law are taken for granted in EU countries. The means are available to solve any possible catastrophe in the shortest possible time. The situation is different in many other parts of the world. This is why the EC now has specific tools on a number of issues. EC actions in the fields of Human Rights, Environment, Aids, Gender, Food Safety, Rehabilitation and the Fight against Drugs today accompany other “classic” external assistance approaches and underpin the priorities decided on by the European Union in its combat against poverty in the world.



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## 1 EUROPEAN INITIATIVE FOR DEMOCRACY AND HUMAN RIGHTS

Founded on the principles of freedom, democracy and the respect of Human Rights, the European Union is defending these principles – protecting Human Rights, consolidating democracy and the rule of law, as well as fighting poverty – the promotion and protection of which are among its fundamental objectives.<sup>(11)</sup>

Beyond the Community's foreign aid programmes and the resources of the European Development Fund, the European Initiative for Democracy and Human Rights (EIDHR) offers the Union a legal framework and significant resources to provide targeted aid and to act *in situ*, on its own initiative and without prior agreement.

What is the European Initiative for Democracy and Human Rights? The EIDHR serves to bolster the EU's other actions in

the field of human rights and democratisation. Compared with other Community instruments (EDF, Tacis, ALA, MEDA, CARDS, Phare), it:

- ▶ is complementary to these programmes which are undertaken with governments in that it can be implemented with various partners, in particular NGOs and international organisations;
- ▶ represents a type of "venture capital fund" for Human Rights, allowing initiatives to be launched at a pilot or experimental level, which can then be picked up by governments on a larger scale;
- ▶ can be used without host government consent or where mainline Community programmes are not available;
- ▶ constitutes an essential complement to the EU's foreign policy and common security objectives in the fields of human rights, democratisation and conflict prevention.<sup>(12)</sup> In certain regions it represents the sole legal basis for certain activities (political and civil rights protection, election monitoring, conflict resolution initiatives, etc.).

For its beneficiaries, EIDHR provides an added value which sets it apart from other donors. Because it is identified with the European Union, it is seen as reflecting and promoting the EU's democratic values. In this way, the EIDHR is considered to emanate from Europe as a whole, rather than from specific interests or traditions.

Because it enjoys the political support of the EU, EIDHR subsidies can, in certain cases, help protect vulnerable civil society organisations.

Because the EU is an organisation committed to regional integration and given the existence of agreements between the Union and regional groupings, the EIDHR can also facilitate the adoption of Human Rights and democratisation initiatives on a regional basis.

With the exception of Turkey, the candidate countries are not eligible for the EIDHR.

### THREE EXPRESSIONS OF THE UNION'S HUMAN RIGHTS POLICY

- The European Community's foreign aid programmes attack the root causes of poverty.
- The European Development Fund (EDF) covers Africa, the Caribbean and the Pacific Region. €182 million have been spent on direct support for Human Rights and democratisation between 1997 and 2000, and €115 million on election assistance and monitoring between 1996 and 1999. (The total EDF budget amounts to €13.5 billion between 2000 and 2007.)
- The European Initiative for Democracy and Human Rights has permitted a considerable improvement in the EU's commitment. The amounts devoted to Human Rights have increased from €200,000 in 1987 to €100 million at the end of 2000. In addition, since 1999, the Union has a significant legal framework for promoting human rights in its external policy.<sup>(13)</sup> The EIDHR enables the Community, in particular, to support the activities of non-governmental and international organisations (such as the United Nations High Commission for Human Rights) as well as regional organisations (Council of Europe, OSCE, etc.).

*Future generations  
deserve to live in a  
better world*

(11) See the Communication from the Commission to the Council to the European Parliament of 8 May 2001 on the European Union's role in promoting human rights and democratisation in third countries (COM(2001)252 final).

(12) Communication of 11 April 2001 on conflict prevention (COM(2001) 211).

(13) Council Regulations 975 and 976/1999 of 29 April 1999 – OJL 120 of 8 May 1999.

## 1.1. 2000: Challenges and changes

2000 was a year of transition. It was the first full year in which regulations covering democratisation and human rights were taken into account,<sup>(14)</sup> and it was also the first time that the relevant budget headings were controlled by a single Commission department under the authority of a single Commissioner. This centralisation has brought with it greater coherence and efficiency, with a single methodology and with selection criteria and priorities making it possible to react regionally and globally without being required to submit dossiers to several departments.

Almost 80% of available funds<sup>(15)</sup> have been allocated to NGOs, who play a particularly important role in the implementation of the EIDHR. The Commission has also stepped up its co-operation with international organisations, in particular the Office of the United Nations High Commissioner for Human Rights.



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victims of Human Rights violations, and to actions to help prevent torture and mistreatment world-wide. The support given to campaigns and actions to abolish capital punishment reflects its condemnation by the EU. Over € 3.6 million went to supporting NGO participation in preparatory meetings held in Senegal, Chile and Iran in advance of the *2000 World Conference Against Racism*.

## 1.2. The main priority areas

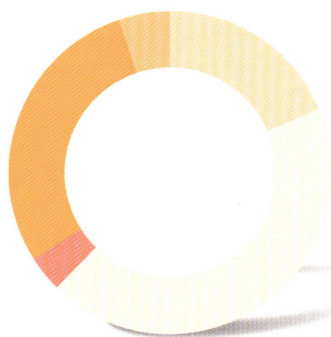
The EIDHR's priorities are influenced by various factors, in particular the strategies, actions and joint positions adopted by the EU and international fora such as the United Nations, the Council of Europe and the Organisation for Security and Co-operation in Europe. Particular attention has also been paid to the resolutions adopted by the European Parliament.

Consolidating democratisation and the rule of law, strengthening the organisations of a pluralist civil society, creating confidence and restoring peace, as well as initiatives directed at target groups, were the main areas supported by the EIDHR in 2000.

More specific priorities have included election monitoring projects, Human Rights education, strengthening NGOs, supporting international justice and protecting human rights, women and torture victims.

Almost €97 million has been allocated to 142 projects to support human rights and democracy.<sup>(16)</sup> The priorities have been:

### BREAKDOWN OF THE BUDGET BY THEMATIC PRIORITIES



Democratisation and the rule of law	€18.251.211
Pluralist civil society	€42.558.602
Confidence-building and the restoration of peace	€3.436.017
Initiatives for target groups	€28.161.893
Technical assistance	€4.888.975
<b>Total</b>	<b>€97.296.698</b>

*Child labour is one of the problems EIDHR hopes to eradicate*

### Combating torture, the death penalty, racism and xenophobia

The EIDHR devoted €9.2 million to rehabilitation centres for torture victims and to organisations offering concrete aid to

(14) See footnote 12.

(15) Budget lines B7-700 (Central and Eastern Europe, republics of the former Yugoslavia)/B7-701 (Newly Independent States and Mongolia)/B7-702 and B7-7021 (ACP Countries)/B7-703 Latin America/B7-704 (human rights organisations)/ B7-705 (Media countries)/ B7-706 (international criminal tribunals)/ B7-707 Asia/B7-709 (democratic transition and electoral processes) / B7-702.7021,703.704.705 and 707 (abolition of capital punishment).

(16) A detailed report on actions supported under the 2000 budget was published in June 2001 [http://europa.eu.int/comm/external\\_relations/human\\_rights/doc/sec01\\_801\\_fr.pdf](http://europa.eu.int/comm/external_relations/human_rights/doc/sec01_801_fr.pdf)



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In Katmandu, these children are considered adolescents. They must go out each day and make a living.

#### Education in human rights and freedom of expression

The EIDHR has devoted €7 million to Human Rights education, to public awareness work in Kazakhstan, Belarus, Moldova, Russia, Jordan, Palestine, Lebanon, Israel, India, Indonesia, Cambodia, Hong Kong and Burma/Myanmar, as well as to the African Master's Programme in Human Rights organised by the University of Pretoria.

On top of this, over €3.8 million has been attributed in support of the media and freedom of expression in various parts of the world, including the Balkans.

#### Protection of vulnerable groups, in particular children

Twelve children's projects (reintegration of street children, child victims of discrimination, violence and mistreatment) have received funding of over €8.4 million. The large-scale UNICEF programme to integrate child soldiers who were in the Sierra Leone armed forces back into their communities was given €2 million. Other initiatives directed at minorities, native populations, refugees and displaced persons have also been supported.

#### Promotion and protection of women's rights

Five women's emancipation projects have been financed. The Institut Méditerranéen (IMED) received €1.4 million for actions in Algeria, Morocco and Tunisia in order to increase the potential and operational capacities of women's associations, trade unions and NGOs working to promote and safeguard women's rights.

#### Promotion of democracy and the rule of law

Most of the projects supported in this area were carried out in the ACP region. Particular attention has also been paid to election-monitoring missions, in particular in Sri Lanka, Zimbabwe and Peru.

#### 1.3. Other specific aid

Supporting institutions working in the Human Rights field is one of the Community's missions. This targeted support spans organisations which are as different as NGOs and international tribunals. With a view to democratisation and justice, the EU is also supporting those working for the abolition of the death penalty.

#### Human Rights organisations

In 2000, 14 NGO-originated projects received €15.5 million in support. Examples include:

- ▶ a mission of the Dutch NGO *Netherlands Organisation for Development* to coordinate the training of workers in its 21 member organisations, 260 of whom are working to promote human rights. A subsidy of €346.000 has been granted for its activities in Somalia;
- ▶ the *British Council* project supporting an information network providing data on Nigerian civil society organisations and Human Rights has been granted €791.000 to create publicly available data on human rights (policy, organisations, budgets, programmes, etc.).

#### International criminal tribunals

The objective is to improve the operations of the International Tribunal for the Former Yugoslavia and the International War Crimes Tribunal for Rwanda by means of various evidence-seeking operations (missions, surveys, witness travel, exhumations, etc.). Preparatory work towards setting up an International Criminal Court has also been supported.

- ▶ Press coverage of criminal proceedings instigated world-wide for acts of genocide, crimes against humanity, war crimes and Human Rights violations, is one project of the NGO *Intermedia*, which has received a grant of €770.000.
- ▶ The *Non c'è pace senza giustizia* NGO sets out to facilitate the effective introduction of international instruments of Human Rights, humanitarian law and international criminal law. It has received support worth €515.000.



### Democratic transition and electoral processes

Supporting elections is an important aspect of the EU's contribution to democratisation and development in third countries, in the context both of its long-term humanitarian aid and its political dialogue. Wherever feasible, election monitoring is undertaken jointly with other international players, so as to achieve a coherent international approach and to facilitate third countries' efforts to organise observers' independence. The assistance and observation missions that the Commission supports<sup>(17)</sup> cover a wide range of areas from personnel training to controlling media access during campaigns. It also covers the evaluation of the EU's participation in international monitoring missions during both election and post-electoral periods. €4.6 million was committed to this project.

### Abolition of the death penalty

The EIDHR supports campaigns to mobilise public opinion to obtain a moratorium and, in the longer term, the abolition of the death penalty. A series of projects reflect the EU's condemnation of the death penalty:

- ▀ placements and lectures for training almost 100 students a year over a 3-year period in assisting people condemned to death have been organised in the capital punishment studies department of the *University of Westminster* (UK). Specialist data bases have also been created for the lawyers of people sentenced to death. This project has received €676.000;
- ▀ the creation of a *research and training centre for DNA testing* in the field of forensic medicine. This initiative by the *University of the Philippines* can, in certain cases, help overturn verdicts, particularly for people awaiting execution in the country's prisons. €305.600 has been made available to support this action.

### 1.4. Actions, region by region

From one country and continent to the next, initiatives receiving EU support combat similar shortcomings: lack of democracy, denial of fundamental Human Rights (the primary victims of which are often women, children and minorities), and the lack of press and other freedoms. In various regions, however, depending on the historical and cultural context and the degree of urgency, special emergency situations arise, and the projects devoted to resolving them receive extensive Union support.

The most significant actions in the various regions are reported in the chapters devoted to these regions.

### 1.5. Perspectives

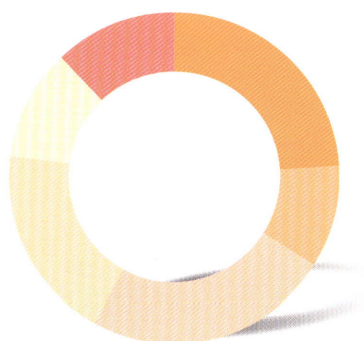
In May 2000, the Commission adopted a communication setting out three areas in which it could play a more effective role in pursuing the European Union's objectives in the field of Human Rights and democratisation:

- ▀ encouraging consistency between EU and EC policies, whilst according greater priority to these objectives in the European Union's relations with third countries;
- ▀ ensuring that the full range of the Community's aid instruments are mobilised to support the Human Rights and democratisation objectives;
- ▀ adopting a more targeted and strategic approach to the European Initiative for Democracy and Human Rights.

The Commission's approach to the EIDHR is based on a limited number of priority themes and a certain number of countries. These will be examined annually, in consultation with Member States, Parliament and civil society organisations. The management reforms – those which relate to EIDHR have already begun – will continue in order to achieve greater transparency and efficiency, and a lasting impact.

### EIDHR: REGIONAL SHARE IN 2000

In Asia, 10 times more projects have been supported during 2000 than between 1996 and 1999. Allocations to the ACP and Latin American regions have also increased.



World-wide	12%
ACP	24%
Asia	10%
CEEC, SEE and NIS	24%
Latin America	19%
MEDA	11%



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European NGOs often work in very difficult conditions.

## 2. PARTNERSHIP WITH NGOS

For many years, the European Commission has been supplementing its development aid programmes by supporting specific projects that respond to local needs, under the auspices of European NGOs or of NGO groupings in developing countries. This approach takes greater account of the needs of civil society and of micro-projects. Two major elements of the EC's work are responding to these needs: co-financing with European NGOs and decentralised co-operation.

Since 1976, the European Commission has been **co-financing, with European non-governmental organisations (ENGOS)**, specific operations corresponding to the needs of vulnerable groups.<sup>(18)</sup> These partnerships, which lend an additional

dimension to the Union's development policy, benefit from the active support of the European Parliament. They are growing in number and their budget topped €200 million in 2000.

These co-financing operations are different from other Union development aid in two ways:

- ▶ funding may be granted only to organisations having their headquarters and their decision-making centres in one of the member states;
- ▶ they correspond to requests from ENGOS, which alone have the right to take initiatives.

Another flexible concept, that of **decentralised co-operation**, was introduced into the fourth Lomé agreement (1990-2000), which, until the Cotonou agreements were signed, linked the European Community and the countries of Africa, the Caribbean and the Pacific (ACP).<sup>(19)</sup> Given the concern to provide development aid which is directed at increasing the autonomy of southern hemisphere countries, this co-operation may be established with a large number of partners: ENGOS, NGOs in developing countries, local public authorities, professional groupings, etc. In particular, this approach makes it possible to respond to emergencies and the requests of different components of civil society, and to support micro-projects.

### 2.1. Co-financing with the European NGOs

In these specific partnerships, the Union supports three kinds of operation conducted by ENGOS:

- ▶ *in situ* operations;
- ▶ awareness-raising campaigns in Member States;
- ▶ operations to strengthen co-operation.

#### *In situ* operations

These operations are conducted by ENGOS in collaboration with their partners in developing countries. Their main objective is to fight poverty and to improve the quality of life and the capacity for development of local populations. They involve various projects, but special attention is accorded to strengthening the organisations of civil society and to participatory development, favouring Human Rights and democracy, the role of women, sustainable development, the defence of threatened cultures and the protection of children.

These operations<sup>(20)</sup> take the form of multiannual programmes or global funding packages. The latter are "bouquets of projects" proposed by an ENGO and which combine a number of different initiatives. The beneficiaries of such funding are the poorest groups of people, who are often marginalised and who are not the subject of official co-operation programmes. Such operations are proposed by the ENGOS in order to reach these groups and are initiated and conducted in collaboration with their partners in developing countries. The Cotonou agreements have introduced the requirement for ACP countries to develop their individual poverty reduction programmes in co-operation with organisations of their civil societies.

Operations co-financed with ENGOS are mainly undertaken in less developed countries or countries undergoing rehabilitation. Other operations are carried out in states where support for civil society organisations is vital in order to strengthen the democratic process and in those with which official co-operation from the Community has been suspended or has never existed because of a conflict.

(18) The legal basis of this co-operation was fixed in 1998 (Regulation 1658/98). In January 2000, new general conditions supplemented this Regulation, replacing those of 1988.

(19) Co-operation between the EC and the ACP countries has been governed since 1975 by the Lomé Convention. It is regularly brought up to date, and was reorganised in depth by the Cotonou agreements in 2000.

(20) Whether or not this kind of operation will be continued in 2002, will depend on the outcome of an independent assessment conducted at the request of the Commission.

Operations receiving support in 2000 covered mostly vocational training, primary health care in urban and rural areas, and institutional support for local development structures, including partner organisations in developing countries.

### Awareness-raising campaigns in Member States

These operations mobilise public attention in Europe in favour of action strategies intended to have a positive impact on populations in developing countries. They target specific groups (schools, consumers, etc.) and concern clearly defined themes (fair trade, debt, food security, etc.). They are based on a balanced analysis and proper knowledge of the themes and the targeted groups, and must have a European dimension. In order to reach Member States' citizens, the Commission is co-financing projects proposed and initiated by ENGOs, who act as intermediaries and constitute a bridge between public opinion in the Union and the populations of developing countries.

**Particular attention** is paid to projects that:

- ▶ stress interdependence between the European Union and developing countries in three main areas: labour, the environment and conflict prevention;
- ▶ mobilise support in favour of more just North-South relations;
- ▶ encourage collaboration between ENGOs;
- ▶ permit active participation by the partners in the developing countries.

**Programmes to strengthen** awareness-creating capacity are also co-financed. This new tool is aimed at small ENGOs working in this field. Each programme consists of "micro-actions" and joint actions which build on experience already gained.

In 2000, co-financing concerned projects to make development a part of school curricula, projects to promote alternative trade and support for lobbying campaigns such as those concerning debt and food security.

### Operations to strengthen cooperation

These operations support the development of exchange networks and appropriate forms of communication in order to strengthen and to co-ordinate synergies between NGOs and States, and between these organisations and Community institutions.

They aim at promoting a strategic approach that goes beyond ordinary projects and programmes by stressing analysis and political dialogue.



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### Procedures to be followed

2000 marked a turning point in the procedures governing such operations. Previously, applications for co-financing could be received throughout the year. They must now respond to calls for proposals, the first of which was published in June 2000. However, a great number of applications had been received before this system was introduced (i.e., before 30 November 1999). 2000 was thus spent in examining these requests (a total of 1 156: 673 *in situ* and 483 awareness-raising projects) along with examining responses to the first call.

The overall grants for the period 1993-1996 were also closed. This involved 609 contracts covering 9.226 projects.

The overall funding represented a budget of almost €200 million, of which almost the entire amount has been committed. The actual disbursements amounted to €164.4 million.

## 2.2. Decentralised Co-operation

Decentralised co-operation concerns various players, both in Member States and in developing countries: public authorities and local initiative groups, NGOs, various associations, teaching and research institutions, churches, etc.

***Mobilising European public opinion to help developing populations is an arduous task.***

Operations supported by the EC in this perspective therefore stress different fields. The **fields of priority action** are:

- ▶ training (participatory workshops, transfer of experience and know-how);
- ▶ research (joint research programmes, experimental programmes);
- ▶ providing information and mobilising players in the presentation and implementation of programmes;
- ▶ identification of potential decentralised players, whose roles and responsibilities must be defined and who might benefit from management training;
- ▶ developing technical and methodological tools to facilitate all these operations.

The Commission may also provide funding of up to 100% for certain operations. Such funding must be justified and, within the context of continued dialogue, relate to collaboration and interface agreements and expert studies. Possible co-financing with other funding providers may be sought, particularly with other Member States.

In order to be selected, a project must meet at least one of the five basic criteria of decentralised co-operation:

- ▶ the project must emanate from one of the above-mentioned players, which must be genuinely and actively involved in its implementation;
- ▶ a search for consultation and complementarity between the various players;
- ▶ the project must be managed by a player that is distinct from the government of the country in question;
- ▶ the project must be part of a development process and not a one-off operation;
- ▶ priority is given to the strengthening of capacities and institutional development.

Selected projects are subjected to detailed analysis (compatibility with the EU co-operation strategy, reliability of the applicant and its partners, viability of the envisaged operation, etc.) by the delegations and by the geographical and technical services;

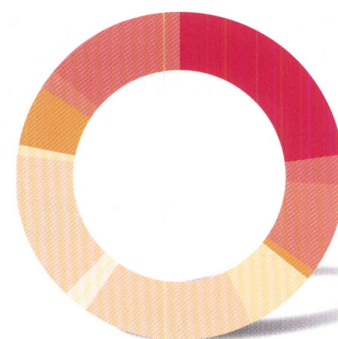
In terms of commitment, total budget utilisation is around €3 million. 82 disbursements have been made, totalling more than €5.5 million.

Like in previous years, applicants from the northern hemisphere received more Community aid than those from the southern hemisphere (two-thirds to one-third), as illustrated below.

**FOR EACH REGION, THE TREND OF PREVIOUS YEARS HAS REMAINED STABLE:**

REGIONS	PERCENTAGES
Africa	40%
Pacific	5%
ACP Countries	9%
Latin America	20%
Mediterranean	13%
Other countries	13%

**COMMITMENTS TO DEVELOPING COUNTRIES, BROKEN DOWN BY MEMBER STATE. AMOUNTS COMMITTED AND CLOSED AT 30.11.2000**



Germany	23%
Austria	3%
Belgium	9%
Denmark	1%
Spain	7%
France	17%
Finland	1%
Greece	-
Ireland	1%
Italy	15%
Luxemburg	1%
The Netherlands	6%
Portugal	2%
United Kingdom	14%

### 3. WOMEN: EQUAL OPPORTUNITIES

One and a half billion people are living below the poverty line, 70% of whom are women (According to the UNDP 2001 Global Human Development Report), most of whom are also illiterate.

The Fourth United Nations World Conference on Women (Beijing, September 1995) highlighted women's precarious situation in developing countries and the inequalities they suffer. Socio-economic inclusion, access to resources, opportunities for personal development, the control of assets and decision-making power are all elements which they have difficulty in accessing.

On 20 December 1995 the Council adopted a Resolution on the integration of equality between men and women in development co-operation.<sup>(21)</sup> This resolution stresses that the elimination of the disparities between the sexes represents an essential element of development, from the standpoint both of equality, and of the effectiveness of the aid provided.

This "gender" approach will help to ensure lasting and equitable development, in that it takes on board all the specific characteristics of men and women, as beneficiaries, players and decision-makers.

Community aid<sup>(22)</sup> aims to supplement and strengthen that provided by other development co-operation tools (intergovernmental and/or national). In allocating this aid, priority is given to strategic activities and initiatives having a potential multiple effect rather than to financing small-scale operational projects.

#### 3.1. Activities in 2000

The Commission has played an active role in developing the 2001-2006 Action Programme,<sup>(23)</sup> in particular through its efforts to mainstream "gender" in development co-operation. This programme capitalises on progress and results to date and proposes concrete actions for the next five years. These include taking a more systematic account of the "gender" approach throughout the project cycle. The *Project Cycle Management Manual* was revised during 2000 to give greater prominence to this dimension.



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#### REGIONAL BREAKDOWN

- 70% of the "gender" budget has been spent on supporting training, awareness-raising and development initiatives, mainly in Latin American countries.
- 16% of this budget heading has been used to train and encourage public and private bodies in ACP countries to support and facilitate the "gender" approach in every area.
- 14% of the grants have been devoted to projects for monitoring and supervising national plans for implementing the recommendations of the Beijing Platform for Action, in particular in ACP countries.

*Disparities between the rights of men and women is the source of much poverty.*

(21) This resolution is based on a Communication by the Commission (COM(1995)0423/F) containing elements of the Action Platform adopted during the Beijing Conference. The Commission has subsequently (in 2001) adopted a new communication on mainstreaming.

(22) According to Council Regulation (EC) No 2836/98 on the integration of gender issues.

(23) This programme is the subject of a Communication by the Commission to the Council and to Parliament, adopted in 2001 (COM(2001)295 final of 21.06.2001).



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## 4. FROM FOOD AID TO FOOD SECURITY

Over the last ten years, the European Commission has moved from thinking in terms of food aid to thinking in terms of food security. Under this different approach, the concern is that the poorest and most vulnerable populations be guaranteed permanent access to long-term food supply of good quality. It is agreed that they must also be given the means, wherever possible, to participate in the economic activities of this vital sector.

The transition from classic food aid to the fight against food insecurity was made in 1996, when the Council adopted a Regulation which defines the present legal framework of the "food security" programme of the European Commission.<sup>(24)</sup>

This ruling is a milestone inasmuch as it **includes food security in sustainable development and in poverty reduction policies.**

It makes possible a global approach to food security by targeting simultaneously supply (increasing agricultural production and/or imports, market information systems and developing the private sector), demand (the diversification and increase of family incomes and the access of vulnerable groups to basic social services) and crisis prevention (early warning system, restructuring buffer stocks).

It also paves the way for strengthening the capacities of active local and national partners (including ministries of agriculture) as well as the development of budget support to beneficiary governments.

In this process, emphasis is placed on **various instruments.** The most important among them are access to production factors (inputs, seeds, equipment, security of land tenure) as well as to credit and information, the development of non-farming jobs and the diversification of family income, increasing people's ability to participate in decision-making and guaranteeing the rights of communities. These are all elements which are closely associated with combating poverty.

Lastly, this regulation recognises that priority must be given to targeting the food security programme to the most vulnerable populations and the least developed countries (LDCs).

### EVALUATION OF THE PROGRAMME

In 2000 the Commission had an independent evaluation made of its food aid and security programme. This evaluation showed the relevance of the food security programme in the fight against poverty and the need to maintain it.

Maintaining this specific instrument facilitates the support of community efforts:

- In the domain of structural food insecurity (the first step in reducing long-term poverty), the problems caused by insufficient provision of food and specific nutritional conditions.
- With regard to filling the gap between urgent aid, rehabilitation and development assistance.
- With regard to the EC's commitments in its international agreements and multilateral activities to establish the strategic frameworks of the fight against poverty.

The evaluation underlined the necessity for coherence, not only in food security but also in other community actions, within the global strategy for each country. It showed that strategies for each country should take all instruments into account, in a coherent and complementary way.

In order to measure the impact of this programme better, it was recommended that specific criteria and verifiable indicators as well as a systematic follow up and evaluation of actions on the ground be developed for all projects and programmes.

*Helping countries become self-sufficient in terms of food production is our long-term strategy.*

(24) Regulation No 1292/96, adopted by the Council of the European Union on 27 June 1996.

## 4.1. Food security and existing strategies

In order to be effective, the fight against food insecurity must be conducted with consultation and co-ordination. It must develop opportunities of synergy and complementarity with the different Community development programmes, taking into account the action of other donors. In order to achieve this, the Commission is committed to respecting the international Food Aid Convention.

### INTERNATIONAL FOOD AID CONVENTION

This agreement is the reference document for the main donors. It fixes the minimum annual commitments in food aid from the signatory countries\* and specifies common rules in order to limit the negative side-effects. As re-negotiated in 1999, this international agreement aims at a better integration of food aid in the overall context of support for food security.

\* Argentina, Australia, Canada, EC and Member States, Japan, Norway, Switzerland, United States.

### Community Programmes

The food security programme is applied in different regional areas, each of which has specific co-operation agreements with the EU, on the basis of which opportunities for synergy and co-operation are sought. These regional programmes include the EDF (Africa, Caribbean and Pacific Islands), ALA (Latin America), MED (Mediterranean area), OBNOVA (former Yugoslavia and the Balkans) and TACIS (Newly Independent States). This desire for coherence has now been formalised by the drafting of a single Community strategy for each country, which is vital in ensuring complementarity between the different programmes and co-operation with other financial backers, especially the United States.

Within the Union, Member States approve the strategic guidelines of the food security programme and the funding proposals per country and per partner. There is also a code of conduct on food aid between Member States and the Commission. In practice, co-ordination is established on a case by case basis, according to the degree of commitment of the donors and the nature of the programmes being implemented.

### Specific Agreements

Furthermore, specific co-ordination agreements exist, with a section on food security, with certain donors. Thus in the context of United States-EC dialogue, co-operation between the Commission and the USAID co-operation agency concentrates on seven pilot countries: Bangladesh, Bolivia, Ethiopia, Haiti, Kyrgyzstan, Malawi and Mozambique.



© European Commission

### INTERVENTION COUNTRIES

Concentrating the interventions of the Commission on the most vulnerable countries has been one of the priorities of the Community food security policy over the last few years. Whether direct or indirect, these interventions target 34 countries, most of which have low incomes and are not self-sufficient in food production. According to the nature of the food problems, these countries are divided into two groups: structural intervention countries and crisis or post-crisis countries.

#### Structural Intervention Countries:

Armenia – Azerbaijan – Bangladesh – Bolivia – Burkina Faso – Cape Verde Islands – Ethiopia – Georgia – Haiti – Honduras – Kyrgyzstan – Madagascar – Malawi – Mauritania – Moldavia – Mozambique – Nicaragua – Niger – Peru – Yemen.

In these 20 countries, the respective governments are motivated to move towards a long term food security policy, which has already been drafted or is still being negotiated.

#### Crisis or Post-Crisis Countries:

Albania – Angola – North Korea – Ecuador – Eritrea – Liberia – Montenegro – Palestine – D.R. Congo – Rwanda – Sierra Leone – Somalia – Sudan – Tajikistan.

In these 14 countries, the interventions are dictated more by the current economic situation: a supply of food aid, farming implements and seeds, combined with additional technical and financial support help avert the risk of famine or restore the social and economic fabric of countries affected by conflicts.

*Food aid interventions were necessary in over 34 countries this year alone.*



© Paul Webber

In 2000, the European Commission and FAO signed a co-operation agreement covering certain areas of Africa and Central Asia. This agreement is basically concerned with two approaches: developing and extending the Global Information and Early Warning System (GIAWS) and training southern countries in sectoral policies with a view to multilateral negotiations within the WTO.

The United Nations Relief and Work Agency for Palestinian refugees (UNRWA) in the Middle East is the third international organisation to benefit from indirect aid. Its remit is to guarantee access to basic social services (including health and education) for Palestinian refugees in Jordan, Syria, the Lebanon and Palestine.

NGOs in turn receive a significant share of the indirect aid,

## 4.2. Partnerships

### Direct Aid

Close to half of the food security programme funding goes to direct aid. This permits the Commission to intervene *in situ*, either by funding government programmes via budget support, or else by giving direct support to private or public bodies at the local level. In both cases, this aid requires a funding agreement between the beneficiary government and the European Commission, specifying the implementation arrangements as well as the conditions to which this aid is submitted. Direct aid is offered only to structural intervention countries in which there is a constructive dialogue with the government, that enables the concerted implementation of a national food security strategy. This dialogue also implies varying degrees of co-ordination with the other intervening parties (donors, international and local NGOs, civil society organisations, private sector).

### Partnership

In 2000, direct aid amounted to €196 million. This aid is concentrated in the structural intervention countries. Examples are given in the geographical sections.

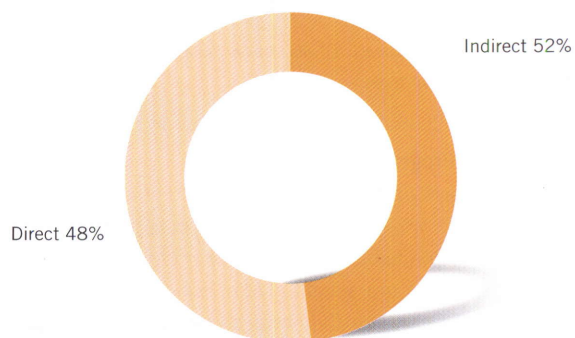
### Indirect Aid

Indirect aid is the second pillar of the food security programme. This permits the Commission to grant financial support to international organisations and non-governmental organisations in the food security programme intervention countries.

The first beneficiary of indirect aid is the World Food Programme (WFP). Here community support is focused on emergency and rehabilitation programmes – the International Emergency Food Reserve (IEFR) and the protracted Relief and Rehabilitation Programme (PRRO) – for which the WFP can contribute all its added value. Examples of this occurred in North Korea and in Ethiopia.

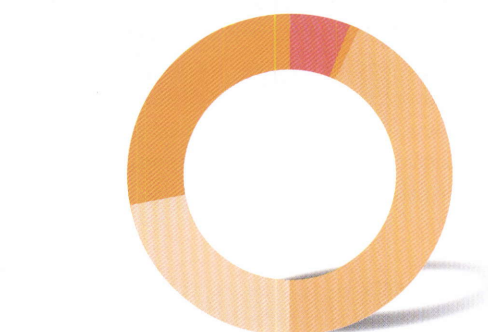
**Different channels  
are used to  
implement food  
security programmes.**

### PARTNERSHIP (€ million)



Partners	Value
Direct	196.06
Indirect	213.65
Other	48.70
<b>Total</b>	<b>458.41</b>

### INDIRECT AID (€ million)



Indirect	Value	%
WFP	90.00	43%
Euronaid (NGO)	48.05	22%
NGO	60	28%
UNRWA	13.80	6%
FAO	1.80	1%
<b>Total</b>	<b>213.65</b>	



which takes two forms of funding. In the first case, a financial contribution is sent to EuronAid, a collective of NGO partners of the European Commission. EuronAid manages all allocations in produce aid (food aid, inputs, seeds, implements) attributed to NGO products. In the second case, an overall financial allocation is attributed to NGO projects that respond to the structural problems of food insecurity on the basis of a call for proposals.

### 4.3. Intervention Instruments

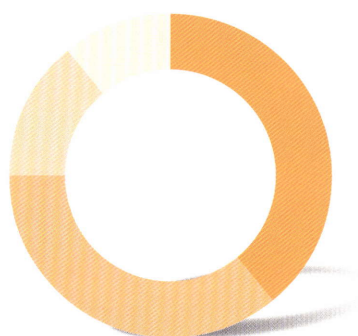
The ruling of 1996 authorises a wide range of instruments to support food security. These may take the form of financial aid, food aid, currency facilities and food security support

actions. Technical assistance teams composed of experts, agronomists or economists, work *in situ* to implement the programmes.

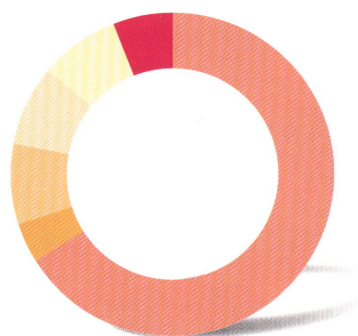
#### Food Aid in Kind

Food aid is intended to meet emergency, post-crisis and rehabilitation situations, or to prevent crises. It may be distributed free to targeted groups who are particularly vulnerable, or be used to reconstitute national buffer stocks. The WFO and the EuronAid NGO collective are the two principal partners which manage these operations. Generally speaking, priority is given to local and triangular purchases rather than to European food produce in order to reduce the risks of market distortion and to participate in the stimulation of the private sector. In the

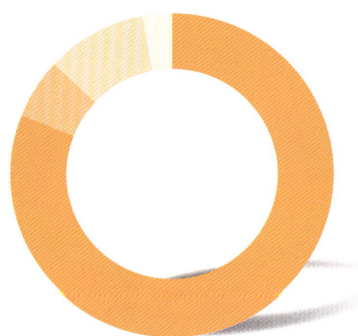
#### INSTRUMENTS (€ million)



Category		Value		
Products	Cereals	56.50	39%	
	Vegetable oil	3.72		
	Powdered milk	7.05		
	Sugar	7.05		
	Vegetables	7.05		
	Other products	5.20		
	Transportation	93.94		
	Currency facilities	64.70	14%	
	Food security	Support actions	132.70	36%
		Tools	9.77	
Technical assistance		17.03		
Early warning		5.00		
Other	Early warning	5.00		
	Other	48.70	11%	
<b>Total</b>		<b>458.41</b>		



Products	Value	
Cereals	56.50	66%
Vegetable oil	3.72	4%
Powdered milk	7.05	8%
Sugar	7.05	8%
Vegetables	7.05	8%
Other products	5.20	6%



Food Security	Value	
Support actions	132.70	81%
Tools	9.77	6%
Technical assistance	17.03	10%
Early warning systems	5.00	3%



A shipment of food aid waiting to be distributed.

tor at local and regional levels. The funds generated by these sales are paid to the government to support public expenses and reforms previously agreed upon in the co-operation agreement between the government and the Commission. Three major intervention categories can be identified: support for institutional reforms, funding of public expenses considered to be priorities by the European Community and targeted aid for specific projects.

### Actions to support food security

Support actions take six basic forms:

#### National Crisis Prevention Systems

Priority is given to restructuring and reconstituting national buffer stocks, the introduction and maintenance of early warning systems, support for the FAO-managed Global Information and Early Warning System (GIEWS), as well as, where appropriate, the restructuring of specialist food security monitoring and crisis prevention bodies (Niger, Burkina Faso) and the fight against crickets (Madagascar).

#### Strengthening Capacities

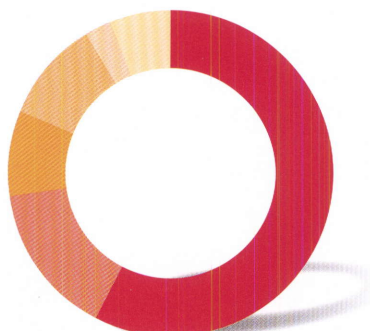
This institutional support can cover a wide range of programmes such as the restructuring of ministerial institutions, applied research, training and local awareness-raising, support in defining sectoral policies (Mozambique), decentralisation policies (Bolivia) and for developing agricultural statistics (Yemen).

poorest countries or those in the course of rehabilitation, seeds are also distributed – in addition to food – to facilitate the re-settling of displaced persons.

#### Budget Support

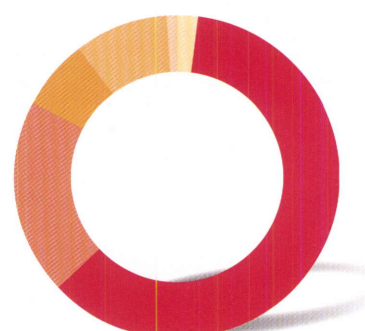
Budget support occurs in two stages. Financial aid, in the form of a currency facility,<sup>(25)</sup> is paid to the Treasury of the beneficiary government to support the balance of payments, which makes it possible to fund shortfalls on regional or international markets without threatening currency reserves. The food produce thus purchased is then resold on national markets via private operators, thereby stimulating the role of the private sec-

### GEOGRAPHICAL DISTRIBUTION (€ million)



Geographical zones	Value	Products	%
ACP	236.83		57.80%
Asia	61.34		14.97%
NEI	41.43		10.11%
Europe	11.00		2.68%
Latin America	34.31		8.37%
Mediterranean & middle East	24.80		6.00%
Other	48.70		
<b>Total</b>	<b>458.41</b>		

### ACP COUNTRIES DISTRIBUTION (€ million)



ACP	Value	Products	%
Eastern Africa	144.43		61.0%
Southern Africa	46.46		19.6%
Central Africa	16.56		7.0%
Western Africa	22.12		9.3%
Caribbean	4.65		2.0%
Indian Ocean	2.61		1.1%
<b>Total</b>	<b>236.83</b>		

### Development and Diversification of Production

In this field too, intervention can take many forms, including the development/ restructuring of production and marketing channels and the distribution of tools, inputs, and seeds (North Korea). Actions are also planned to facilitate access to funding and loans for small farmers, and to contribute to land reform (Newly Independent States), reforestation, fighting erosion and other environmental aspects, as well as support for processing and increasing added value (Honduras).

### Marketing Support

This assistance can take very different forms, including the promotion of export channels and local production, the development of the private sector via currency facilities, the development of infrastructures, restructuring processing industries, strengthening local organisations and farming cooperatives (Nicaragua) and credit assistance to trading enterprises.

### Support for Family Incomes

With a view to making up for household income shortfalls, food security policy is contributing, among other things, to developing highly labour-intensive work (Cape Verde), the creation of rural jobs, the funding of micro-projects (Mauritania) and the supply of drinking water. It is also supporting basic services and helping to target these at vulnerable women (Bangladesh).

### Rehabilitation

As part of the rehabilitation effort, logistical support is being provided for the return of refugees. This involves providing back-up support in various fields including re-starting farming production (Liberia), reconstituting herds and free distribution of inputs (Angola).

### Technical Assistance

Technical assistants are the cornerstone of the implementation of food security programmes in intervention countries.

They are experts in agronomy or economics working *in situ*,

either within a local food security unit or else within the Ministry of Finance or a technical ministry (agriculture or social affairs). They have a crucial part to play in implementing budget support programmes (including controlling and targeting funded public expenses) and in relations with food security programme partners such as NGOs and civil society organisations.

## 4.4. Perspectives

The problem of food security in southern hemisphere countries – particularly in the LDCs – cannot be tackled by development aid and international co-operation alone. This is because trade has a very important part to play in food security, at both regional and national levels. In this context prospects of regional integration, which the Commission is seeking to help promote in its re-negotiation of the EU-ACP partnership agreements, are opening up new horizons for food security.

The liberalisation of international trade<sup>(26)</sup> has important consequences for food security. While it is true that it offers possibilities to southern countries to develop their markets and commercial outlets, the resulting competition between farming systems with widely differing levels of productivity can in fact increase food insecurity. Here it should be observed that, during discussions on farming in 2000, the most active WTO members were the developing countries. Food security in the context of market liberalisation requires that developing countries develop tools for managing their national markets that can compensate for the competitive imbalance between north and south and take full advantage of their positive comparative competitiveness so that they can benefit from better access to the markets of industrialised countries. The European Union has just responded positively to the latter concern by opening up its internal market to all products from the 49 least developed countries, except for weapons<sup>(27)</sup>.

***The products of all 49 least developed countries, weapons excluded, now have access to EU markets.***

(25) Except for countries in the CFA Franc area which are attached to the euro.

(26) Particularly since the signing of the Marrakech agreements which led to the creation of the WTO in 1994.

(27) "Everything But Weapons" initiative

(28) Budget headings B7-6211 (AIDS), B7-310 (demography) and B7-6212 (AIDS and demography).



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The prevention of AIDS no longer concerns only women, men too are being taught to protect themselves from the virus.

## 5. AIDS AND POPULATION

While it is a global disease, the characteristics and consequences of AIDS vary from one continent to another, and the responses cannot be identical. In developing countries, particular attention must be paid to certain socio-cultural and economic realities, in particular women's daily lives and their conditions of poverty. These realities, in many aspects, tie in with the demographic problems which affect most of these regions.

The size of the AIDS pandemic, which has hit developing countries with full force, has required the European Union to intensify its efforts to support their national strategies, with a greater focus on the factors promoting the spread of the sickness. This approach has led, in particular, to initiatives to improve the status of women and strengthen basic communities, which are called on to care for affected families and individuals.

At the same time, most developing countries find several obstacles to achieving a lasting human development: unacceptable levels of childbirth related deaths and deplorable obstetric conditions are just some of these obstacles. It is therefore urgently necessary to help developing countries implement global demographic programmes and politics covering the entire field of obstetric health.

Alongside the major co-operation programmes with developing countries, the Community has specific budget headings<sup>(28)</sup> which since 1990 have allowed it to finance pilot projects and one-off actions that respond to these objectives.<sup>(29)</sup> In 1994, this particular effort accelerated with the Action Programme on Population and Development introduced at the Cairo International Conference, followed by the Beijing Conference and the Cairo Plus Five Process in 1999.

### OBJECTIVES OF THE AIDS – POPULATION ACTIONS

#### AIDS

- Reducing the number of new infections,
- strengthening the health and social security sectors to face the growing burdens linked to the expansion of the pandemic,
- supporting governments and communities in assessing the social and economic impacts of the epidemic,
- developing scientific knowledge about the epidemic and the project results,
- combating discrimination and social and economic exclusion of AIDS victims and high risk groups.

#### POPULATION

- Allowing women, men and adolescents to exercise their choice freely, with full knowledge of the facts, as to the number of children they wish to have and the spacing of births,
- helping to create a socio-cultural, economic and educational environment that is propitious to the full exercise of this choice, especially for women and adolescents, in particular by condemning and eliminating all forms of sexual violence, mutilation and abuse that undermine their dignity and their health,
- aiding the development or reform of health systems in order to improve the accessibility and quality of birth-related health care for men and women, including adolescents, thereby significantly reducing the health risks for women and children.

For further information:

[http://europa.eu.int/comm/development/aids/html/policiesnf\\_fr.htm](http://europa.eu.int/comm/development/aids/html/policiesnf_fr.htm)

### 5.1. Activities in 2000

Actions undertaken in 2000 have included the **implementation** and **follow-up** of activities launched in earlier years. In December, this entailed the authorisation of 70 projects totalling €55 million. An external **evaluation** was produced of activities undertaken between 1997-1999, and a report presented in November 2000.

A **call for proposals** was published on 19 January 2000 and received 295 responses. This call was a first for these budget headings, as it was addressed to a wide range of players – in particular NGOs, research institutes, community organisations and public and private services.

In 2000, 17 projects totalling €20.1 million were selected, they can be broken down as follows:

▶ <b>AIDS:</b>	<b>12 projects</b>	<b>€14.1 million</b>
▶ <b>Population:</b>	<b>5 projects</b>	<b>€5.2 million</b>

As the existing population policy project in the Gaza strip was extended, so was its €800.000 budget, also included under this heading.

One project in particular is concerned with global research into the development and availability of microbicides. The other interventions divide up as follows between the geographic zones: ACP 6, Asia 7, Latin America 2 and Mediterranean 1. All projects were selected in consultation with the Commission delegations in the countries concerned.

15 high quality proposals which could not be selected in 2000 will be financed out of the 2001 budget.



© Christos Gofas

The creation and development of medical infrastructures is necessary to halt the spread of AIDS.

### 5.2. Perspectives

The European Union has **reconfirmed its commitment** to reducing the spread of the AIDS epidemic and continues to adhere to the conclusions of the Cairo Conference (1994). The EC is also contributing to the Global Health Fund. In addition to the implementation of policies to support the health systems in developing countries, **special attention** is being paid to actions relating to transmissible diseases, in particular AIDS, malaria and tuberculosis, in the context of the fight against poverty. To this end, two Communications from the Commission were prepared to be submitted to Parliament in 2001. In September 2000, a round table was organised to prepare an action plan, which has influenced the programming of the thematic budget headings.

(28) Budget headings B7-6211 (AIDS), B7-310 (demography) and B7-6212 (AIDS and demography).

(29) The principles presiding the selection of activities and the resources used reflect the objectives indicated in Council Regulation (EC) No 550/97 (fight against HIV/AIDS) and Council Regulation (EC) No 1484/97 of 22 July 1997 (aid for population policies and programmes).



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## 6. DRUGS

Prevention, treatment, social and professional rehabilitation of addicts, epidemiological studies, combating money laundering, creation of new legislation... The questions raised by the trafficking and consumption of drugs are demanding targeted specific answers as part of a global strategy. These are the objectives of the European Union Action Plan in this field.

Drug use is no longer the prerogative of rich nations, as consumption in less advanced countries has risen fast – for example in Southern Asia, heroin... Aside from the attendant problems of corruption and criminality, this consumption is a major vector in the spread of AIDS and hepatitis.

Faced with the world-wide drug problem, the Commission has adopted a global strategy which finds concrete expression in the European Union's Anti-Drug Action Plans.

### 2000-2004 ACTION PLAN\*

The plan responds to the following objectives:

- ensuring that combating drugs remains a major EU action priority;
- reducing both supply and demand and the negative effects of drug consumption;
- continuing to gather, analyse and disseminate objective, reliable and comparable information on the drug phenomenon in the EU, with the help of the EMCDDA\*\* (European Monitoring Centre for Drugs and Drug Addiction) and Europol;\*\*\*
- promoting police co-operation between Member States and promoting international co-operation.

\* <http://emcda.org/multimedia/actionplan/cordrogue32en.pdf>

\*\* <http://www.emcdda.org>

\*\*\* <http://www.europol.eu.int/home.htm>

In line with the recommendations of the United Nations General Assembly Special Session on Drugs (UNGASS, June 1998),<sup>(30)</sup> Community co-operation is taking three main directions:

- ▶ measures to reduce both demand and supply in a balanced fashion;
- ▶ the principle of "shared responsibility" between producer, transit and consumer countries;
- ▶ making drug control an integral part of development co-operation.

The Commission is currently focusing its actions on the two main routes along which drugs are entering the European Union (see box). In order to achieve a more appropriate response to the problem, it is also seeking to improve its knowledge of the drugs situation in third countries, by financing data gathering projects in these countries.

### 6.1. Activities in 2000

Today the European Community is supporting a raft of projects to combat drugs in over 100 non-EU countries. These programmes, with projects in excess of €100 million, include prevention, treatment, the social and professional rehabilitation of addicts, epidemiology, alternative development for drug crop farmers, control of precursors; (chemicals used for drug production) customs and police co-operation, institutional support for developing national policies, cracking down on money laundering and new legislation.

The Community has also co-financed reports by the l'Observatoire géopolitique des drogues (OGD),<sup>(31)</sup> which presents the situation of the drug phenomenon from a global and geopolitical angle. The Commission has maintained its support for a number of projects to reduce drug demand, working together with governments and NGOs. Apart from funding projects involving treatment, re-integration of drug addicts and the reduction of risks associated with drug addiction, it is supporting the setting up of NGO networks which make it easier to identify and spread best substitution practices.

Lastly, the Community is funding several programmes to combat money laundering and is joining the effort undertaken by the OECD in this field.

*The European Community is fighting drug consumption and trafficking in over 100 non-EU countries.*

(30) <http://www.un.org/ga/20/special>

(31) <http://www.ogd.org>

### DRUG ROADS, ROADS OF THE WAR

In 2000, Afghanistan provided nearly 70% of the world production of heroin and Latin America (essentially Colombia) and the world's entire cocaine supply. The traffic penetrates the world's two main markets, the United States and Europe, by varying routes. Supplies to the European Union enter via the heroin route (Afghanistan, Iran, Central Asia, Caucasus, Central and Eastern European countries, Turkey, Balkans) and the cocaine route, runs from Latin America via the Caribbean.

This traffic passes through countries destabilised by civil war, terrorism and totalitarian regimes. Traffickers exploit this fragility to develop paths along which they are rarely disturbed. In addition, their activities aid certain governments or movements (nationalist, religious, etc.) which use the income from this traffic to finance one or the other conflict or movement\*.

In addition to drugs, these routes are also used for other criminal activities, such as human slavery. For example, the conflict in former Yugoslavia has promoted the development of Mafia-style Albanian organisations and today, over 80% of the heroine seized in Europe passes via the Balkans.

The EU is funding preventive projects in nine countries (total budget: €2 million) on the cocaine route, in Latin America. In the Andean countries it is supporting a series of initiatives focused on money laundering, control of precursors (chemicals needed for drug production) and legislative harmonisation. It has just started helping the Venezuelan government to set up a national drugs observatory (€2 million). In Columbia, the EU is looking to play an major part in the peace process and is contributing to this effort with alternative farming programmes (€30 million out of €105 million).

In the Caribbean, the EU is providing €23 million to the Barbados action plan, a series of programmes covering all aspects of the fight against drugs. This initiative is the fruit of a joint approach by the Caribbean countries, the EU, the USA and the United Nations. The Community action is facilitating a tighter crack down on money-laundering and cocaine trafficking by increasing marine patrols and creating centrally co-ordinated police, customs and army units. Addict treatment and reinsertion initiatives also receive significant support.

On the heroin route, different courses of action to combat this traffic have been undertaken in Central Asia and in the Caucasus while programmes to reduce demand are in the pipeline. The EU is also preparing a new project based in Iran to prevent drug addiction and to train officials. It is also funding closer co-operation between the countries of central Asia, Iran, Pakistan and Turkey.



© Dirit - Programma Desarrrolla Integral

In many countries, drug consumption is essentially a problem among the poorest and most vulnerable parts of the population.

## 6.2. Perspectives

The Commission gives high importance to assisting countries outside the European Union in combating drugs and to this end is programming part of its anti-drug action at the countries crossed by the two main supply routes to the European Union. It will continue to develop projects aimed at closer co-ordination both between beneficiary countries and with Member States. In many cases these projects extend actions developed by Member States within the Union.

As the anti-drug action plan stresses, this type of co-ordination is an important factor in the effectiveness of the Community's action.

The Co-operation Office is playing a central role in developing the mechanisms for co-ordinating action outside the European Union.

\* The role of drug trafficking as a factor of instability is stressed by the Commission in its Communication on Conflict Prevention COM(2001)211 final).



© UNHCR/J. Spaulf

## 7. REFUGEES AND REHABILITATION

When a catastrophe or any kind of crisis occurs, emergency relief is the first concern. But what comes next? What happens in the medium and long term? How can these situations be handled on a more permanent basis? Between the initial emergency relief and longer-term development programmes there exists a "grey area", calling for its own particular type of help. Displaced people, the rebuilding of devastated areas and the hunt for anti-personnel mines are some of these transitional interventions.

The concepts of "Linking Relief Rehabilitation and Development" (LRRD), and of "Developmental Humanitarian Assistance" originate in the 1980s when both academics and practitioners voiced concern about the so-called "grey zone" between humanitarian assistance, rehabilitation and development. For this reason, over the last ten years,<sup>(32)</sup> the Commission has been developing new forms of intervention to specifically address these situations.

*Rehabilitation and reconstruction operations fill the gap between emergency relief and long-term development programmes.*

The extreme variety of problems to be confronted has led gradually to the creation of a series of diverse tools. Most of these have subsequently been brought together within a single administrative service at the Commission, in an attempt to achieve more cohesive action in this "link" area.

### 7.1. Aid to displaced populations: a geographic approach

According to the most recent estimations by the High Commission for Refugees (HCR), the number of displaced persons (refugees, repatriated persons, internally displaced groups) is over 22 million world-wide, 7 million of whom are in Asia and almost 600 000 in Latin America.

#### DIFFERENT KINDS OF DISPLACED POPULATIONS NEED INTERNATIONAL AID

These can be:

- refugees remaining in their initial country of asylum;
- internally displaced persons who have to survive outside their original village and region;
- people repatriated from outside or inside their home country;
- demobilised military and similar people;
- populations living around refugee camps in their initial asylum country, whose economic situation cannot remain permanently inferior to that of the refugees living alongside them;
- populations who have remained in departure areas and who must be helped to prevent them swelling the number of refugees.

#### Perspectives

Following the positive assessment of the implementation of the Regulation governing aid given to displaced populations in Asia and Latin America,<sup>(33)</sup> the Commission has decided to maintain this tool which has shown its usefulness. A new Regulation proposal has been communicated by the Commission<sup>(34)</sup> and should be approved by the Council in 2001.

(32) Particularly since its communication to the Council and Parliament 1996 (COM) 153 final of 30.04.1996

(33) [http://europa.eu.int/eur-lex/fr/com/rpt/2000/com2000\\_0367r01.pdf](http://europa.eu.int/eur-lex/fr/com/rpt/2000/com2000_0367r01.pdf)

(34) [http://europa.eu.int/eur-lex/fr/com/pdf/2000/fr\\_500PC0831.pdf](http://europa.eu.int/eur-lex/fr/com/pdf/2000/fr_500PC0831.pdf)



## 7.2. Rehabilitation actions

Community rehabilitation and reconstruction actions for developing countries are carried out for a limited period. They "shall be designed to help re-establish a working economy and the institutional capacities needed to restore social and political stability to the countries concerned and meet the needs of the people affected as a whole. The operations must progressively take over from humanitarian action and pave the way for the resumption of medium-term and long-term development aid".<sup>(35)</sup>

### Perspectives

In the medium term, the intention is that rehabilitation projects should be implemented under the major regional co-operation instruments, while bearing in mind the specific character and the urgency of these projects.

Until then, continuity will be given to rehabilitation programmes financed under specific budget headings, such as the rehabilitation programme for the areas struck by Hurricane Mitch (Central America) or for the Province of Gujarat (India), which suffered a major earthquake in early 2001. In the latter case, the Community action will involve essential support for NGOs working to reconstruct the local economy (budget for 2001: €15 million).

### The fight against anti-personnel landmines

The cowardly recourse to anti-personnel landmines creates victims among soldiers and the civil population, particularly children. Buried in the earth, they continue to kill long after hostilities have come to an end. 60 to 110 million landmines remain active in around 60 countries. The children of Afghanistan, Angola, Cambodia, Iraqi Kurdistan, Rwanda, the Balkan region are their prime victims. With on average 500 people still being wounded every week, this endless war requires a relentless international response. For several years now, funds<sup>(36)</sup> have been allocated to the fight against anti-personnel landmines. After the Ottawa Convention came into effect on 1 May 1999, the EC approved a communication to the European Parliament and Council as well as a draft regulation on this problem. This communication proposes an increased contribution from the EU in the fight against this scourge, which particularly affects the poorest countries. When approved (this is expected in late 2001), this text will form the legal basis for future project fun-



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Buried in the earth, they continue to kill after hostilities have come to an end.

ding and should increase the cohesion of interventions in this field. More particularly, the Commission will make sure specifically-funded mine clearance projects are complementary to those supported by major regional co-operation programmes and to Humanitarian Aid activities.

Various programmes have received support in the countries and regions most severely affected by anti-personnel landmines, particularly Afghanistan, Angola, Bosnia and Herzegovina, Cambodia, Croatia, Laos, Northern Iraq, Kosovo, Lebanon and Mozambique.

A budget of €7.8 million has been allocated, distributed equally between the ACP countries and the rest of the world (principally the Balkan region and South East Asia).

#### Further information:

**EC projects:**  
[http://europa.eu.int/comm/external\\_relations/mine/publication/en.pdf](http://europa.eu.int/comm/external_relations/mine/publication/en.pdf)

**Community Regulation:**  
[http://europa.eu.int/eur-lex/fr/com/pdf/2000/fr\\_500PC0111.pdf](http://europa.eu.int/eur-lex/fr/com/pdf/2000/fr_500PC0111.pdf)

**Anti-personnel  
landmines jeopardise  
the future of some  
countries.**

(35) Council Regulation No 2258/96 of 22/11/1996 on Rehabilitation operations (published in OJEC No. L 306 of 28/11/1996). Different budget headings correspond to this ruling: B7-303 (Asia), B7-304 (East-Timor), B7-313 (Latin America), B7-431 (Mediterranean area), B7-522 (New Independent States), B7-641 (ACP countries). Certain budget headings on technical and financial co-operation also permit funding of rehabilitation projects.

(36) Specific budget heading B7-660 and budget heading B7-661



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## 8. ENVIRONMENT AND FORESTS

Poverty is not simply the lack of financial resources. It is also the result of difficulties in accessing the riches of nature – water, land, forests – often accelerated by the climate.

The Community and its Member States are well aware of the direct effect that the exhaustion of natural resources and environmental degradation have on economic development, and in particular on local communities' continued subsistence.

For this reason, an initiative to support the environment in developing countries was started in 1982. Initially limited to combating desertification, this budget heading has steadily expanded to become a fully-fledged instrument for actions which help integrate the environmental dimension in the development process.

This development was influenced, in particular, by the Rio Conference in 1992, which adopted a strategy for sustainable development. Indeed, it was as part of the preparations for this Conference that the budget heading for the conservation and sustainable management of tropical forests and other forests in developing countries was created in 1991.

### FORESTS OF SURVIVAL

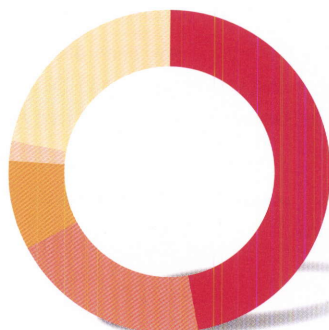
Over 1 billion people live in situations of extreme poverty. About a quarter of them are almost entirely dependent on forests for their subsistence and survival. Another 1 billion people living in poverty depend on wooded areas for their food, for fuel for heating and for animal food production. The annual shrinking of the overall surface of forests, estimated by the FAO as 0.2% (or 94.000 sq. km) therefore represents a considerable threat to these people. Furthermore, the negative impact this galloping deforestation has on biodiversity and climatic conditions also penalises the planet as a whole.

### 8.1. Theme headings, specific headings

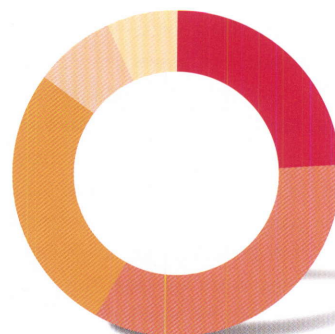
The total appropriations devoted to the environment<sup>(37)</sup> and to forests<sup>(38)</sup> for the period from 2000 to 2006 are €93 million and €249 million respectively. This is in addition to the funds made available through the geographical financial instruments (European Development Fund, the Asia, Latin America and Mediterranean plans), which finance actions in the same area.

*Environmental preservation is built into most development projects.*

### GEOGRAPHICAL DISTRIBUTION OF SUPPORT BY REGIONS AND BY PROGRAMME



Environment (€ 12.3 Million)	
Africa	47%
Asia	20%
Latin America	9%
Caribbean	2%
Global	22%



Forests (€ 19.8 Million)	
Africa	24%
Asia	34%
Latin America	27%
Caribbean	8%
Global	7%

The environment and forests thematic actions nevertheless present **specific advantages**, since they make it possible to:

- ▶ sustain global and regional initiatives, particularly in relation to international conventions on the environment (climatic change, biodiversity, desertification) and international agreements;
- ▶ have a flexible choice of partner states (including medium income countries) of global importance for the environment such as Mexico, Brazil or certain South-East Asian countries;
- ▶ give direct support to NGOs and the civil society organisations of developing countries;
- ▶ commit to pilot initiatives.

## 8.2. Forests and environment activities in 2000

Following up about 230 projects in progress<sup>(37)</sup> was the main task during the year.

31 new projects received funding approval, to a total of € 32.1 million. Because the new legal bases were adopted by the Council, in November 2000, the budget appropriation could not all be used during the year. The sum of €13 million was thus carried forward to the 2001 budget.

The Commission's contribution varies from €0.2 million to €2 million per project, with an average of €0.7 million for environment projects and €1.1 million for forest projects.

Six projects received major support of over €1.5 million:

- ▶ farm forestry and natural resources conservation project around *the Arabuko Sokoke – Goshi, Coast Province of Kenya* (€1.6 million);
- ▶ creating agarwood supplies in *Vietnam* (€1.7 million);
- ▶ community forestry support project in *South East Asia* (€2 million);
- ▶ development and demonstration of sustainable forest management applied by community and other non-governmental forest managers in *Belize* (€1.6 million);
- ▶ consolidation of the socio-environmental information system for the forest regions of *Brazil* (Brazil, €1.9 million),
- ▶ supporting sustainable livelihoods for rural and forest communities (*Bolsa Amazônia* project, €1.6 million).



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As a result of desertification, local communities must sometimes walk great distances to reach a source of water.

	ENVIRONMENT		FORESTS		in €
Africa	5.899.265	48,1%	4.748.603	24,0%	
Asia	2.433.159	19,8%	6.634.313	33,5%	
Latin America	1.048.348	8,6%	5.361.714	27,1%	
Caribbean	206.200	1,7%	1.595.115	8,1%	
Global	2.670.872	21,8%	1.472.778	7,4%	
<b>TOTAL</b>	<b>12.257.844</b>	<b>100%</b>	<b>19.812.523</b>	<b>100%</b>	

## 8.3. Perspectives

2000 was a year dominated by the reform of rulings and procedures. Guidelines and priorities were fixed for the implementation of operations in 2000 and 2001, including the financing of projects directly sent by beneficiary countries' national and regional authorities and other international organisations.

A **call for proposals** – mostly addressed to civil society operators – was published in January and was closed on 14 May. Over 600 projects will be analysed by the Commission, to examine their degree of conformity with the objectives and priorities and their quality. The most important activities of 2001 will be evaluating these projects, choosing them and then getting them under way.

(37) Budget heading B7 – 6200. The Council (by Regulation no. 2493/2000 replacing the EC Regulation no. 722/97 of 24 April 1997) aims to encourage environmental measures adopted in developing countries and to contribute to environmental concerns being taken into account in Community development co-operation programmes.

(38) Budget heading B7 – 6201. By Regulation no. 2494/2000 (replacing EC Regulation no. 3062/95 of 22 December 1995) the Council aims to support operations in favour of the preservation and the sustainable development of tropical forests and other forests in developing countries. Both budget lines, B7-6200 and B7-6201 are merged in 2001.

(39) Co-financed out of the various environment and forests budget headings

# The Regions covered by EC External Assistance



**The Partner States of Eastern Europe and Central Asia**

Azerbaijan  
Belarus  
Georgia  
Kazakhstan  
Kyrgyzstan  
Moldova  
Russia  
Tajikistan  
Turkmenistan  
Ukraine  
Uzbekistan and Mongolia

**The Balkans**

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

**South Mediterranean, Near and Middle East**

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

**ACP Countries**

*African*

Angola  
Benin  
Botswana  
Burundi  
Burkina Faso  
Cape-Verde  
Central African Republic  
Chad  
Comoros  
Congo  
Cameroon  
Democratic Republic of Congo  
Djibouti  
Equatorial Guinea  
Eritrea  
Ethiopia  
Gabon  
Gambia  
Ghana  
Guinea  
Guinea Bissau  
Ivory Coast

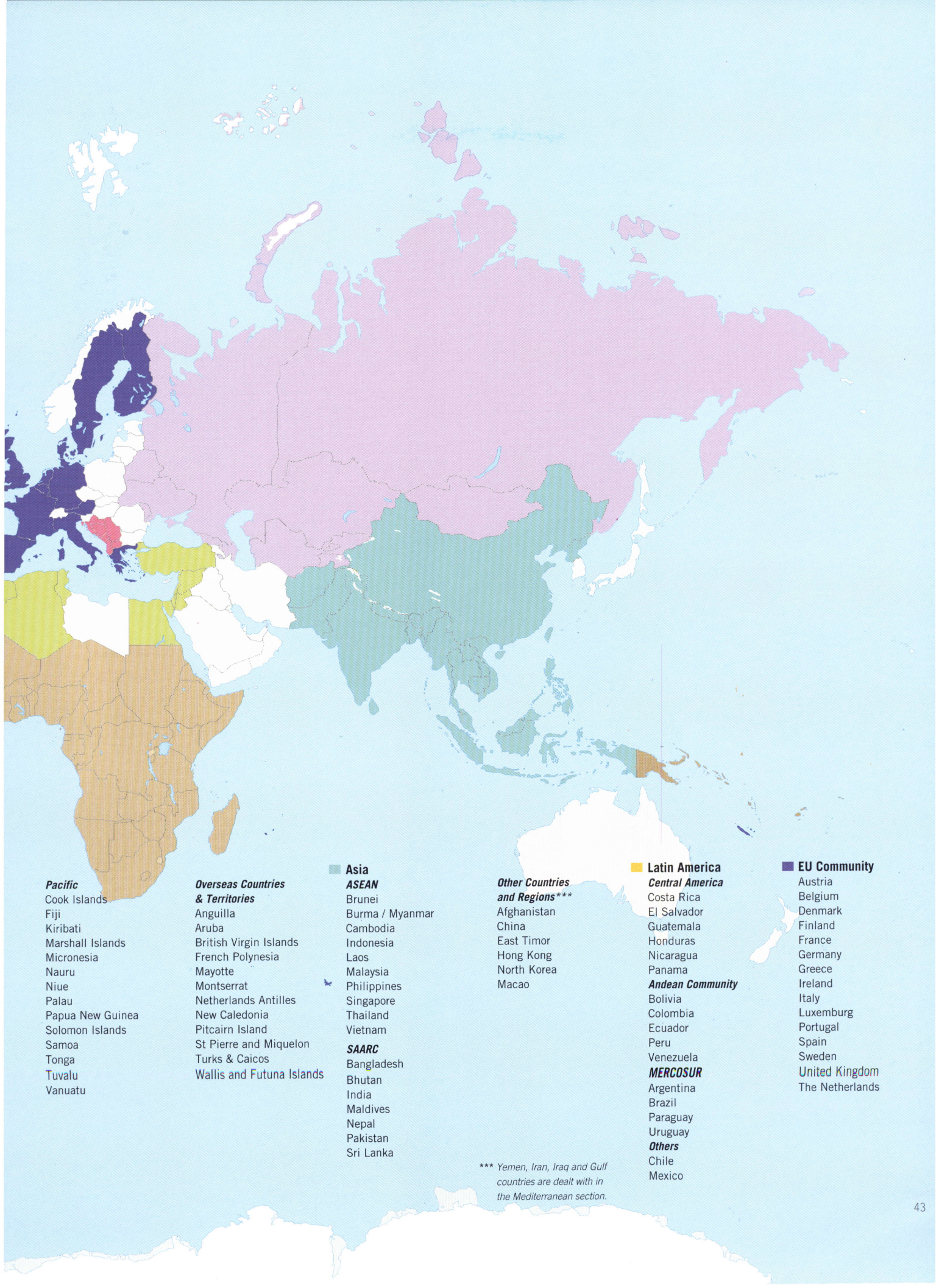
Kenya  
Lesotho  
Liberia  
Madagascar  
Malawi  
Mali  
Mauritania  
Mauritius  
Mozambique  
Namibia  
Niger  
Nigeria  
Rwanda  
Senegal  
Seychelles  
Sierra Leone  
Somalia  
South Africa  
Sudan  
Swaziland  
Tanzania  
Togo  
Uganda  
Zambia  
Zimbabwe

**Caribbean**

Antigua and Barbuda  
Bahamas  
Belize  
Barbados  
Cuba\*\*  
Dominica  
Dominican Republic  
Guyana  
Grenada  
Haiti  
Jamaica  
St Kitts and Nevis  
St Lucia  
St Vincent and the Grenadines  
São Tome e Principe  
Trinidad and Tobago

\* Originally Euramed countries, at present EU candidate countries.

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



- Pacific**
- Cook Islands
  - Fiji
  - Kiribati
  - Marshall Islands
  - Micronesia
  - Nauru
  - Niue
  - Palau
  - Papua New Guinea
  - Solomon Islands
  - Samoa
  - Tonga
  - Tuvalu
  - Vanuatu

- Overseas Countries & Territories**
- Anguilla
  - Aruba
  - British Virgin Islands
  - French Polynesia
  - Mayotte
  - Montserrat
  - Netherlands Antilles
  - New Caledonia
  - Pitcairn Island
  - St Pierre and Miquelon
  - Turks & Caicos
  - Wallis and Futuna Islands

- Asia**
- ASEAN**
- Brunei
  - Burma / Myanmar
  - Cambodia
  - Indonesia
  - Laos
  - Malaysia
  - Philippines
  - Singapore
  - Thailand
  - Vietnam
- SAARC**
- Bangladesh
  - Bhutan
  - India
  - Maldives
  - Nepal
  - Pakistan
  - Sri Lanka

- Other Countries and Regions\*\*\***
- Afghanistan
  - China
  - East Timor
  - Hong Kong
  - North Korea
  - Macao

- 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 Community**
- Austria
  - Belgium
  - Denmark
  - Finland
  - France
  - Germany
  - Greece
  - Ireland
  - Italy
  - Luxemburg
  - Portugal
  - Spain
  - Sweden
  - United Kingdom
  - The Netherlands

\*\*\* Yemen, Iran, Iraq and Gulf countries are dealt with in the Mediterranean section.



### III South-Eastern Europe: The Balkans

During the 1990s, democracy took root across much of Central and Eastern Europe, but war descended on the Balkans. Today, the European Union is playing a central role in repairing the damage of conflict, and equipping the countries of the region to sustain democracy and the rule of law, and to establish steadily closer ties with the European Union.





Peace and stability in the Balkans is one of the EU's foremost priorities.

***Keeping the region peaceful and stable is one of the highest priorities of the EU.***

Each of the countries of the region – Albania, Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia and the former Yugoslav Republic of Macedonia – is a potential candidate for membership of the European Union. Our policy – known as the Stabilisation and Association process – is designed to help each of the countries of the region to implement fundamental economic and political reforms, and to make progress along the “road to Europe”. Our contribution is on a substantial scale, recognising that the Balkans are part of Europe, and that the future of the region is closely linked to that of the rest of the continent.

The EC is the largest single donor in the Balkans, spending over €839 million in the region in 2001 alone on top of €956 million in 2000 through the CARDS programme. Given the emergency in the region in 2000 involving Kosovo, the programme has been front loaded.

€4.65 billion has been earmarked for the Balkans by the Commission between

2000 and 2006, reflecting the priority the Union attaches to achieving lasting peace and stability in the region. Contributions from Member States come on top of these sums, and are approximately the same amount. 28,000 troops from EU Member States and 800 civilian police are serving in the region, helping to keep the peace as work proceeds to establish strong institutions and promote regional co-operation so that their presence is no longer required.

EU assistance is focused on helping the countries to implement the Stabilisation and Association Process – namely, stabilising their internal economies and political relations, promoting regional co-operation between the countries and facilitating closer association with the EU. The specific support is tailored according to the differing needs of each country. It ranges from budgetary assistance and humanitarian aid, to helping with the need to reform judicial and police training, to border and customs co-operation, political relations, and public administration, legal and economic reform. The European Investment Bank contributed €154 million in loans to the different SAA (Stabilisation and Association Agreements) in the region: €120 million for Bosnia and Herzegovina, €34 million for Albania.

The Stabilisation and Association process draws heavily on experience in the candidate countries, and offers each of the

Balkan countries a demanding contractual relationship (SAA) with the European Union in which the Union undertakes to assist them in implementing reforms, in exchange for a proven commitment on the part of each country to carry out such reforms.

The year 2000 saw dramatic progress in the Balkans. In January, Croatian voters elected a moderate, reforming government committed to forging much closer ties with the EU; the Union responded by immediately upgrading its relationship with Croatia, and by offering considerable assistance. From Belgrade, Slobodan Milosevic responded by increasing political pressure on the democratic government in Montenegro, and by cracking down on the independent media in Serbia. The European Union – with others – provided considerable help to enable Montenegro to withstand that pressure, and to frustrate Milosevic's efforts to de-stabilise the republic; and offered a financial lifeline to the independent media.

On 5 October 2000, following national elections the Serbian people removed Slobodan Milosevic from power, opening the way for the return of the FRY to the European family of nations, and to a transformed relationship with the European Union. The European Commission responded rapidly, putting together a massive package of assistance designed, above all to help impoverished Serbia through the winter, and to reinforce its fragile new democracy. This practical assistance was flowing into Serbia within a few weeks of Milosevic's departure.

During the year, the European Union dramatically stepped up its performance in the region:

- ▶ in December 2000, a new and simpler regulation – the Community Assistance for Reconstruction, Development and Stabilisation (CARDS) – replaced the OBNOVA and PHARE<sup>(40)</sup> programmes, which had previously governed the bulk of EC assistance to the Balkans;
- ▶ the European Agency for Reconstruction was set up in March 2000. After Milosevic's departure, the EAR's mandate was extended to cover the delivery of EC aid in FRY;
- ▶ following an initiative by the Commission, the European Union opened its entire market to exports from the Balkans in November 2000. This bold initiative will help to kick start economies in the region;
- ▶ negotiations for an SAA were completed with FYROM, and an SAA with FYROM was initialled in November 2000. The Commission recommended the start of negotiations with Croatia, and worked closely with Albania and Bosnia Herzegovina, and, after Milosevic's departure, with the FRY, to prepare these countries for negotiations.





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The table below offers a snapshot of EuropeAid programmes in the region:

WESTERN BALKANS	COMMITMENTS			PAYMENTS		
	Available € '000	Consumed € '000	%	Available € '000	Consumed € '000	%
Ex-Yugoslavia	313.542	313.140	99%	348.129	348.127	100%
Western Balkans – ATA *	6.090	5.490	90%	245	0	0%
Western Balkans	62.330	62.300	100%	100.005	100.005	100%
Kosovo	410.000	410.000	100%	205.832	205.756	100%
Transitional civil administrations	9.958	9.958	100%	9.000	8.760	97%
Ex-Yugoslavia – ATA *	5.840	5.840	100%	927	58	6%
<b>Total</b>	<b>807.760</b>	<b>806.728</b>	<b>100%</b>	<b>664.138</b>	<b>662.707</b>	<b>100%</b>

\* Technical, administrative (ATA) and support expenditure covers necessary costs for the assistance to implementation of the Tacis and Cards programmes; for analysis, pre-feasibility and feasibility studies related to the programming of the main budget lines; and for information collection and dissemination and public awareness.

*Stabilisation  
and Association  
Agreements enable  
West Balkan  
countries to progress  
along the "road  
to Europe".*



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## 1. Albania

Albania suffers from weak public institutions, which has contributed to serious instability in the past and which, if not sufficiently strengthened, pose a serious threat to its prospects of developing a closer relationship with the EU in the future. We are working with Albania to tackle these problems.

A large proportion of EC aid is being spent on administrative reform and on helping the national authorities establish the rule of law.

### POLICE TRAINING

The Multinational Advisory Police Element (MAPE) provides advice and training to the Albanian police. In 2000, the EU provided new uniforms, police vehicles, spare parts and protection devices. It also renovated several police training centres (like those in Tirana and Durres), and equipped them to host intensive training sessions lasting eight to nine weeks. So far, MAPE has trained some 7,000 police officers drawn from all ranks, including 60 senior managers. The next step is to equip the police with modern information technology. The EU is also helping the Albanian authorities to draw up professional police regulations and new laws on the policing of economic crime. From September 2001, an EC Police Assistance Mission to Albania replaces MAPE up to June 2002.

### JUDICIAL REFORM IN ALBANIA

Albania's serious civil unrest in 1997 clearly demonstrated the need to reinforce the capacity of the national police force. The EU played a crucial role here, working together with the Council of Europe in helping with the training of judges and prosecutors (new school for magistrates) and setting up the State Publications Centre (new Official Journal). The death penalty was abolished and an ombudsman (People's Advocate) office created in order to strengthen the quality of the legislative process. It will also train more legal professionals and ensure that Albania's judicial institutions function correctly.

€10 million was devoted to this in 2000, including logistical support for building up government administration, the national judicial system and police force, and to help put in place a functioning customs administration capable of collecting the revenue needed to fund the state. €2.5 million was spent on Tempus inter-university co-operation projects, and €2.2 million was used to support the Stabilisation and

Association process. In all, €34.4 million was allocated to Albania in 2000, of which €1.5 million was spent.

In addition, in 2000 the country received humanitarian aid amounting to €3.4 million, concentrated on the rehabilitation of health and education facilities, as well as installing and improving water and sanitation networks in deprived areas.

### Agriculture

Land distribution and market liberalisation are two areas where, over the past few years, considerable progress has been made in reforming the agricultural sector. However, major challenges remain: new legislation must be enforced, and the right market and service infrastructures still need to be developed to meet new farming needs. The EU is providing technical assistance to facilitate this, and advising the Ministry of Agriculture on modern agricultural policy and techniques.

## 2. Bosnia and Herzegovina (BiH)

The return of refugees and displaced people to their homes remains a key priority for EU aid to this country, which received a total of €103 million in aid during 2000. Special efforts were made to return people to the Republika Srpska in eastern BiH, and also to encourage cross-border returns from Croatia.

Helping refugees and internally displaced persons to return involves more than repairing houses and homes, however. It means helping to ensure that returnees also have jobs, schools for their children, healthcare, social security and other services. In this type of integrated return project the EU relies heavily on the involvement of NGOs.

To date (1996-2000), the EC has rebuilt over 21 150 houses all over the country as part of its major effort to help people return to their homes.

### Economic regeneration

BiH's post-war boom was largely due to donor reconstruction. However, over the last two years GDP growth rates have fallen to below 10%, from a very low base; the situation has been compounded by negative trade balances, as imports continue to outstrip exports. Only Albania has a lower level of Foreign Direct Investment (FDI). EC assistance over the next five years will help BiH to make the transition to a market economy, and lay down the foundations for sustainable development, in order to prepare BiH's future integration in the EU.

Through the Quick Impact Facility project system, the EC provided €5.5 million for grants and technical assistance to

*The strengthening of public institutions will help restore regional stability.*

SMEs. As a result, 1200 new jobs were created in return areas throughout Bosnia and Herzegovina.

The European Commission's approach to encouraging economic development in this country focuses on the following:

- ▶ creating a single market between Bosnia's entities, in line with EU standards and institutions;
- ▶ supporting structural reforms to prepare for the transition to a market economy;
- ▶ stimulating the development of the private sector, especially SMEs;
- ▶ ensuring that both local economic development and refugee returns are sustainable.

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### Agriculture, forestry, and the environment

The EC has helped the veterinary services of both Bosnia and Herzegovina to work together to ensure better health and management of livestock, which will increase consumer confidence and trade.

BiH potentially possesses one of Europe's largest natural forest covers, but some of these 'forest lands' are currently bare and threatened by desertification, as well as by unexploded mines. With EC aid, 1350 hectares have been reforested (750 hectares directly funded by the EC, the rest financed bilaterally by Italy).

In the aftermath of the war, the protection of BiH's abundant natural resources has fallen even lower on the political agenda. With EC encouragement, a set of new environmental protection laws was drafted and is now being discussed with all interested parties.

## 3. Croatia

Parliamentary and presidential elections in January 2000 resulted in a change of government in Croatia and brought a dramatic change in the political climate. These changes have offered the opportunity for rapid progress in the relationship between Croatia and the EU. The EU responded swiftly with an immediate increase in contacts between the EU and Croatia; the status of the European Commission's office was upgraded to a Delegation, and the EU agreed in November 2000, to open negotiations with Croatia for a Stabilisation and Association Agreement.

The main priorities for EC aid in Croatia are ethnic reconciliation and the return of refugees, support for democratic principles and the Stabilisation and Association process, which has already been negotiated.

### REBUILDING NATIONAL INFRASTRUCTURE IN BOSNIA AND HERZEGOVINA

The public utilities are now up and running. Many major EU-funded countrywide reconstruction projects were completed during 2000. Water and electricity networks were repaired, bridges rebuilt, mines were cleared, kilometres of roads rehabilitated, hospitals rebuilt and equipped, schools, kindergartens and universities reopened and telephone lines restored. Sarajevo airport was substantially upgraded, following similar improvements made in previous years to the airports at Mostar and Banga Luka.

**Mostar and Sarajevo:** The extensive war damage inflicted on these two cities required several integrated reconstruction programmes. The results are already visible with new houses, public buildings, and restored networks for water, energy and transport.

**Reconstructing Bosnia and Herzegovina:** The war inflicted substantial damage to Bosnia's physical links to the rest of Europe. The EC has funded the repair and rebuilding of many bridges, including the bridges across the Sava at Gradiska, Benska and Brcko.

€10 million of the total €18.54 million budget for 2000 was set aside for the return refugee. The Croatian authorities were given another €3 million for technical assistance to help carry out vital reforms in key sectors such as: European integration, justice, public administration reform, SMEs, statistics and regional development. A further €2.34 million was provided for promoting SME and craft businesses. The €18.54 million total also includes €1.5 million support for the TEMPUS inter-university co-operation programme given by PHARE in 2000. An additional €1.5 million was given for technical and administrative assistance to support programme implementation.

*The outcome of Croatia's January 2000 elections has significantly improved its relationship with the EU.*



© UNHCR/A. Hollmann

### Reconstruction and return of refugees and displaced persons

Reconstruction aid is concentrated on the formerly war-torn areas in Croatia, namely Eastern Slavonia and former sectors in the North and South. As elsewhere, the EU promotes an integrated approach to the return of refugees and displaced persons, the construction of houses therefore goes hand in hand with the rebuilding of health centres and schools, sustainability measures and efforts for the revival of small business. The 2000 programme which will come to an end in Spring 2002 aims to provide housing and other assistance for the return of approximately 2,500 refugees and internally displaced people.

## 4. The Former Yugoslav Republic of Macedonia – FYROM

A major milestone in the relations between the EU and the Former Yugoslav Republic of Macedonia was the negotiation of a Stabilisation and Association Agreement which was initiated in November 2000. Also in 2000, an asymmetrical trade regime was agreed. The enhanced relations between the EU and FYROM were marked by the upgrading of the Office of the Resident Envoy to a permanent Delegation.

ECHO allocated €5.36 million to the country still affected by the aftermath of the Kosovo crisis.

The main priorities for assistance in 2000 were to bring the country closer to EU standards and principles and to assist it in the framework of the Stabilisation and Association Process.

Strengthening of government institutions and improvement of infrastructure are key aspects of assistance which will enable the Former Yugoslav Republic of Macedonia to benefit from the Stabilisation and Association Agreement and comply with its obligations.

The national programme of €16.2 million focused on financial sector reform, approximation of legislation, justice and home affairs, integrated border management, support for data processing of the population and agricultural censuses and education.

€1 million was provided as the first part of the Commission's contribution<sup>(41)</sup> to the construction of the South East Europe University in Tetovo. This University will be the first one providing tuition in the Albanian language in the country, thus seeking to address one of the long standing grievances of the Albanian population.

Upgrading of transport routes and border crossings is key for economic development, as FYROM is an important transit route for goods and people between the Balkans and the EU, so in addition to the national programme, €4 million was provided for upgrading Blace border crossing, the main crossing between Kosovo and FYROM.

### CROSS-BORDER CO-OPERATION BETWEEN FYROM AND GREECE

FYROM's geographical position is important in the context of the TransEuropean Network (TEN) of cross-continental road routes. The TEN 'Corridor X' links the cities of Thessalonica, Skopje, Belgrade, Zagreb and Munich/Passau. To renew trade links, the EU has funded the modernisation of two critical border crossing points and also the upgrading of several stretches of Corridor X inside FYROM's borders. **Modernisation of Bodgorica Border Crossing (CBC):** the rebuilding of this important border crossing was completed in October 2000 with an EU contribution of €3.16 million. **A new heavy vehicles terminal** was added with all modern customs and inspection facilities. A further upgrading is planned, with new buildings for veterinary and plant health inspections.

**Modernisation of Medjtitlija Border Crossing:** the EC contributed around €2.46 million towards building a completely new border crossing, with full customs and police facilities. **Upgrading of road E75:** the section of road from Gevgelija to the Greek Border near Bogorodica was completely upgraded by September 2000 with CBC funding of €5.68 million. Another section, nearly 10 km long between Negotino and Demir Kapija, is being upgraded in two phases at a cost of €14.6 million. This leaves the final section between Demir Kapija and Gevgelija, for which the necessary design and tender documents were ready at the end of 2000, at a cost of €2.7 million.

*The return of refugees and displaced persons is still an important aspect of the activities being carried out in formerly war-torn areas.*

(41) Another €4 million were provided in 2001.

## 5. The Federal Republic of Yugoslavia – FRY

### Serbia

#### Emergency assistance programme

Following the transition to democracy in Serbia, the EC launched an emergency assistance programme for Serbia in November 2000. The programme, with a budget of €180 million provided support in a range of sectors, notably energy, health care and food commodities. It came after the already existing EC humanitarian aid to Serbia (€50.45 million in 2000). The Commission services worked fast to put the emergency package together and the delivery on the ground started in record time, making a major difference in people's lives during the winter months. Within the package, a contract worth €25.4 million was signed with the World Food Programme to provide 15,000 tonnes each of sugar and sunflower oil, two basic commodities for which there were shortages, at affordable prices to consumers in Serbia. Funds generated from the sales are being used to form a counterpart fund for the regeneration of Serbian agriculture.

### Montenegro

Montenegro had differentiated itself from the Milosevic regime by pursuing a path of political and economic reform under its democratic-oriented government. The EU provided direct and continuing support exempting it from the sanctions regime against the FRY and supplying substantial material and technical assistance.

Thus, the EC contributed to the alleviation of government expenditures (social welfare payments of €13.4 million, electricity imports of €2.5 million, and expenses linked to the hosting of the displaced persons linked to the Kosovo crisis of €13 million). The EC also provided exceptional macro-financial assistance of €20 million, helped modernise infrastructure and supported the media, NGOs and democracy. There were key projects in the areas of tax reform, revenue collection, SME development, basic education and support to Government co-ordination structures.

As part of direct assistance for rural development, more than 1 000 pregnant cows were delivered by the EU directly to rural families living in difficult situations in Montenegro.

€9 million of humanitarian assistance was allocated to Montenegro to allow it to cope with the caseloads of refugees and internally displaced people (IDPs).



© UNHCR/R. LeMoine

### Kosovo

The European Agency for Reconstruction has been responsible for the management of the main EC assistance programmes in Kosovo since it was established in February 2000. For the 2000 Kosovo programme of €263 million (including €51 million committed in December 2000), 79% of funds were contracted and 55% of these paid by 31 December 2000. Over 50% of the programme concentrated on energy and public utilities, while a further 25% concentrated on the reconstruction of houses.

The Agency undertook the reconstruction of some 8,500 houses with €60 million allocated in 2000, bringing the total number of houses repaired/reconstructed in Kosovo with EC funds to 12,000. This has secured homes for more than 100,000 people, while also supporting the local and regional building industry.

The poor state of Kosovo's main power stations near Pristina necessitated that the Agency implemented a €121 million programme in the energy sector, including a major overhaul of one power station and the equipping of the adjacent coal mines which feed the power stations. Funds were also provided for the importation of electricity and the establishment of a management team for the energy sector. In 2000, the Agency responded to the serious state of neglect of Kosovo's road infrastructure by focusing on the key transport axes with aid worth €15 million for rehabilitating 180 km of roads and four bridges, while work began on a major upgrade of the Blace border crossing with FYROM.

As part of its €15 million in support of enterprise and employment generation, the Agency and the World Bank created a €7.5 million credit scheme for small and medium-sized enterprises. In addition, the Agency launched a clean-up operation of the Trepca industrial complex, and conducted an environmental and technical audit of the Zvecan lead

*The European Agency for Reconstruction has helped expedite the delivery of EC assistance.*



© Human Rights Watch/Joanne Mariner

Legal institutions and human rights organisations will have to handle numerous torture and abuse cases that took place during the war years. This 52-year-old Kosovar Albanian was severely beaten during the 2 days he was in KLA custody.

smelter. €13 million worth of aid was used to assist rural livelihoods and the vital agriculture sector. Some 40,000 tons of fertiliser and seeds were imported and sold to farmers at reduced prices, with the revenue placed in a rural credit scheme to assist farmers.

In order to support civil administration in Kosovo, the Agency assisted UNMIK in the task of rebuilding local administration by rehabilitating municipal buildings, providing equipment and technical expertise. Specialist equipment was procured to facilitate the issuing of new identity documents.

In the health sector, Agency programmes worth €10 million facilitated the modernisation of the Kosovo blood transfusion service, and provided financial and technical assistance to support health care reform and the modernisation of the pharmaceutical sector. A programme of support for essential public utilities was launched to improve water and the environment and included improvements to sewage treatment and disposal, and to the quantity and quality of the water supply. It is contributing to the rehabilitation of water installations, emergency repairs, and the procurement of equipment for the municipal water companies.

In 2000 and in addition to other EC assistance, €26.8 million was allocated to Kosovo to cover the humanitarian needs of the population, in particular during the winter period. The rehabilitation of houses, schools, rural water and sanitation works was undertaken by ECHO.

## 6. Horizontal policies

### European Initiative for Democracy and Human Rights

#### Central and Eastern Europe, Republics of Former Yugoslavia

In this region torn by years of war, the development of democracy involves supporting the peace process and calming tensions. In particular, the budget aid covers support for organisations working to re-establish democracy in civil society and to stimulate inter-ethnic dialogue in specific geographical areas. Also supported, in a more general fashion, are projects that encourage press and media freedom, promote equality between men and women and protect the most vulnerable groups in society. Altogether, €13.500.000 has been given.

#### The media in Kosovo

What is freedom without a free press? What type of ethics govern the media? To what extent is a journalist pushing a party line an objective journalist? One hundred and twenty people working in private and public radio stations in Kosovo will be taking professional training including a specific course in professional ethics, as the result of a €385 000 grant to *Internews Europe* in favour of *Kosovo Independent Radio*. This project is intended to make it possible to develop an independent local radio station (information channel reaching most towns in Kosovo) and to boost the capacities of municipal radio stations.

#### The Roma culture

The project *Encouraging a global approach to Roma-related questions*, is helping the governments of Bosnia-Herzegovina, Croatia and the Former Yugoslav Republic of Macedonia develop and implement policies to improve the conditions of the Roma. The project is based on the Council of Europe's experience and the initiatives it has been carrying out in Central and Eastern Europe since 1994. With a grant of €248.000, this organisation will be organising various round tables, brainstorming sessions, discussion groups and studies of existing legislation.

#### Parliament, NGOs and civil society

How can working relations between parliaments and NGOs be improved? *East-West Parliamentary Practice Project*, a Dutch-based NGO, which boasts solid experience in the area of parliamentary assistance, has just launched its "Legislative Assemblies and Citizens" initiative in various Balkan countries (Albania, Bulgaria, Croatia, Bosnia, Republics of the Former Yugoslavia, the Former Yugoslav Republic of Macedonia and Romania). The aim is to create a framework for interaction and co-operation between parliaments and civil society organisa-



© European Commission

Much of the region's communication infrastructure was severely damaged during the war. EU funds are helping rebuild several bridges such as this one in Mostar.

tions in order to allow the development of a true representation of democratic interests. The project, which is receiving €1.27 million in support, also involves local partners, such as the Albanian Human Rights Centre, the Foundation for Democracy in Bosnia-Herzegovina, the Foundation for a Free and Democratic Bulgaria, the Helsinki Croatia Committee for Human Rights, the Serbia European Movement, FORUM (ARYM), the Centre for Democracy and Human Rights in Montenegro and the Association for Democracy in Romania.

#### Humanitarian aid (ECHO)

ECHO, the European Community Humanitarian Office, has adopted several financial decisions concerning humanitarian aid to this region to a total of some €98.7 million in 2000. Since 1992, ECHO has implemented humanitarian assistance programmes worth over €2.3 billion in the region.

## 7. Conclusions and perspectives

EU activities in the **Western Balkans** have expanded rapidly, now that democratic governments have been elected in Croatia and the Federal Republic of Yugoslavia while the level of EU activities in the NIS for example, remains broadly unchanged. The more favourable political climate in the Western Balkans is reflected in the doubling of assistance

from 2000 to 2001: from about €400 million through the Obnova/Phare programmes to €800 million through CARDS, their successor programme. The European Agency for Reconstruction is well staffed and was therefore able to deliver EC emergency and reconstruction assistance speedily and effectively to FRY during 2000.

The CARDS programme in the Western Balkans will continue to be a large, politically sensitive and visible EC assistance programme. However, in an environment of rapid and recurring political tension, it will be a major challenge to continue speedy and effective delivery of the right sort of assistance. Gradually, as stability begins to return to the region, our assistance is focusing less on emergency support and reconstruction, and more on a broad-based and sustainable development, in particular, on institution-building. This assistance is embedded in the overall framework of EU relations; it is being used to further the objectives of the Stabilisation and Association Process and the growing number of Stabilisation and Association Agreements signed, or under negotiation, with the countries in the region.





## IV The Partner States of Eastern Europe and Central Asia

The EC aims to build a long-term relationship with the partner states of Eastern Europe and Central Asia in which respect for democratic principles and human rights and the transition towards market economy are supported. These objectives are integrated into Partnership and Cooperation Agreements (PCAs) with most of the partner countries and the Common Strategies for Russia and Ukraine, and form part of a proximity policy, reflecting the political and strategic importance of the region to the EU. They are also the basis for the regulation (99/2000) which governs the co-operation programme, Tacis.





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**Partnership and  
Co-operation  
Agreements  
constitute the frame-  
work for political and  
economic relations  
with the EU.**

## 1. Political and Economic Relations

The region is of key importance to the EU. With the EU enlargement process eastwards, the EU and Eastern Europe will share a common border, requiring joint approaches to many issues that directly affect the EU. The partner countries are also important trading partners and energy suppliers.

Since the beginning of the 1990s, the relationship with the partner countries has become broader. The political dialogue has been formalised through the **Partnership and Co-operation Agreements (PCAs)**, now in force with nine of the thirteen countries. A PCA is a legal framework setting out the political, economic and trade relationships between the EU and the partner country concerned. The implementation of the PCAs is carried out through specific institutions on ministerial, senior official and working level. For each of the PCAs, specific priorities and

targets have been set, based on the overall objectives of consolidation of democracy and human rights, development of close political and economic relations, transition towards market economy and social, financial and cultural co-operation. As a stepping stone to full agreements, trade and co-operation agreements are still in force with some of the partner countries.

Other instruments under the Common Foreign and Security Policy include the EU's **Common Strategies for Russia and Ukraine** which aim to strengthen coherence between Community and Member State policies and actions regarding these countries. The **Northern Dimension** concept, for which an Action Plan for 2000-2003 was adopted by the Feira European Council in June 2000, contributes to reinforced collaboration between the EU, the Baltic Sea region and Russia, thereby promoting security, stability, democratic reforms and sustainable development. The Action Plan highlights as particularly important environmental issues; including nuclear safety; the fight against organised crime; and Kaliningrad, a future Russian enclave within the EU.

## 2. The Tacis assistance programme

The EC, together with its Member States, is the largest provider of assistance to Eastern Europe and Central Asia. Tacis is the main Community instrument supporting the countries

in the strengthening of democracy and the rule of law, in the consolidation of a market economy and in the strengthening of administrative capacity, in particular linked to the implementation of the PCAs.

In January 2000, a new phase of Tacis was launched when the Council Regulation No 99/2000 for the years 2000-2006 entered into force. This new phase builds on the achievements of the past decade, but makes adjustments on the basis of experiences gained and on the increasingly differentiated development of the partner countries. This involves *inter alia* focusing on fewer and larger projects, on improved programming and on a dialogue-driven rather than demand-led process ensuring that priorities are determined by the common interests of the Community and the partner countries.

The Tacis programme is mainly focused on bilateral co-operation with each of the partner countries. It is based on national indicative programmes, agreed with each partner country and valid for 3-4 years, which identify priorities within a maximum of three of the six cross cutting areas of co-operation listed below. The indicative programmes are the basis for action programmes setting out the projects to be supported and the funding available. The areas of co-operation are the following:

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

Given the need to prioritise, in 2000, nearly all countries requested support from among the first four areas of co-operation mentioned above. For this reason, the detailed information presented in this chapter is grouped under these first four headings. Tacis has continued to support environmental protection and to promote the development of the rural economy, but with projects that have an angle of institutional reform or private sector development. Support for the environment is a particular priority in regional co-operation.

In addition, there are regional and multi-country programmes, assisting nuclear safety, networks, environment and justice and home affairs as well as cross-border co-operation, which aims at overcoming obstacles to trade and contacts as well as attacking cross-boundary pollution along the borders of the EU and the candidate countries with the NIS.



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The table below offers an overview of the financial figures for the year 2000

N.I.S	COMMITMENTS			PAYMENTS		
	Available € '000	Consumed € '000	%	Available € '000	Consumed € '000	%
Tacis	382.970	382.970	100%	398.591	398.264	100%
Cross Border	22.500	22.500	100%	21.733	21.733	100%
Baltic	5.883	5.883	100%	40.406	40.406	100%
Tacis Democracy	6.697	6.587	98%	7.722	4.808	62.26%
Tacis ATA*	32.400	32.400	100%	2.000	2.000	100%
<b>Total</b>	<b>450.450</b>	<b>450.340</b>	<b>100%</b>	<b>470.451</b>	<b>467.211</b>	<b>99%</b>
Rehabilitation in NIS	9.88	9.88	100%	4.64	3.77	81%

\* Technical, administrative (ATA) and support expenditure covers necessary costs for assistance to implementation of the Tacis and Cards programmes; for analysis, pre-feasibility and feasibility studies related to the programming of the main budget lines; and for information collection and dissemination and public awareness

*The new Tacis programme will respond better to the differentiated development needs of partner countries.*



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### HELPING RUSSIAN COMPANIES TO RESTRUCTURE

The Tacis Enterprise Restructuring Facility (TERF) was set up in Russia specifically to help companies and entrepreneurs develop in today's fast-changing environment. Although the large majority of enterprises have been privatised, their restructuring has often been left incomplete, or has not even started. Restructuring is usually a crucial condition of any investment package: without it, companies cannot expect to survive in a competitive market. The uncertainty of the present economic climate means that most enterprises are unable to get project financing, even if they are ready to upgrade their operations, for example, by installing new technology, improving marketing techniques, and finding strategic business partners.

TERF is there to provide selected enterprises with the advice and assistance they need while they undergo restructuring. Thus they are sure to be able to adapt successfully to the new economic environment. Companies must take the initiative to ask TERF for assistance, and are expected to commit some funds of their own to the process. In TERF I the average contribution to project costs was 12%, and in TERF II, it is now 20%.

TERF is designed to respond to the sudden and unexpected shifts in Russia's business environment. It is also sensitive to differing client requirements, and works closely with the senior management of the enterprise in question. For TERF to succeed, company management must commit to it and allow access to commercially sensitive information. However, many enterprises are reluctant to hand this information over to consultants. It can take three months – or even longer – to gain their confidence so that they can get help from TERF.

A new phase of Tacis was launched<sup>(42)</sup> in January 2000, covering the period 2000 until 2006. This builds on the achievements and lessons of its first decade of operation and allows flexibility to respond to new developments inside the partner countries. Tacis strategy during 2000 focused on providing

support for grassroots initiatives, with the greater involvement of NGOs. When designing projects, more attention was paid to involving representatives of local and regional administrations. One way to put a face on EU support delivered in the region was through partnerships between members of a Tacis project group and its counterpart in the EU, as in the case of the City Twinning Programme. Tacis has helped establish links between EU and NIS towns by bringing people together and building lasting partnerships between local communities.

## 2.1. Institutional, legal and administrative reform

EU support in these regions is based on the belief that growth and stability cannot be achieved if there is no sound legal and regulatory framework or a properly functioning civil society. Reform of the relevant national institutions has therefore been at the core of the European Commission's assistance programmes to the partner countries. Most projects have focused on redrafting legislation, supporting effective policy-making, reforming public administrations, and providing support to executive and legislative bodies. However, despite the great effort already invested in aid programmes, the real progress of reform has been slower than initially hoped.

Trafficking in human beings, together with organised international crime, is becoming an increasing problem in the EU. Because it has realised that an increasing number of crime victims and perpetrators have been coming from countries in Eastern Europe and Central Asia, the EU has devoted more resources to improving local justice and home affairs in those regions. €7 million were allocated under the Regional Action Programme for 2000 with the twin aims of fighting drugs and combating trafficking in human beings. New research, started in 2000, hopes to find out more about the causes of these criminal activities and identify new ways of combating them.

Most Tacis projects contain a large element of education and training. In addition, Tacis supports a specific programme, TEMPUS, which focuses on the reform of the higher education sector. This fosters institution-building and promotes partnerships between higher education institutions in the EU and their counterparts in the partner countries.

## 2.2. Private sector and economic development

Helping private businesses has always been a top priority in the Tacis partnership programmes. The EU objectives in 2000 were to help put in place the institutions of a market economy and to stimulate business growth. A total budget of €70 million was allocated for that purpose. However, several major obstacles to enterprise development remain, notably:

*Economic stability  
and growth in  
the region requires  
a sound legal  
framework.*

(42) Launched by Council Regulation N° 99/2000.

the current regulatory environment; the questionable quality of business practice, and inadequate access to finance. The partner countries are well aware that a stable business environment requires reforms in a number of crucial areas: government regulations – at national and local level, legal frameworks, trade and investment policies, taxation and access to finance.

The Tacis integrated approach to providing economic aid is based on the following principles.

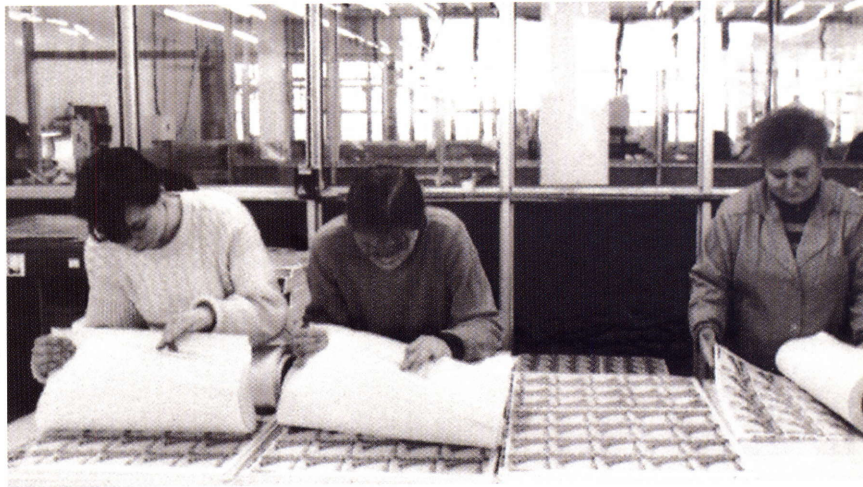
- ▶ **developing the private sector:** bringing new business skills to SMEs, using or training local consultants and providing easier access to finance.
- ▶ **strengthening the business environment:** giving policy advice to governments on macro-economics, taxation, trade and investment policy, business and regulatory improvements, and developing new opportunities for exporters and investors whilst providing technical support.
- ▶ **promoting new investment:** continuing to prepare and implement EBRD investment and loan programmes, together with Tacis-funded projects, and actively encouraging inward investment.

### Food and agriculture

During 2000, work continued on 45 projects, including some from previous Regional Action Programmes, and some new projects were started, a few of which were completed during the year. The total budget came to around €75 million.

- ▶ To improve the situation of family farming in **Russia**, two projects helped private farmers to set up new co-operatives, either for agricultural production and processing, or for providing rural credit.
- ▶ Several agricultural projects were completed in **Ukraine** and **Moldova**. These covered the production, processing and marketing of food and crops in post-privatisation conditions. Help was also given with agricultural education and consumer policy, and new projects for research. Projects dealing with food trade matters and the development of co-operatives are still ongoing.
- ▶ Livestock improvement projects were funded by the EU in **Kazakhstan** and **Central Asia**, and the meat and milk sectors were supported in **Turkmenistan** and **Kyrgyzstan**. The EU supported the integrated development of agriculture and food processing industries in **Uzbekistan**.

In the region as a whole, additional EU help was provided to strengthen the institutional framework on issues such as land registration, rural credit services, marketing of agricultural products, and agricultural monitoring.



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### INVAS – EU RESPONSE TO 1998 FINANCIAL CRISIS IN RUSSIA

The financial crisis of 1998 brought all stock market activities in Russia to a standstill. It also put a large number of listed stock market companies out of business. Capital Market Investment Advisory Services (INVAS) was started in October 1998 with the ambitious mandate to restore confidence in the Russian capital market and to increase the professionalism of market participants. A second aim was to form international partnerships and establish links to international organisations. During the three years that followed, Tacis provided support of €4.5 million and more than 32 Russian companies received tailor-made consultancy from the INVAS team. Throughout the project, an international team of up to 140 experts advised their Russian counterparts in Moscow and in the regions of Samara, Rostov-on-Don, Nizhny Novgorod, Ekaterinburg and Vladivostok.

Through the Tacis INVAS project, the EC helped bring about the revival of the Russian financial markets. The INVAS achievements were leveraged by initiatives to increase shareholder protection and introduce best practice for corporate governance. The project was also the first Tacis project to succeed in passing an ISO audit. The INVAS Project Quality Management System complies fully with ISO 9002, the international standard for best practice.

*Some partner countries are reviewing their trade and investment policies as part of their economic reforms.*



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Environmental priorities include the proper management and quality control of water.

### 2.3. The social consequences of transition

The transition process has caused far more social hardship than had been anticipated. Poverty throughout the region has increased dramatically, and all social indicators are deteriorating. This area of EU co-operation has become crucial. Most EU projects in the area focus on the reform of primary and preventive health care. They also include measures to support employment and retraining. Two examples of particular interest are highlighted below.

#### Health and safety in the workplace in Ukraine

Tacis is advising the Government of Ukraine on matters of occupational health and safety. The main results are a marked improvement in industrial working conditions, and the introduction of insurance cover for accidents and occupational diseases. For the first time in the Ukraine, people realised that improved safety in the workplace, together with decent working conditions, could lead to a rise in productivity. As a result, two

new laws were drafted. The first will set up a new State Inspectorate to supervise safety and occupational health throughout the country, the second concerns the safety of industrial products.

#### Preventive health care in Uzbekistan

A thousand people – public health professionals and members of the general public – were trained in preventive health care under a project from the 1998 EU Action Programme for Uzbekistan. Policy advice was also given to the Ministry of Health. Local NGOs were actively involved in public awareness campaigns on health-related issues. All this was done for €1 million.

Some of the project trainers adapted these awareness campaigns for use in schools. The messages focused on preventing heart disease, sexually transmitted diseases (STD) and drug addiction. Leaflets were distributed and a local NGO helped produce a video on drug addiction to be shown on national TV. Other TV spots will follow.

## 2.4. Development of infrastructure networks and environment

### Energy policy

A total of 40 projects were implemented during 2000 with an overall budget in the order of €85 million.

► **in Russia:** Five out of 18 projects in the energy sector, worth €34.5 million, were completed during the year. All projects included energy-saving measures to limit the impact of energy use on the environment. Where municipalities and companies with cash budgets found themselves able – thanks to EU aid – to make loan repayments, improvements in the space heating sector could be seen immediately. In Moscow, starting up new district heat and solid waste collection services brought additional benefits, leading to a new regulatory framework for a service-oriented organisation; Moscow now has a municipal administration able to respond changes in external demand.

► **in Azerbaijan:** A project was implemented in order to raise the standard of operating methods in the Baku Machine Building Plant to international (API) level and properly train the plant personnel. This project also led to the testing of local technologies to clean up oil-contaminated soils, and to the setting up of a specialised laboratory to analyse oil-contaminated soil and water samples. One final spin-off was that it helped establish a new Ministry of Fuel and Energy.

► **in Uzbekistan:** A pilot project was implemented to introduce heat measuring systems into the domestic heating sector and provide a system that is adapted to the needs of the Khokimyat people of Tashkent. A Communal Services Ministry was also set up.

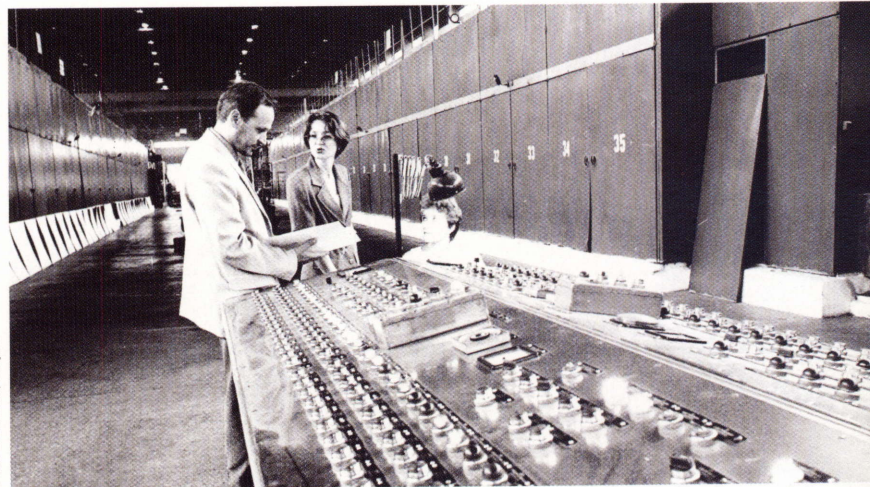
## Environment

Environmental protection has to be integrated in Tacis projects in order to ensure that the new economic and institutional reforms inside the NIS are truly sustainable in the long term. Fourteen projects were implemented in 2000 with a total budget of around €30.5 million.

- **in Russia:** The clean-up of pollution from two former chemical weapon plants at Saratov and Dzherzinsk (€7.8 million in total) started in 2000. A third clean-up project is planned. Two other Tacis projects dealt with water management (€2.5 million) and industrial accident prevention (€3 million). A new €2.5 million project to introduce environmental monitoring systems into Russia began in 2000 under the aegis of the Ministry of Natural Resources. There are also plans to harmonise environmental legislation at federal level.
- **in Ukraine:** The State Environmental Inspectorate was reinforced (€1 million), and regional capacity for industrial waste treatment and management in Ukraine was strengthened (€1.5 million). Another project provided water and waste water management and operational support to the town of Miriupil (€1 million). In 2000 all three projects were operating successfully.

### CHERNOBYL SHELTER FUND (CSF)

In the aftermath of the Chernobyl accident, the containment system, constructed quickly to prevent the radiation from spreading widely, worked relatively well. Since then, some failures have become apparent. The cost of building a permanent shelter that will reduce the risk of pollution while meeting all safe containment standards was estimated in 1998 as €768 million. Unable to raise such funding within the short time available, the government of Ukraine asked for international help. Two international pledging conferences raised nearly all the necessary funding. The pledges which were collected by the Chernobyl Shelter Fund (CSF) were channelled to the EBRD, which manages the fund. The various donors, united in an Assembly of Contributors, monitor the implementation of the CSF and give guidance on the use of the funding. The European Commission has already contributed €90 million in two instalments during 2000 to build up a new safe sarcophagus around the damaged reactor.



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### UKRAINE'S FUEL GAP

€25 million from Tacis funds was set aside in November 2000 to fund the immediate generation of electricity after Chernobyl closed in December. Very soon, the Commission had already arranged for two Ukrainian power generating plants to be supplied with 374 million m<sup>3</sup> of natural gas. With this gas, 28% of Chernobyl's average yearly electricity output could be generated, the equivalent of 8% of Ukraine's electricity output per year. Delivery of the gas was supervised by both EU and Ukrainian Government representatives, backed by independent monitoring to ensure full transparency and accountability. Phase 2 is now being planned to reduce the fuel gap still further. The EC and the Ukrainian Government agreed to use the proceeds from selling this new electricity for the reform and strengthening of the Ukrainian power sector as well as directly subsidising the most vulnerable parts of Ukraine's population (pensioners, disabled people, low-income families) and cutting down the outstanding electricity bills of public institutions (hospitals, educational establishments, orphanages, retirement homes). The newly cash-rich utilities can afford to take steps to start restructuring and prepare for future privatisation.

*Partner countries are working to repair the environmental damage caused by past industrial practices.*

## 2.5. Nuclear safety

The Chernobyl disaster in 1986 raised world-wide concern about using Soviet-designed reactors. Since then, the international community has invested a lot of time and money to avoid such a disaster happening again. The G7 countries adopted a nuclear safety strategy, of which the first step was to classify all Soviet-designed reactors according to the feasibility of upgra-

ding them to acceptable international safety standards. All reactors that could not be upgraded were to be decommissioned, while the rest had to be brought up to acceptable standards. The costs involved are immense. The international community has the capacity to pledge help, get upgrading projects going and transfer know-how and technical information to the plant personnel. However, it will never be able to afford to pay for the whole upgrading process.



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In September 2000, the European Commission spelled out what it could offer to nuclear safety in the NIS under Tacis a Communication<sup>(43)</sup> to the EU Council and Parliament. The European Commission also contributed €90 million to the Chernobyl Shelter Fund (see box).

Operating the Chernobyl plant was highly risky, yet without Chernobyl, Ukraine was desperately short of electrical power supplies. In November 2000, the Commission pledged €65 million to help Ukraine buy electricity during the interim period (2000 – 2003) while new power plants were being built. In the same month, EU Member States approved a new Tacis project to fund a Fuel Gap Programme.

## 2.6. Regional issues

### Traceca

Traceca is the part of the 2000-2003 Tacis Regional Programme that deals with a transport corridor from Europe through the Caucasus to Asia.

In 2000 a Traceca Multilateral Agreement was ratified by the national parliaments of 12 signatory states (Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Ukraine, Uzbekistan). In March their transport ministers agreed to endorse a concrete action plan for 2000-2001 with a budget of €11.5 million to cover five projects.

In February 2001 a Permanent Traceca Secretariat opened in Baku (Azerbaijan) to co-ordinate activities and liaise with transport officials in the signatory states. A minister-level Intergovernmental Commission decides on programmes and funding in liaison with the European Commission.

During 2000, work continued on six other projects from the 1999 Interstate Programme in the southern NIS, with a budget totalling 25 million. These projects focused on the implementation of the Traceca Multilateral Agreement and on infrastructure improvements.

### Current Traceca projects in the NIS

► **Caucasus:** Installation of 1.300 km of optical cable running through Armenia, Azerbaijan and Georgia, together with a digital transmission backbone, providing updated railway track signalling and communications between 133 rail stations at a cost of €15 million. The reconstruction of the main road linking the three capitals, Tbilisi, Yerevan and Baku, is being examined; there is potential for attracting new investment in the order of €150 million from the World Bank and EBRD.

► **Central Asia:** Rehabilitation of the rail-ferry terminal in Aktau port (Kazakhstan) is in progress, which will allow the shipment of wagons between Azerbaijan and Kazakhstan, and create a new maritime route from the Caspian Sea.

► **The five Central Asian republics:** A new project to improve customs facilities at border crossings has been started, including computerisation to comply with international standards. Tacis will not only supply the equipment but also train the customs staff.

### Gas exports and INOGATE

The Interstate Oil and Gas Transmission to Europe (INOGATE) programme has become a broad-based instrument of EU strategy for the security of energy supplies. It is a multi-regional programme that promotes the overall integration of a network transporting oil and gas to Europe, and opens up EU access to new sources in Russia, the Caspian Basin, the Middle East and the Mediterranean.

In a few cases, INOGATE has definitely made a difference: not only has it led to trade agreements, but it has also opened new dialogue contributing to the peace and stability of the region of operation. For example:

- the INOGATE Umbrella Agreement was instrumental in establishing a Memorandum of Understanding between **Greece and Turkey** to cover the gas connection;
- in the **Balkans**, INOGATE helped to establish a real working co-operation for the oil pipeline of Constanza-Belgrade-Trieste;
- the INOGATE Kiev Antenna office, officially inaugurated on November 2000 by EC President Prodi and Prime Minister Yushchenko of **Ukraine**, is now fully operational. This is an important step in the development of the INOGATE Programme.

*Cross-border  
co-operation  
is set to play a key  
role in the region's  
development.*

(43) COM(2000) 493 FINAL, September 6th 2000.



INOGATE received €15 million funding in 2000 to support its priority investments on the technical level in the three regions of Eastern Europe, Caucasus and Central Asia;

- ▶ four gas fiscal metering stations are being built in **Ukraine, Moldova, Georgia and Armenia** in order to improve their gas trade and commercial relations;
- ▶ construction has also started on two gas metering stations on **Azerbaijan's** borders with **Georgia and Russia**, with the aim of calculating the export and import of natural gas between these countries and Russia more accurately.

### Telecommunications

There is still some way to go to convert the telecom sector in the NIS from internal state-controlled to free market systems covering traditional voice telephony, digital communication and information systems. EU help is needed to create an adequate regulatory framework and to build up the necessary e-certification capacity. In 2000, €11.5 million was spent on seven projects in total, including:

- ▶ **Uzbekistan** is preparing the way for the potential privatisation of its telecom sector, including the drafting of appropriate legislation for market liberalisation. Four other projects have been supporting the improvement of testing and certification facilities for telecom and space equipment;
- ▶ the **Russian State Library** is receiving help to digitise its catalogues for publication on the internet, while the ground is being prepared for an electronic library.

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### Border crossings

Some existing border crossings permit only bilateral traffic. The EU is opening up new international border crossings to encourage more trade. This is no small undertaking, as some crossing points are huge. One example is Salla, where just the administrative-operational building set up for customs and border controls of cars, buses and lorries covers an area of 1 020 m<sup>2</sup>. There are also canopies covering control booths for all lanes, a building for detailed vehicle inspection with storage area of 450 m<sup>2</sup>, as well as truck weighing posts, dog kennels and a fully secure perimeter fence with controlled entry and exit points.

### 2.8. Horizontal policies

#### European Initiative for Democracy and Human Rights

Implementing human rights, protecting minorities, developing civil society organisations and introducing the basic infrastructures of public and democratic life are among the objectives which have been set with a view to promoting democracy in these parts of the world. The priorities of the 2000 budget heading, which has received €6.700.000 of commitment appropriations, are ambitious, covering education and sensitisation in Human Rights, the training of armed forces, lawyers and judicial authorities, supporting the development of local government and independent media and the promotion and development of programmes undertaken jointly with international organisations.

#### Elections in Belarus

A sum of €413 000 has been granted to the Helsinki Belarus Committee, in co-operation with OSCE-AMG in Minsk, to set up a public monitoring system for the October 2000 parliamentary elections and the September 2001 presidential elections.

*Democratic institutions and respect for the rule of law are important elements of the transition process.*

### 2.7. Cross-border co-operation (CBC)

#### Environment

In 2000, Tacis support for environment in the EU/candidate countries was substantial: implementation was on-going in 14 projects, totalling €35 million. The main emphasis was on water resource management and the control of water quality. Tacis provided support to most of the major waterways in the border region, including work on the Paz, Prut, Bug and Danube rivers. This includes the improvement of monitoring capacity, introduction of guidelines and regulations for water quality control, and the setting down of necessary infrastructure.

In addition, two projects in **Karelia** concentrated on the development of eco-tourism. The management of the Karelia National Parks was strengthened and new improved infrastructure is being built.



© Miriam Mercier

*As the market economy progresses, more and more projects are set up to deal with the social consequences of transition.*

#### Justice and prisons in the Northern Caucasus

A joint Commission-Council of Europe programme, with a budget of some €500 000, is examining the judicial and prison situation in the Northern Caucasus region of the Russian Federation, in the light of the crisis affecting the Republic of Chechnya. One objective is to consolidate the independence of the judiciary, to improve its effectiveness and to impart a sense of responsibility to those involved in criminal investigations, such as public prosecutors and the police. At the prison level, the task is to make personnel aware of the rule of law and basic rights, and at the same time to improve the conditions of detainees, particularly the most vulnerable.

#### Rehabilitation

The countries benefiting from aid (€9.9 million) are above all Georgia and Azerbaijan, with major projects also in the Nagorno-Karabakh enclave and in Tadjikistan. Most projects help to restore infrastructures in regions devastated by recent conflicts, by means of financing conventions with the governments concerned.

#### Food Safety

2000 was a turning-point in the food security programmes for the NEIs. More countries benefited (Armenia, Azerbaijan, Georgia, Kyrgyzstan, Tajikistan, Moldavia,). The Community aid, in most cases, involves **budget support** targeting reform in the farming sector. Since 2000, this support has been progressively extended to the **social sector**, in order to aid reform, to revive the farming sector and to boost the incomes of vulnerable families.

In **Kyrgyzstan**, for example, **budget support** of €10 million and **technical assistance** are contributing to the development of the farming and social sectors: support for the land survey authorities (security of real estate tenure), restructuring the policy and financial management departments of the Ministries of Agriculture and of Social Protection, and rationalisation of the social security system to the benefit of the poorest groups. These programmes will be supported by technical assistance within the two ministries concerned.

In **Moldavia**, the deterioration of the macro-economic situation, the climatic conditions and the slowing down of the structural reforms have led to the decline of living conditions and the generalisation of poverty, particularly in the countryside. Food balance has become very fragile, because of the climatic upheavals and the economic problems. **Budget support** and **technical assistance** amounting to €5.5 million have supplemented projects conducted by the ECHO and the TACIS programme. Apart from support for the balance of payments, this EC intervention focuses on public expenditure in the farming and social sectors, which it considers to be a priority. In particular, the EC's action is supporting the process of liberalisation in the farming sector, the rehabilitation of national irrigation networks and the paying of social security benefits, to be guaranteed as a priority to the most vulnerable groups.



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### Humanitarian Aid

The European Community Humanitarian Office (ECHO) has been active in the region. In the table below ECHO's financial decisions can be found, split by groups of countries.

### FINANCIAL DECISIONS FOR HUMANITARIAN AID IN 2000 (ECHO)

EASTERN EUROPE/NIS	DECISIONS IN € Million
<b>TOTAL</b>	<b>48.930</b>
▶ Belarus, Moldavia, Ukraine	2.800
▶ Mongolia	1.875
▶ Russian Federation	
- Northern Caucasus	23.200
- Other	1.200
▶ Southern Caucasus	
- Armenia, Azerbaijan, Georgia	4.855
▶ Tajikistan	15.000

## 3. Conclusions and perspectives

The Tacis programme, which covers the countries of Eastern Europe and Central Asia, is now well-established with an annual commitment budget of around €450 million. It is adapting to the evolving needs of the region, including recognition of the growing differentiation between the countries. Enlargement of the EU to the east is leading to a shift of focus towards the Western NIS in terms, for example, of border management, spill-over environmental concerns and cross-border initiatives. Greater attention will be paid to promoting investments, including the co-financing of investment projects with international financial institutions. Investment support will also be extended to the social sectors, where the needs are huge after a decade of very sharp economic decline. At the same time, the overall focus on promotion of reforms is being strengthened. More prominence will be given to providing high-level policy advice, and to other activities in connection with the implementation of the Partnership and Co-operation Agreements but also to long-term institution building, in particular in support of the rule of law. As devolution continues, more and more assistance will be delivered through the local Commission's Delegations.

*More attention is to be paid to the promotion of inward investments.*





## V South Mediterranean, Near and Middle East

The Euro-Mediterranean Partnership is the most comprehensive and ambitious relationship established so far between the European Union and the countries and territories of the South Mediterranean, Near and Middle East. Launched at the Barcelona Conference in 1995, it is intended to be a political, economic and social partnership of equals, which goes deeper than pure development co-operation. In the Middle East, the EU also has ties with the Gulf Co-operation Council, together with Yemen and Iran.



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**Cyprus is no longer eligible for most types of Mediterranean funding, just like Israel and Malta.**

The Barcelona Declaration adopted by the 15 Member States and its 12 Mediterranean Partners on 27-28 November 1995 constitutes the basis of Euro-Mediterranean co-operation. The Euro-Mediterranean Partnership activities consist of bilateral and regional tracks. These activities are mainly funded by the MEDA Programme.<sup>(44)</sup>

Bilateral co-operation is based on the Euro-Mediterranean Association Agreements. Regional co-operation is based on regular co-ordination meetings and conferences held at the highest level as the Euro-Mediterranean Foreign Ministers Conferences (Lisbon 2000, Marseille 2000).

## 1. Key figures in 2000

In 2000, the funds committed to Euro-Mediterranean partnership activities amounted to €1.002 billion and the total payments reached €472.2 million. Most of these funds were committed within the framework of the MEDA Programme (€879.2 million in 2000). The remaining funds were committed on other specific budget lines like Peace process, Democracy, and Palestinian refugees (€122.8 million in 2000).

### Euro-Mediterranean Association Agreement Highlights of 2000

Agreement already in force	Tunisia, the Palestine Authority (*)
Agreement coming into force	Israel, Morocco
Ratification pending	Jordan (**), Egypt (***)
Negotiations resumed	Algeria, Lebanon, Syria

(\*) Interim Agreement  
 (\*\*) The AA with Jordan has been ratified by 14 out of 15 EU member States  
 (\*\*\*) The AA with Egypt was signed on 26 June 2001

### MEDA commitments in 2000: €879.2 million

Bilateral co-operation:	€719.4 million
Regional co-operation:*	€159.8 million

\* (including 'Global allocation' and 'Technical assistance')

### MEDA payments in 2000: €330.5 million (243 in 1999)

#### Countries eligible for MEDA funding:

**Bilateral:** Algeria, Egypt, Lebanon, Jordan, Morocco, Syria, Tunisia, Turkey, Palestinian Authority.

**Regional funds/cultural activities only:** Israel, Cyprus and Malta. (Limited because of their high per capita GDP).

#### Other budget lines in 2000 (Peace process, Democracy, Palestinian refugees...):

Commitments:	€122.8 million
Payments:	€141.7 million
<b>Total commitments in 2000:</b>	<b>€1.002 billion</b>
<b>Total payments in 2000:</b>	<b>€472.2 million</b>

(44) Based on the Council Regulation (N° EC/1488/96) on financial and technical measures to accompany the reform of economic and social structures in the framework of the Euro-Mediterranean partnership (MEDA) adopted on 23 July 1996 and amended on 27 November 2000 by the Council Regulation (N° EC/2698/2000) which is usually called MEDA II.

## 2. Key objectives

The three initial objectives of the Euro-Mediterranean Partnership as defined at the Barcelona Conference of 1995 are:

1. The creation of a common Euro-Mediterranean area of peace and stability based on fundamental principles of human rights and democracy;
2. The creation of an area of shared prosperity through the progressive establishment of a free trade area between the EU and its Mediterranean partners and among the Mediterranean partners themselves, together with substantial EU financial support to cover both economic and social transitions;
3. To develop human resources, promote mutual understanding among the peoples in the Euro-Mediterranean region and to develop free and flourishing civil societies.



© Hans Rolloos

Much has been done since Barcelona to achieve these objectives but it still appears necessary to improve the fulfilment of the Barcelona objectives. The new Communication from the European Commission<sup>(45)</sup> "Reinvigorating the Barcelona Process" provided the main input for the Euro-Mediterranean Foreign Ministers meeting held in Marseilles in November 2000 where a number of concrete proposals were agreed:

- ▶ the negotiation, signature and ratification of the Association Agreements which constitute the framework of the political dialogue and economic co-operation should be speeded up. The Association Agreement with Egypt was signed in 2000 but negotiations with Algeria, Lebanon and Syria did not make satisfactory progress;
- ▶ the financial impact of the MEDA programme should be improved, notably by subordinating future financial aid to the pursuit by partners of economic transition reform. Similarly, more efforts should be made to substantially reinforce regional economic dialogue;
- ▶ a greater reciprocal liberalisation of trade will have to be reached – notably in agriculture – by the end of the transitional period, in accordance with applicable GATT and WTO provisions;
- ▶ the Euro-Mediterranean Charter for peace and stability could not be adopted due to the Middle East crisis. Nevertheless, significant progress was made towards agreement on this instrument which will promote respect for fundamental principles of human rights and democracy and facilitate conflict prevention and crisis management;
- ▶ a new programme "Information and communication" will be launched and a "Euro-Mediterranean partnership" label will be introduced in order to promote Euro-Med co-operation projects.

## 3. General political and economic context in 2000

The year 2000 was dominated by the instability of the Middle East region because of the outbreak of violence resulting from the Palestinian-Israeli conflict. The interruption of the Middle East Peace Process has seriously jeopardized the benefits of the Barcelona process in this region and imposed limits on the development of overall regional co-operation. However, one of the achievements of the Marseille Conference in November 2000 (held two months after the beginning of the second Intifada) was precisely to demonstrate the resilience of the Barcelona process. In spite of this dramatic context, the European Union was able to pursue a frank political dialogue and to take emergency measures of which the most important was the setting up of a special cash facility of €90 million to help the Palestinian Authority preserve its institutional framework.

The economic highlight of the year 2000 was the further rise in oil prices, which had already started rising in the first quarter of 1999. The average price of oil per barrel in 2000 was \$29, about 50% higher than in 1999. As a result, terms of trade for the region's oil-producing countries improved considerably, and growth was boosted, particularly for net energy-exporting countries such as Algeria, Egypt and Syria.

*The promotion of mutual understanding between the people of the region is one objective of the Euro-Mediterranean Partnership.*

(45) "Reinvigorating the Barcelona Process". COM (2000) 497 final.



© European Commission

The construction of basic infrastructures such as schools are an important facet of EC activities in the region.

## 4. Remaining structural problems

There are still a number of structural problems as follows:

- ▶ the lack of spirit of partnership prevented a sufficiently frank and serious dialogue on crucial questions concerning universal human rights, prevention of terrorism or migration;
- ▶ certain Mediterranean partners are not sufficiently committed to speeding up the economic transition process and to introducing the necessary national reforms to comply with the Association Agreements;
- ▶ the volume of the exchanges between the Mediterranean partners (South-south trade), originally very weak, did not increase. Moreover, the investment level of the EU in the region remains low compared to investment flows in other parts of the world. Part of the problem lies in the diversity of regulations, the inadequacy of the physical and administrative infrastructure and the lack of economic and legal transparency in commercial activity;
- ▶ the implementation of the MEDA programme was hindered by the complexity of the procedures. In spite of the priority given to the structural and sectoral adjustment in order to help the governments achieve economic and social reform, difficulties were frequently encountered in the implementation of the Association Agreements;
- ▶ civil society is not sufficiently aware of the importance of the Barcelona process and too often is not aware of the opportunities and advantages it offers.

## 5. The MEDA Programme

Most activities undertaken within the framework of the Euro-mediterranean Partnership are financed by the Union's MEDA programme which covers bilateral and regional co-operation. Most MEDA funds are channelled bilaterally to individual countries through co-operation programmes. The rest is allocated to multilateral regional co-operation activities, involving all 27 partners.

### From MEDA I to MEDA II

The MEDA programme provides financial support to the Union's Mediterranean policy as defined in the Barcelona Declaration. Since 1995, efforts have concentrated on two aspects: promoting the transition towards an open economy and helping partners meet the attendant socio-political challenges, in line with the objectives of the association agreements. The actions that MEDA supports seek in particular to maintain the essential balance between economic growth and social stability. Constant attention to the human element, together with partner countries' determination to successfully carry through essential national reforms, are the cornerstone of Euro-Mediterranean dialogue.

Between 1995 and 1999, the 12 Mediterranean partners have benefited from over €4.4 billion in aid from the EU, €3.4 billion of it under the MEDA I programme alone. For its part the European Investment Bank has made available €4.8 billion of loans during this period.

The MEDA programme presents a satisfactory performance in terms of commitments (€879.2 million in 2000). The disbursement rate has moved up substantially, from 26% of commitments in 1995-1999 to 37.6% in 2000 (€330.5 million disbursed in 2000). The lower payment levels of the earlier years are explained in part by the usual slowness of the early years of the programme, but incisive structural adjustments – which have begun to bear fruit – have also proved necessary in order to optimise its performance. This, the Commission concluded, called for better programming and implementation of the aid in order to improve its strategic value, to target it more precisely and thereby increase its impact and visibility at the local level.

The newly-adopted MEDA II programme (2000-2006 with a budget envelope of €5.35 billion) aims to improve implementation of the reform programmes and projects aimed at providing a better response to beneficiary populations' expectations.

In future emphasis will be on a small number of strategic programmes. Financing will not be available for small-scale or isolated projects outside the programme priorities. The Commission is also determined to reduce the time taken to get MEDA projects operational by targeting them better,



financing only mature projects and limiting the too frequent practice of extending project periods. Finally, in order to improve the impact of programmes, financing will be linked more strictly to progress achieved in implementing the association agreements. In this way, programmes will in future be directed more at a smaller number of priorities, directly linked to the agreements, and will take greater account of partners' desire to demonstrate, by their actions, their determination to promote regional trade and economic co-operation and to take the necessary economic reform measures, in particular in the financial sector, in order to successfully complete the economic and political transition process.

### THE THREE MAIN DIRECTIONS OF MEDA II

**Streamlining the decision-making process should lead to more efficient programming, based on multi-annual strategy documents (2000-2006), at national and local levels. Three-year National Indicative Programmes (NIPs) and Regional Indicative Programmes (RIPs) will be based on these strategy documents. Annual financing plans will be adopted and implemented at national and regional levels.**

**Enhancing capacities for programming and implementing the planned actions, in particular through greater dialogue with Mediterranean partners on medium-term MEDA programming and better integration of their individual reform strategies.**

**More efficient implementation procedures with the reform of the Commission's external aid and the services managing it.**

## 6. Bilateral co-operation priorities

In its communication on "Reinvigorating the Barcelona process" adopted in 2000, the Commission recalled that the implementation of the Euro-Mediterranean Partnership is based on the negotiation of bilateral association agreements with each Mediterranean partner. The overall objective remains that of establishing a Euro-Mediterranean free trade system in 2010, establishing permanent and durable political dialogue and implementing various forms of co-operation between each Mediterranean partner and the EU.

The outcomes of the Marseille conference in November 2000 underlined the objectives of the Association Agreements as defined in the Barcelona Declaration:

- ▀ support economic transition by developing the private sector to prepare the way for free trade and improved competitiveness;
- ▀ strengthen the socio-economic balance by improving health, education, environment and rural development to ease the way through economic transition and structural adjustment;



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- ▀ promote human rights, the rule of law and democracy.

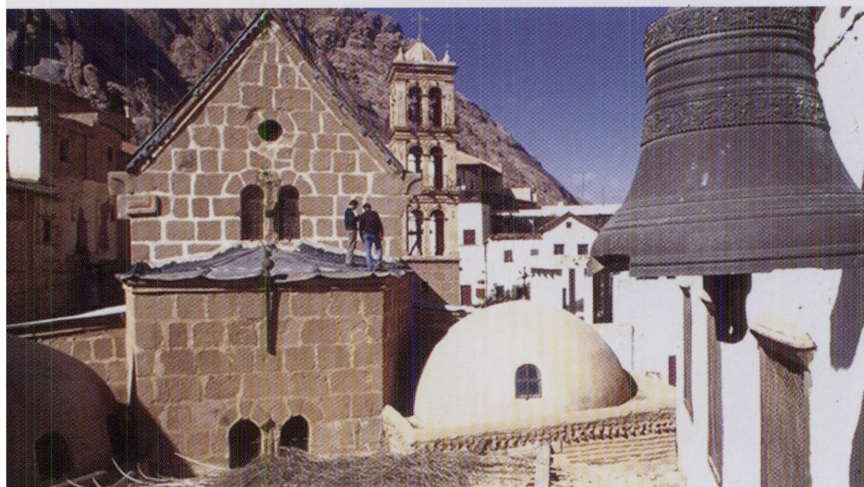
The conference also stressed the following priorities for the future:

- ▀ to speed up the pending negotiations with Algeria, Lebanon and Syria and to accelerate the procedure of ratification by the Member states in the future, notably by obtaining assurance that the Association Agreements will be ratified within two years of being signed;
- ▀ to reach an agreement with the Mediterranean partners in order to allow wider access of their agricultural products to the European market. This objective complies with the WTO requirements and the adjustment of transition period criteria;
- ▀ to intensify South-South trade by encouraging commercial and economic co-operation at regional and sub-regional levels;
- ▀ to define an appropriate regulatory framework for the future Euro-Mediterranean free trade zone by reinforcing co-operation in numerous fields such as customs and tax systems, financial services, competition and intellectual property.

Moreover, the Commission Communication "Reinvigorating the Barcelona Process" recommended that Mediterranean partners should adopt a series of concrete measures which should be implemented within a strict timescale:

- ▀ those Partners which are not yet members of the WTO should become members by the end of 2002;
- ▀ a free trade agreement should be signed among the partners who have concluded an Association Agreement within five years of its conclusion with the EU.

*The creation of a free trade area is the long-term objective of the partners in the region.*



© Nature Protection Department, Egyptian Environmental Affairs Agency, Cairo

The project at St-Katherine, a perfect example of integrated development, has involved the local Bedouin population in the hikes and sightseeing tours organised in and around the monastery.

#### ACHIEVEMENTS OF EGYPT'S NATURAL PROTECTORATES PROGRAMMES

Egypt has huge tourist potential and is rich in important environmental and historical sites. However, the exploitation of these ecologically fragile areas requires comprehensive knowledge of the principles of sustainable development. The three important EC programmes described below aim to meet this requirement.

- The Saint Katherine Protectorate Development Project – a unique model of successful co-operation between the Government of Egypt and the European Union in the field of environmental, cultural and religious preservation. Declared a national protectorate in 1996 (with €6 million from the European Commission), it covers 4 350 km<sup>2</sup> – virtually the entire high mountain massif of South Sinai – and is one of the most visually spectacular and ecologically unique areas in the Middle East. The project managers believe that local people, tourists and native biodiversity can all coexist. They also believe that the Bedouin people are the best stewards of the protectorate's natural resources, on which they depend.
- The Gulf of Aqaba Protectorates Development Programme aims to safeguard the natural resources of coastal areas to promote a controlled local tourist industry. Set up in 1996 with an EC grant of €10 million, this project reinforces the activities of the Egyptian Environmental Affairs Agency's Natural Protectorate Sector, which forms part of the economic development of South Sinai.
- The Oil Pollution Combating Emergency Centre is located at the entrance of the Gulf of Aqaba. This project consisted of setting up and equipping an emergency response centre, including training its staff in necessary procedures and mechanisms to combat oil pollution at the mouth of the gulf, which is an area particularly vulnerable to oil spills.

## 7. Bilateral co-operation activities in 2000

While the establishment of the new guidelines and priorities detailed above has been a very important task during 2000, existing projects have continued developing. The main activities in the different countries of the region are summarised below.

#### ACHIEVEMENTS OF EGYPT'S PROGRAMME FOR THE PRIVATE SECTOR

A significant number of new jobs in Egypt have been created, thanks to the EC-funded Private Sector Development Programme (PSDP). Set up with €25 million in 1996, the PSDP provides tailored and integrated programmes of technical expertise to private sector companies and business associations. Services are provided in response to demand, and most activities apply the principle of cost sharing. The PSDP was refunded in 1999 (€20 million) and will cease operations in December 2001.

**Business upgrading:** This has turned out to be the flagship service, well known in the local Egyptian market.

**Business training:** More than 125 different types of course are on offer at the European Management Centre, which has trained some 4 000 executives.

**Marketing and export:** Advice has been given to over 180 companies producing a wide range of consumer goods.

**Business co-operation:** More than 100 companies have been helped to form strategic alliances with European companies.

**Information services:** This division provides commercial data and market information, and acts as a reference point for other donor programmes. Nine business associations have received direct help from the Institutional development division.

#### Algeria

Following a six-year break (1994-2000) due to the domestic situation, negotiations for an association agreement between the EU and Algeria resumed on 14 April 2000. During the period 1996-1999, projects were committed to a total amount of 164 million within the framework of the MEDA Programme. These programmes mainly aimed at developing the private sector and structural adjustment. In addition, a risk capital operation managed by the EIB was funded with the remains of the financial protocols. In 2000, the resumption of relations with the Union has allowed three projects totalling €30 million to be launched: support for telecommunications and postal services reforms and developing the information society (€17 million); support for Algerian journalists and media (€5 million); support for police service modernisation (€8 million).

A financing agreement has also been signed for updating the financial sector (€23 million).

### Egypt

The conclusion of the Association Agreement should have led directly to the initiation and signing stages during 2000. Eventually, the Agreement was initialled on 26 January 2001. Meanwhile, €12.7 million were committed under the MEDA programme.

Apart from interest rate subsidies to EIB loans (€100 million), there was a considerable run-over of existing commitments made under MEDA I (€615 million for the Social Fund, for basic health and education, and industrial modernisation). The European Commission took a lead role in the multi-donor review of Phase II of the Social Fund for Development programme.

The slow rate of progress on programmes already approved gave rise to concern. The Industrial Modernisation Programme (€250 million) had been blocked because the planned organisational structure – the Industrial Modernisation Council – had not been set up. This needed a Presidential Decree, which was issued at the end of 2000. However, the technical assistance made available through the EU finally began to make a real impact in health (€120 million) and education (€100 million) by improving both access to and quality of primary health care services as well as the improvement of the basic education sector.

In other areas, achievements were recorded in the programme for developing the private sector and also in several programmes focused on environmental protection.

### Jordan

The performance of Jordan under MEDA (1995-99) has been exemplary. As a result, Jordan has received the largest per capita amount of MEDA grant support of all the Mediterranean Partners.

Targeting its actions on the basic needs of the population, the Union has concentrated its technical assistance on the Project Management unit responsible for the multilaterally funded US\$ 250 million rehabilitation of the Amman water supply system (€5 million), and on modernising Jordan's industry, to help create thousands of new jobs and boost the national economy. The Commission also approved a number of cultural events to pay tribute to the legacy of the late King Hussein.

New programmes were launched in 2000 to develop the tourism sector and the preservation of cultural heritage (€3.9 million). Full use was made of the €80 million Structural Adjustment Facility since all performance criteria had been fulfilled.

The Commission decided to grant an additional €15 million to back a new EIB-managed risk capital operation for financial intermediaries working on equity/quasi equity investment.

### Lebanon

In September 2000, the Commission and the Lebanese government ended a two-year interruption of negotiations towards a Euro-Mediterranean Association Agreement.

#### ECONOMIC RECOVERY OF DISPLACED PEOPLE IN THE SOUTH MOUNT-LEBANON REGION

Since the end of hostilities, the Lebanese government has been trying to encourage its displaced citizens to return home and reintegrate with the resident population. An Italian NGO, the Istituto per la Cooperazione Universitaria (ICU), has been managing the project, working with the Lebanese Ministry of the Displaced, the Agricultural Ministry and other national and Italian institutions. Destroyed infrastructure has been rebuilt, new jobs created and small and medium-size enterprises supported. In 1995, the EC started supporting this project with a grant of €6.3 million. **Principal achievements of the project:**

The facilities at Kfar Fakoud have revived old friendships and created new intra-communal contacts. A pilot demonstration farm and service centre has been set up at Kfar Fakoud, Deir el Kamar, to provide technical assistance and training to farmers. This project has contributed to create economic opportunities and stable conditions for the people working in agriculture, which is by far the dominant activity in the region.

**Training:** Nearly 3.500 farmers were trained, either on the project farm or in neighbouring villages. Some engineers have also been trained in Lebanon and in Europe, and the practical guides and educational leaflets produced for local farmers have been distributed throughout Lebanon.

**Credits:** Thanks to this project, farmers may now individually request an agricultural credit up to €20.000 with a subsidised interest rate of 3%, reimbursable over a period of three and a half years. These mini-credits are managed by Italy's Banca di Roma. So far, 100 projects have been approved and 94 loans given, at a reimbursement rate of 91%.

**Subsidies:** These have been widely used in the fruit and olive tree sector by farmers buying plant stocks and municipalities buying plant health products. In December 2000, the region's olive producers were able to obtain new subsidies of up to €10 000 to buy kits to analyse olive oil acidity and other equipment to modernise their olive presses, and so improve the quality of their output.

*This year witnessed the renewal of EU-Lebanese negotiations for an Association Agreement.*



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#### GEFRIF: HISTORY OF A SUCCESS STORY

Integration and participation" are the key words of the GEFRIFF project (€4.45 million), devoted to protecting and managing the forest ecosystems of the Rif (Northern Morocco). This pilot initiative tested out an integrated (ecological, economic and social) approach to rural development. Involvement of the local population at every stage has been the key to its success. At the end of the project, the living conditions of the local population have improved (new tracks, bridges, water points). Purchasing power has risen significantly. Land ownership conflicts have been settled and deforestation halted.

The GEFRIFF project was selected by Morocco to be presented at the Hanover EXPO 2000 as an illustration of successful sustainable development. It has also provided the pattern for two other MEDA initiatives: Integrated rural development (€28.4 million) and Participative development of the forest and semi-forest areas of Chefchaouen province (€24 million).

This interruption was due to internal political reasons, notably the organisation of general elections and the reluctance of the Lebanese authorities to abolish private sector protectionism and the will to preserve the existing fiscal system.

Between 1996 and 1999, Lebanon benefited from €182 million in MEDA grants.

No new commitments were undertaken for Lebanon in 2000 under the MEDA programme. The signature of three new financing agreements took place in 2001: Industrial Modernisation (€11 million), Structural Adjustment Facility (€50 million), and Fund for Social and Economic Development (€25 million).

*Women's increased participation in society is a key objective of many projects in the region.*

The first tranche of the Facility (€30 million) was paid in 2000.

Outside the MEDA programme, in the aftermath of the Israeli withdrawal from South Lebanon in May 2000, the EC brought in 12 ECHO humanitarian assistance projects (€3.9 million) and five rehabilitation projects (€9.2 million). A high proportion (about €10 million) of this was dedicated to South Lebanon, and the balance was mainly to assist Palestinian refugees in the 12 settlement camps inside the Lebanese border.

#### Morocco

Morocco has clearly expressed its desire to strengthen economic ties with the Union. The Association Agreement with the EU, that came into force on 1 March 2000, marks a decisive step towards introducing a free trade zone.

€796.6 million was allotted to Morocco between 1995 and 1999. In 2000 alone, €140.6 million were committed to different projects aimed, in particular, at improving living conditions (health, urban development, environment, etc.) Examples include:

- ▶ **the management of solid household waste at Essaouira** (€1.9 million). This programme seeks to reduce the impact of this waste on the environment and to develop the city's local waste processing capacities;
- ▶ **modernisation of the court system** (€27.6 million). This project aims at improving the quality of the judicial system and to make it more efficient;
- ▶ **health sector adjustment programme** (€50 million). This reform involves measures to improve access to, and the quality of, popular health care by rationalising the management of both public and private sources of financing;
- ▶ **financial sector adjustment programme** (€52 million). This programme sets out to restructure the financial sector by adapting the institutional and regulatory framework;
- ▶ **participative rural development in the Central Middle Atlas region (Khénifra Project)** (€9 million). Its objective is to improve living conditions for rural populations in 12 communes of the Province of Khénifra, in particular by introducing rational, participation-based and integrated natural resources management.

#### Syria

The negotiations concerning the Association Agreement resumed in 2000. EC efforts in Syria between 1996 and 1999 concentrated on key institutional areas including the reform of administrative and economic structures, support of the business sector, and development of human resources. Three projects were signed, totalling €38 million. The most important was the Syrian European Business Centre funded for €12 million.

### Tunisia

Three new projects, totalling €75.7 million, were committed in 2000:

- ▶ **support programme for the reform of basic education** (€40 million): Help in reforming basic education in order to support socio-economic development. The programme seeks to enhance Morocco's human resources in order to prepare the country for social, political and economic change;
- ▶ **support for the private sector (EIB), venture capital** (€30 million): The project is aimed at increasing the capital resources of companies in the process of being privatised;
- ▶ **"solid waste" – interest subsidies on EIB funding** (€5.60 million). The project seeks to introduce regional solid waste management systems, based on refuse tips and related transfer centres across the entire country.

### Turkey

The year 2000 was the first in the new climate of EU-Turkey relations, after Turkey's status as a candidate for EU accession had been recognised at the Helsinki European Council in December 1999. The first stages of the accession process have now started on the Community acquis, and customs union in the public procurement and services sector. Procedures to allow Turkey to participate in Community programmes and agencies have accelerated.

Meanwhile, Turkey remains both a full participant in the Barcelona Process and a beneficiary under MEDA regional programmes. By mutual agreement, the lion's share of Community financial assistance in 2000 was spent on the government's economic reform programme, drawn up in consultation with the Turkish government and the World Bank, and supported by a Structural Adjustment Facility (€150 million in two equal parts). During 2000, a €10 million widening of the Jean Monnet Scholarship programme opened the way for further training to be given to Turkish university graduates, young civil servants and private sector employees wishing to follow postgraduate university studies in an EU country.

An important infrastructure project for Bursa, once the capital city of the Ottoman empire and now expanding rapidly due to rural immigration, is the Bursa Wastewater Treatment Project. With MEDA paying the €16 million interest on an €80 million loan from the European Investment Bank, a new water treatment facility is being built to reduce pollution from city waste water dumped in the Nilüfer River which flows through the city.



© Selcia Pyydak

#### AVCILAR "HOUSE OF HOPE"

The Avcilar "House of Hope" is a shelter in Istanbul which provides street children with health advice, education and counselling from volunteers, as well as meeting their basic needs. According to the head of the Association which runs this project it was through EC funds that the home was rescued from financial crisis, and helped to overcome other setbacks, thereby assuring it of a long term future. This small NGO project, signed in 1998 and implemented in 1999-2000, is one of MEDA's success stories. The EC also helped another charity, the Volunteers for Street Children, with assistance worth €70.000.

#### West Bank and Gaza Strip/Palestinian Authority

When violence erupted after the second Intifada in September 2000, the Palestinian territories were closed off by the Israeli Army. This locking up of Palestinian territories abruptly halted the economic growth and institutional reform that had been proceeding steadily during the first half of 2000. In a context of major crisis and possible regional destabilisation, the European Union is still standing firm by its democratic and human values, the model of economic development it represents, and the conclusion of a durable peace agreement, based on mutual understanding and security.

Palestine's civilian population appears to be the first victim of this economic blockade. In this critical context, the EU's top priority is to improve the living conditions of Palestinians and try to convince people that there is no other realistic alternative to the peace process. The European Community had a specific budget of around €20.4 million in 2000, in addition to the funds provided by the MEDA programme, to finance its co-operation with the Palestinian Authority.

*"The house of Hope gave me a place to stay. Before that, I slept in the street", says Mehmet, aged 15.*



© Ruba Halawani

Gaza has a very large density of population. The solid waste management project helps prevent the deterioration of sanitary conditions.

#### EASING CASH-FLOW IN PALESTINE

After the outbreak of the 'Al Aqsa intifada', the Israeli authorities decided to freeze the monthly transfers of clearance revenues (VAT and custom duty receipts) cashed by them on behalf of the Palestinian Authority as a result of their control on all entry points to the Palestinian Authority's territories. This action resulted in a further deterioration of the Palestinian population's situation. Given the gravity of the situation, the General Affairs Council requested the EU to set up a second Special Cash Facility on 13 December 2000 of up to €90 million, as it had done in 1997 (for €27.6 million). These additional funds were converted into direct budgetary support aimed at easing the budgetary impact of any Israeli government freeze on monthly tax receipts transfers. These payments have helped to meet current administrative expenses of the Palestinian Authority (eg. Payment of civil servant salaries, education, health and other public services). However, the December 2000 General Affairs Council laid down some conditions for the releasing of funds - including proper budgetary control by its Finance Ministry, the stabilisation of current expenditure and the adoption of a balanced budget. In the light of this, the Palestinian Authority gave a written commitment to pursue financial and administrative reform, and the EU then allocated responsibility for developing a detailed plan for implementation of approved reform measures to the Palestinian Minister of Planning and International Co-operation.

By adopting and implementing this exceptional financial measure within a very short period, the European Union has preserved the institutional framework of the Palestinian Authority and prevented a further deterioration in the civilian situation. As the major donor to the Palestinian Authority, the EU has also confirmed its place in the Middle East Peace Process.

Putting extraordinary events aside, the MEDA programme was used to finance other actions in the West Bank and the Gaza Strip during 2000. These included a crucial project to provide wastewater treatment services for some 80% of the Palestinian population of the Northern Gaza Strip (the world's highest population density). The EU supported this by subsidising the €3.7 million interest rates on an EIB loan. Going further, the MEDA programme also put up the risk capital (managed by the European Investment Bank) of €3 million needed by the Cairo Amman Bank to provide long-term funding to assist Palestinian SMEs in all business sectors to start up, or to expand.

## 8. Regional co-operation priorities

Regional co-operation at the multilateral level represents one of the most innovative aspects of the Euro-Med Partnership, embracing the political, economic and cultural fields.

The year 2000 was a milestone in the development of regional programmes. The Commission Communication "Reinvigorating the Barcelona Process" stressed the strategic importance of regional and sub-regional co-operation, and of co-ordination between regional and bilateral programmes. Co-operation at regional level may act as a catalyst to encourage bilateral operations and enhance economic and social development. Regional programmes may be used to work towards trade liberalisation and convergence of regulatory frameworks in the fields of competition policy, public procurement, intellectual and industrial property, and standardisation. Several regional activities and programmes covering the three chapters of the Barcelona Process were launched or implemented during the year.

## 9. Regional co-operation activities in 2000

### Industrial co-operation

2000 was devoted to themes agreed at the Limassol ministerial meeting (2000) namely investment promotion, innovation and quality, SMEs, and developing Euromed market instruments and mechanisms. €9.9 million was agreed in 2000 and earmarked for promoting the region's single market instruments (Euromed Market). €15 million was agreed and committed in 2000 to launching the promotion of innovation, technology and quality in private enterprises (Euromed ITQ). An Industrial Co-operation Working Group discussed a possible regional programme on SMEs. Business-to-business contact meetings co-sponsored by the EU also helped to foster North-South and South-South industrial co-operation.

### Environment

The Short and Medium-term Priority Environmental Action Programme (SMAP) was decided in 1999 and mostly in place by the end of 2000. Adopted in Helsinki in November 1997, SMAP's priority fields of action include integrated coastal zone management, 'hot spots' (polluted areas and threatened biodiversity elements), and measures to combat desertification.

During 2000, contracts totalling approximately €5 million were signed implementing the first phase of SMAP. The major source of funding is MEDA, although other existing funds may be used, and efforts will be made to attract additional public and private donors.

### Information Society

Closing the technology gap between the EU and its Mediterranean partners is the goal of Eumedis, the Euro-Mediterranean programme on the Information Society decided in 1998. The idea is to increase the connection of MEDA countries to the Internet and launch sustainable electronic platforms of co-operation and services to the public. During 2000, a call for proposals for up to €35 million was published and will lead to the funding of ICT pilot projects in the fields of healthcare, education, electronic commerce and economic co-operation. ICT is also used for the promotion of cultural heritage and tourism, and industrial technologies. Contracts totalling more than €2 million were signed with Information Society Focal Points in each of the 12 Mediterranean Partners to assist organisations in their countries in responding to the call for proposals.

Eumedis complements another regional project: New Approaches to Telecommunications Policy (NATP), which was funded by the EU for €2.5 million and began in June 2000.

### Local water management

Water is in short supply in southern Mediterranean countries, and natural resources are not equally distributed among different states. Water management and sharing is vitally important. If not solved on a fair and durable basis, water shortages could be a source of tension between Mediterranean countries, leading to a major regional crisis.

Considering the geopolitical importance of this regional stake, the EU is working for all 12 Mediterranean partners to agree an equitable and long-lasting regional water programme. A new consultative body, the Euro Mediterranean Water Forum (EMWF), held its first meeting in Brussels in June 2000. All 15 EU Member States and all 12 Mediterranean Partners are represented. The Commission intends to



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A man works in the newly created pasta factory in the industrial zone of Qena, Egypt. EU funds are often used to create such small businesses and jobs.

present the proposal for a regional water programme (as required by the Turin Ministerial Conference on Local Water Management) in the course of next year.

### Transport

The Euro Mediterranean Transport Forum composed by the 15 Member States and the 12 Mediterranean Partners had its annual meeting in November 2000 and continued its work aimed at developing regional co-operation in the transport sector. In the November 2000 meeting the Forum approved the establishment of working groups dealing with specialised transport issues: maritime transport, global navigation satellite systems, infrastructure network and research and development, the last one having a specific nature related to the preparation of the call for proposals in the framework of the 5th R&D framework programme.

The implementation of the ongoing maritime projects included in the package approved by the Commission in 1997 continued during 2000. Some of the projects of the package have already been completed and others which had faced administrative delays could be launched.

In the framework of the regional project of co-operation on statistics a specific subproject regarding transport statistics has been launched. Due to the collaboration among partners which had already been developed it was possible to make substantial progress towards the design of a statistical data basis for the transport sector in the Mediterranean region.



Maestro Daniel Barenboim helps an orchestra of German, Egyptian, Jordanian, Israeli and Palestinian music students rehearse for a concert.

© West-Eastern-Divian Workshop & Orchestra e.V./Maik Schuck

#### INFORMATION ACTIVITIES

The European Commission uses publications and information visits to publicise the Euro-Mediterranean Partnership. Six information visits have briefed specific groups of journalists, business people and NGO representatives from the 12 Mediterranean Partners. The Commission Delegations in the Partner countries have also organised cultural and information activities at a total cost of €2 million.

Publications include:

- a weekly newsletter, *Euromed Synopsis*, covering current and future events;
- a monthly calendar of official meetings;
- a monthly *Euromed Special Feature* on a specific topic;
- an irregular *Euromed Report*, reporting EU communications, conclusions and statements;
- a brochure reviewing the first five years of the Barcelona Process; and
- a brochure reviewing 25 years of co-operation between the EU and the Maghreb.

All these publications, together with Information Notes and other news, are available at:

[http://europa.eu.int/comm/external\\_relations/med\\_mideast/intro](http://europa.eu.int/comm/external_relations/med_mideast/intro)

During the year 2000 the preparation of a new project on the transport policy in the Mediterranean Region reached an advanced stage and the general lines of the project were submitted to the Mediterranean Partners and endorsed in the Transport Forum meeting of November 2000. The project is aimed at improving the efficiency of the Mediterranean transport system in order to support the development of the Euro Mediterranean Free Trade Area. The project will assist in the preparation of the overall diagnosis of the regional transport system and of a Regional Transport Action Plan addressing

both policy and institutional measures and physical infrastructure issues; among other matters the project will also contribute to the reinforcement of the policy dialogue among regional actors, promote the co-operation of the private sector and establish tools for monitoring the performance of the sector. The project is expected to be approved by the Commission during 2001 and implementation is expected to start before the end of 2001.

#### Energy

During the year 2000 grant contracts for the following three projects in the energy sector were signed:

- ▶ **“Energy and urban environment in Mediterranean Partners”:** (EU contribution €1.9 million) concerns the local level and aims at the creation or the development of local teams in pilot cities of the 12 partners, in the field of urban energy programming and management of energy.
- ▶ **“Mediterranean electric ring”:** (EU contribution €2.1 million), envisaged as a co-financing project aims to examine the consequences of looping the Mediterranean by electrical supply networks.
- ▶ **“Mediterranean training network in energy policy”:** (EU contribution €1.8 million). This project trains decision-makers' in the field of energy and creates national associations in the field of energy. Contracts for four projects of the energy programme are expected to be signed by the Commission during 2001 with implementation starting before the end of 2001.

#### Audio-visual

The EU aim is to promote European culture in the South Mediterranean and to foster co-operation between EU and South Mediterranean cultural operators/professional. In the first phase of the Euromed Audiovisual programme, six regional projects were started during 2000 in three sectors: preservation of audio-visual archives, support for production and co-production, and support for broadcasting, distribution and circulation of audio-visual works – including training in cinema and television work.

The total budget decided in 1999 was €20 million. The first network meeting, linking up all six projects, was held in Rabat in September 2000.

The Euromed Audiovisual programme organised a travelling Arab Mediterranean film festival in late 2000/early 2001.

*The promotion of dialogue through culture is an important aspect of Community policy in the region.*



### Cultural heritage

Euromed Heritage is the regional programme to conserve and develop the Euro-Mediterranean region's cultural heritage decided in 2000. Drawing together diverse traditions and customs, it encourages increasing openness and tolerance in the region, in the hope that this will ultimately contribute to peace and stability. During 2000, the preparation of a second Cultural Heritage programme started.

### Economic and social

In the course of the year 2000, contracts were signed, with an EC grant totalling €1.3 million, in support of two economic and social councils in the region:

### Youth

The Euromed Youth Action programme decided in 1998, started with €9.7 million, is now fully operational. Its importance was stressed in the *Marseilles Youth Declaration* of the November 2000 Civil Forum. The main goal is to improve mutual understanding and cohesion between young people across the Mediterranean basin, based on mutual respect, tolerance and dialogue between the various cultures. More than 150 projects were financed during 1999/2000, ranging from youth exchanges to volunteer service and support measures. As a result, there is an urgent need to proceed with the preparation of a second programme.

### Middle East peace projects

During 2000, the Commission was able to successfully launch a new package of Middle East peace projects which aim to foster an integrated approach to common problems in the region. They are also used to demonstrate the possibility of concrete Israeli-Arab co-operation.

Progress in carrying out these peace projects has been satisfactory. Highlights of the diverse activities included water sector improvements, regional veterinary co-operation and a research study on the issue of regional economic integration in all Mashrek countries. Also covered is the *People to People* programme of operations, run by civil society organisations, which is an essential motor for promoting peace in the Middle East. It has continued with the signing of 17 new grant contracts.

The 2000 package renewed assistance to the *People to People* programme. It also supports cross-border co-operation activities, with Israelis and Arabs holding meetings at non-governmental and expert levels. Other projects in the field of environment, justice, science education and media co-operation are also included in the package decided in 2000 with a total budget of €22.9 million.



© Johannes Gehring

The preservation of marine bio-diversity along the Mediterranean coast is essential from an ecological, environmental and economic point of view.

## 10. Co-operation activities in the Middle East/Gulf region

### Gulf Co-operation Council

Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates (UAE).

Relations with the six countries of the Gulf Co-operation Council (GCC) are conducted under the terms of the 1989 EU-GCC Co-operation Agreement. The Directives agreed by the EC Council in 1991 for negotiating an EU-GCC Free Trade Area have been reviewed to take account of interim changes in the world economic situation, particularly regarding trade and investment.

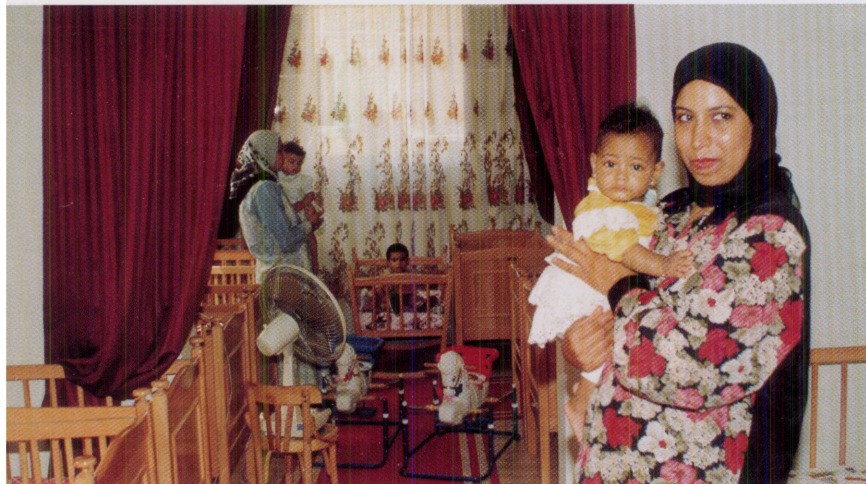
In the meantime, practical EU-GCC co-operation has been agreed, particularly in the areas of standardisation, customs procedures, energy, and environment.

### Yemen

The second EU-Yemen Co-operation Agreement of 1998 continued the 1990 agreement in providing assistance for managing water supplies, promoting the development of fisheries, and technical aid to rural development.

### Iran

The European Community has no significant financial co-operation with Iran. However, a Comprehensive Dialogue group, initiated in 1998, holds high level meetings every six months. There are also joint EC-Iran working groups to discuss questions of energy, trade and investment, and experts meet to discuss how to tackle refugees and drug trafficking.



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### WOMEN IN THE MAGREB

At three multi-resource centres in Algiers, Tangiers and Tunisia, women can obtain practical information, legal advice (family questions, employment, criminal law), health information and, where necessary, psychological help. These centres offer expert advice, free of charge, either face to face or by phone. In particular they provide support to women who are victims of violence and sexual harassment. Seminars, training and awareness-raising actions (communication methods, women's rights, new technologies, etc.) are organised there for paid and volunteer staff and counsellors. This project, which is co-ordinated by the Italian organisation IMED (*Instituto Mediterraneo*), with financial support of €1.4 million, is being carried out in partnership with women's protection associations, trade unions and NGOs from the central Maghreb region. This project, the relevance of which goes well beyond the promotion of women's rights, should also impact on the development of the democratic process in Maghreb countries.

In recent years, Iran has shown strong interest in strengthening its relations with the EU, and in negotiating a trade and co-operation agreement. The Council of Ministers asked the Commission in November 2000 to present a proposal for a negotiation mandate. However, if co-operation is to be deepened and extended, a number of political and economic challenges still have to be addressed, including issues of human rights, regional security and international security.

*The empowerment of women could influence the democratic process in certain Maghreb countries.*

## 11. Horizontal policies

### European Initiative for Democracy and Human Rights (EIDHR)

The EIDHR's priorities in 2000, in the MEDA region, have been to gain support for women's and children's rights, to work towards the abolition of the death penalty, and to promote inter-ethnic dialogue and co-operation with the High Commissioner for Human Rights. €8.7 million of commitment appropriations have been devoted to these policies.

The development of Euro-Mediterranean inter-parliamentary relations, the promotion of human rights and democracy, the development of the organisations of civil society and the rule of law are other priority objectives.

### Assistance to displaced populations

Actions in favour of refugees in the Mediterranean zone have related essentially to Palestinian populations. They fall under the convention signed between the European Community and the United Nations Relief and Works Agency for Palestinian Refugees, concerning refugee assistance in Middle East countries.<sup>(46)</sup> Education and primary health care operations to help refugees in the West Bank, Gaza, the Lebanon, Jordan and Syria have been undertaken by UNRWA to the tune of 40 million.

### Rehabilitation

A number of projects were undertaken in 2000 in the Mediterranean zone to the amount of €33.3 million, in particular in Algeria, Jordan, the Lebanon, Yemen, the West Bank and Gaza.

### Co-operation activities of the European Investment Bank – EIB

The EIB signed 19 loans to eight Mediterranean Partners during 2000. These commitments total €1.193 billion, up from €945 million in 1999. Major investment went into reconstruction of infrastructure and industry in Turkey after the 1999 earthquake. Other sectors receiving loans were transport, communications, energy, environmental protection, industry and tourism.

The EIB also managed the MEDA funds which subsidised the interest costs for three EIB bilateral environmental project loans (€38 million) and four risk capital operations (€68 million).

For further information: <http://www.eib.org/index.htm>

### Activities of the Humanitarian Office of the Commission (ECHO)

In 2000, the financial decisions for humanitarian aid for the Mediterranean partners amounted to €48.4 million, distributed as follows:

### FINANCIAL DECISIONS FOR HUMANITARIAN AID BY REGION IN 2000 (ECHO)

MIDDLE EAST/ NORTH AFRICA	DECISIONS IN € Million
Algeria	0.300
Iraq	8.600
Middle East	23.920
Western Sahara	13.935
Yemen	1.740
<b>TOTAL</b>	<b>48.495</b>

## 12. Conclusion: a positive assessment in spite of structural difficulties

The Barcelona Process has been able to demonstrate several remarkable successes – although five years is not long enough for it to deliver all its promises. Initial expectations were high, boosted by the bright prospects of agreement that the Middle East Peace Process appeared to offer in the mid-90s – perhaps they were too high to live up to.

The crisis situation in the Middle East has seriously endangered the peace process and had a strong detrimental effect on regional co-operation in general. These shortcomings were so substantial that they called into question the political determination of both sides to achieve the goals they set in 1995.

On the positive side, despite serious political odds, the Union has been able to initiate and formalise continuous dialogue amongst its 27 partners. The multilateral approach is now more widespread – even prevailing over traditional bilateralism. All EU Member States recognise the strategic importance of the EU's southern neighbours, so substantial financial assets have been committed to the Mediterranean region and the first encouraging results of the reform efforts in the Mediterranean Partners are now tangible.



Queen Rania of Jordan and EP President Nicole Fontaine visit a kindergarten in Baqa'a, the country's largest Palestinian refugee camp

On the other hand, it has been more difficult than anticipated to establish a free trade area, illustrated by the slow progress in negotiating Association Agreements, as well as the slow ratification procedures for Agreements already signed. Here, both the Mediterranean Partners and the EU Member States share the blame. South-South integration is still moving forward at a snail's pace, thus failing to attract sufficient inward investment.

Too many small-scale projects were set up in the enthusiasm of the early stages of the Barcelona Process, without care being taken to set priorities. As a result, implementation was generally slow, and the low absorption capacity of the Partners also delayed the disbursement of available funds in previous years. Nevertheless, this tendency has been reversed in the year 2000 as a result of a considerable effort to "clear up the weight of the past". The EU Council of Ministers decided to endow MEDA with €5.350 million for 2000-2006. These grants from the European Community budget are accompanied by substantial lending from the EIB, whose lending mandate over the same period is €6.400 million. The EIB has promised to contribute a further €1.000 million from its own resources. This means that a total of nearly €13 billion will be available for the Euro-Mediterranean Partnership to use over the seven-year period starting from 2000.



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### 13. Perspectives

*The objectives agreed in Barcelona in 1995 remain fundamentally valid and even increasingly relevant.*

In spite of the particularly difficult political context of the year 2000, the objectives agreed on at Barcelona in 1995 – and reaffirmed at the Conference of Marseilles – remain fundamentally valid and even increasingly relevant. The European Commission's overriding strategy is to look at how the partnership can be focused on a clear set of short and medium term goals that are ambitious but achievable; and also, how to increase the sense of "ownership" of the partnership among our Mediterranean partners. Bearing in mind this new pragmatic approach, the priorities are:

- ▶ to develop **South-South trade and co-operation including on a sub-regional basis**: all countries signing an Association Agreement will have to conclude free trade agreements between themselves within five years. This is the only way to ensure the establishment of an effective overall EU-MED free trade area by 2010. Tunisia, Morocco, Egypt and Jordan have already announced their intention to do so;

- ▶ the development of sub-regional trade needs to be accompanied by greater **sub-regional co-operation**: trading opportunities will not be used unless the infrastructure is implemented. Specific efforts need to be made to develop the interconnection of the transport, energy, telecommunications systems, water, environment and industry, using an appropriate mix of financing from the MEDA programme, the European Investment Bank and other lenders;

- ▶ to harmonise measures relating to the **single market**: a timetable should be in place by 2002 for priority sectors such as rules of origin, customs, norms and standards and intellectual property rights protection. Implementation should start in 2004 both between the partners and the European Union and among the partners themselves. These measures will **increase the attractiveness of the region to investors**: an open market with a sound and predictable legal and administrative environment is the best way to ensure that levels of local, European and world-wide investment will increase.



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- ▶ to improve the **MEDA programme**: future MEDA allocations will be more closely linked to the association process and to the programme's key objectives, in particular the implementation of effective economic reforms. One of the results of the reform of the Commission's external aid system will be to make **more human resources** available from which the Mediterranean region will benefit;
- ▶ to develop the **important role of co-operation in the field of justice and home affairs**: working in close concertation with the Mediterranean partners on a programme covering refugees and asylum, the fight against illegal immigration and trafficking in human beings;
- ▶ to take account of the **social effects of economic transition** by promoting education and training, as well as actions on health and social security systems;
- ▶ to promote and **strengthen the partnership in social, cultural and human affairs**: development of cultural programmes such as that relating to cultural heritage; launching the second phase of the audio-visual co-operation programme and launching of new programme on human sciences.

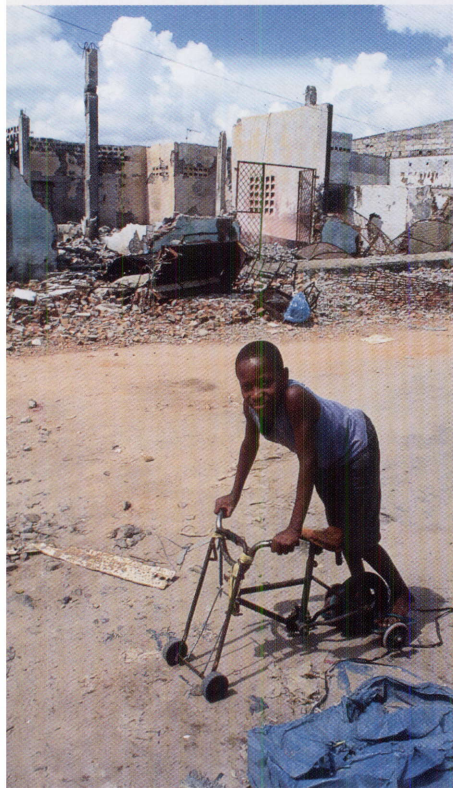
In an uncertain international context, the years to come will be decisive for the southern Mediterranean region. It is therefore the common duty of both, the European Union and its Mediterranean partners, to achieve the common objectives – agreed at Barcelona and Marseilles – to work together for peace and stability, shared prosperity and better mutual understanding among peoples of different cultures and traditions.





## VI Africa, Caribbean, Pacific

On 23 June 2000, the European Union signed a new Partnership Agreement with 77 African-Caribbean-Pacific (ACP) countries in Cotonou (Benin). Lasting 20 years (2000 – 2020), it replaces all former Lomé Convention agreements. The Cotonou Agreement sets out the future framework of co-operation, trade and political dialogue between the European Union and the ACP states. It has also welcomed six new Pacific island partners: the Cook Islands, the Republic of the Marshall Islands, Micronesia, Nauru, Niue and Palau. Together, the ACP signatories represent more than 650 million people. The first part of this section explains the new Agreement in some detail. The second part looks at progress in key policy areas.



© UNHCR/B. Neelaman

Towns devastated by war, violence and famine are not uncommon in the region.

### THE FIGHT AGAINST POVERTY

Fighting poverty is at the heart of the new partnership, which reflects existing international commitments such as the conclusions of UN conferences, and consensus among donors in the OECD Development Assistance Committee. These priorities were also reaffirmed at the G8 summit in Okinawa (Japan) in July 2000.

The poverty reduction goal is situated in the context of sustainable development and the progressive integration of ACP countries into the global economy. There are five inter-linking priority areas:

- building up a comprehensive political dimension;
- promoting the widespread use of participatory approaches;
- strengthening the focus on poverty reduction;
- setting up a new framework for economic and trade co-operation and
- reforming the organs of financial co-operation.

### 1.1. An updated strategy for poverty alleviation

The global strategy for development in the new Agreement will operate in a coordinated framework, using realistic parameters to measure progress. Each ACP country will have a development strategy tailor-made for it, and will be encouraged to take over ownership of the resulting economic and social reforms. Greater efforts will be made to ensure that globalisation and changes in technology do not end up excluding the poor, who should rather be benefiting from improved access to education, health care and other essential services. The Agreement also focuses on such issues as gender and sustainable economic development.

### 1.2. Revised framework for trade

The non-reciprocal trade preferences enjoyed by ACP countries, long the centrepiece of the EU-ACP relationship, have been disappointing in their real impact on ACP export performances. The ACP's share in total imports of the EU declined from 6.7 % in 1976 to 2.8% in 1999. Moreover, these preferences required a waiver from the WTO rules. This has led to the development of a revised trade framework under the new Agreement which is far more comprehensive, ambitious, but realistic, and fully complies with WTO rules. Its objectives are:

- ▶ the smooth and gradual integration of ACP economies into the world economy;
- ▶ the enhanced supply and trading capacities of the ACP countries;
- ▶ the creation of a new trade dynamic with a view to facilitate the transition to a liberalised global economy.

To achieve these objectives, the ACP and the EU agreed to negotiate new, WTO compatible trading arrangements, removing progressively barriers to trade between them and enhancing co-operation in all areas relevant to trade. To this end, Economic Partnership Agreements (EPAs, see box) shall be negotiated, building on regional integration initiatives existing within the ACP. Formal negotiations of EPAs shall start in September 2002 and EPAs shall enter into force by 1 January 2008 at the latest.<sup>(47)</sup> During the entire preparatory period, the non-reciprocal Lomé trade preferences will be maintained. The period up to the start of negotiations shall be used for deepening the regional integration and strengthening the negotiating capacity of the ACP. In 2004 the Community will assess the situation of the non-LDC which, after consultation with the Community, may decide that they are not in a position to enter into economic partnership agreements and will examine all alternative possibilities, in order to provide these countries with a new framework for trade which is equivalent to their existing situation and in conformity with WTO rules.

## 1. The Cotonou Agreement

The EU-ACP partnership is the world's largest financial and political framework for North-South co-operation. EU ties with ACP countries have been regularly updated and adapted to new global conditions since the first Lomé Convention was signed in 1975. This has made the Lomé Convention one of the most forward looking development partnerships in the world.

Nevertheless, in spite of the successes of Lomé, by the end of the last decade, both parties were convinced that more could be achieved through ACP-EU co-operation. This conviction led to the development of a new framework for partnership known as the Cotonou Agreement. The Cotonou Agreement, which was signed in June 2000, retains the former Convention's deep-rooted respect for social, economic, political and human rights, alongside aid and trade concessions. However there are a number of differences, of which the most important are outlined below:

(47) Article 37(1) of the Cotonou Agreement.



### ECONOMIC PARTNERSHIP AGREEMENTS - EPAS

Economic Partnership Agreements will maintain and even improve the preferential market access for the ACP, but this, given past experience, is by no means their main purpose. They will go far beyond this objective. Building on regional integration initiatives existing within the ACP, EPAs will consolidate and even deepen these initiatives. Furthermore, by removing border measures to trade between all parties, as well as other factors causing market segmentation, they will lead to the creation of largely integrated economic areas between the ACP and the EC. This economic integration between the ACP and the EC, governed by a stable, predictable and transparent framework, will enlarge the markets of the ACP, will allow for economies of scale, will improve the level of specialisation, will increase competitiveness of the ACP and attract investment. This, in turn, will lead to an increase in trade flows in the region, with the Community and with the rest of the world, thereby promoting the sustainable economic and social development of the ACP.

Protocols on sugar, beef and veal will have to be reviewed in the framework of negotiations for new trading arrangements. The ACP states will select the regional bodies that would be candidates to form EPAs.\*

In addition, the 40 LDCs that are part of the ACP as well as all other LDCs will benefit from the recently adapted, groundbreaking regulation that provides unrestricted duty-free access to EU markets for all products from all LDCs, with the exception of arms and ammunitions.\*\*

\* Cotonou Agreement Articles 36(4) and 37(7)

\*\* Council Regulation (EC) N°416/01 adopted in February 2001, amending Council Regulation (EC) No 2820/98 applying a multi-annual scheme of generalised tariff preferences for the period 1 July 1999 to 31 December 2001 so as to extend duty-free access, without any quantitative restrictions, to products originating in the least developed countries.

### 1.3. Focus on good governance

Good governance on both sides is vital to make the partnership succeed. The EU and ACP countries have agreed to discuss this regularly. They have also signed up to a new procedure whereby, in cases of serious active and passive corruption, aid can be suspended. This is a real innovation, both in the EU-ACP context and in international relations, and sends a clear and positive signal to European taxpayers and investors, and to those to whom aid is officially directed. Where ACP countries are involved in armed conflict, the new Agreement also includes measures to prevent European taxpayers' money from being used for military purposes. The Commission is adamant that, when aid is suspended or frozen, all due care must be taken to reduce to a minimum any adverse consequences for civilian population as a result of aid-related sanctions.



© Thomas Dorn/European Commission

Sailors unloading a shipment at the Takoradi Harbour in Ghana.

### 1.4. Financial allocations linked to results

Under Cotonou, a single Country Support Strategy (CSS) will cover all operations in a given ACP state. The CSS will not only analyse the political, economic and social context of the country and outline its further development strategy, but also take into account the activities of NGOs and other donors. Based on this analysis, a suitable orientation for the use of EU aid will be suggested. Each country's CSS will be reviewed regularly, and necessary adjustments made. Each country will, however, be held accountable for its own policies.

Each country will also be allocated a resource envelope intended for use over a period of five years. This envelope is divided into two parts: the basic country allocation and an additional allocation for such purposes as debt relief, additional assistance in case of shortfalls in export earnings, and – in exceptional circumstances – humanitarian aid. However these country allocations are no longer automatic, but are made on the basis of defined needs and also performance. They can therefore be reviewed and revised. Performance will be assessed on:

- ▶ progress in implementing institutional reforms;
- ▶ the use of resources;
- ▶ effective implementation of current operations;

*The Community  
aspires to achieve  
more coherency  
between its trade  
and development  
policies.*

## ACP COUNTRIES - MAIN BUDGET LINES

	COMMITMENTS			PAYMENTS		
	Available € '000	Consumed € '000	%	Available € '000	Consumed € '000	%
EDF	3.932.000	3.757.000	96%	2.025.000	1.548.000	76%
South Africa	124.000	124.000	100%	132.000	110.000	84%
Democracy	15.813	15.166	95.91%	16.878	14.726	87.25%
Rehabilitation	17.000	16.432	96.66%	25.000	20.925	83.70%
Bananas	44.475	44.475	100%	10.350	3.354	32.40%
<b>Total</b>	<b>4.133.288</b>	<b>3.957.073</b>	<b>95.7%</b>	<b>2.209.228</b>	<b>1.697.005</b>	<b>77%</b>

- ▶ poverty alleviation or reduction;
- ▶ sustainable development measures; and macroeconomic and sectoral policy performance.

Regional Support Strategies (RSS) will also be established for the main regions with which the EU works, and will be subject to regular review. However for RSS, allocations will be decided upon real progress made and opportunities for further regional co-operation and integration.

Two export instruments, STABEX and SYSMIN, have been abandoned as they did not meet expectations. Introduced in the 1970s, they were supposed to compensate countries when commodity prices fluctuated to their disadvantage. But the funds were too often received too late to have the impact sought. Under the new Agreement, an ACP country will be encouraged to submit estimates of anticipated losses to the EU before they occur. It may then expect to receive an advance payment of up to 80%, which is supposed to be used to finance the national budget. These compensation funds will come from the general long-term assistance envelope.

### 1.5. Rationalisation of financial instruments

Under Cotonou, financial instruments have been regrouped and rationalised to avoid duplication. Under previous agreements, the European Development Fund (EDF) – which is separate from the EC budget – was divided into several instruments which each used different procedures and programming methods. As a result, the coherence of Community assistance was lost, country programming was inflexible, and there was no single point of dialogue between the Commission and the partner country.

Under the Cotonou Agreement, all EDF resources are channelled through two financial instruments, the EDF and the Investment Facility – which is managed by the European Investment Bank (EIB, see box). The first of these provides grants, and the second provides risk capital and loans to the private sector. The **grant envelope** for support to long-term development (€10 billion from the 9th EDF and €1.3 billion in regional allowances) will be revised every five years together with the Cotonou Agreement. The 9th EDF is further boosted by a €1.7 billion available in European Investment Bank (EIB) loans and represents a total of €13 billion. This amount, which is 5% more than the 8th EDF, covers the period 2000-2007. Almost €10 billion of unused resources from the previous funds have also been made available during the same period.

#### EUROPEAN INVESTMENT BANK – INVESTMENT FACILITY

**The European Investment Bank (EIB) will manage the Cotonou Agreement's Investment Facility (IF - €2.2 billion) which replaces the Lomé IV risk capital and interest rate subsidy facilities. The IF is designed to support the ever-expanding ACP private sector. It functions as a revolving fund, and the returns accruing from its operations are expected to flow back to the facility. If this process functions correctly, in the long term, the Facility fund will no longer need topping up from EDF resources. The IF support is available to all private enterprises in ACP countries that earn income and are commercially and economically viable. To a limited extent, some public enterprises may be eligible through direct or indirect access. IF support is used for privatisation operations, for capacity-building to stimulate investment of internal and external savings, and for providing leverage for foreign investment.**

*Cotonou has regrouped and rationalised financial instruments to make programming more flexible*

## 2. Key Policy areas

### 2.1. Economic co-operation

Economic co-operation is a key element of ACP-EU co-operation. It currently focuses on supporting structural adjustment programmes and economic reforms, the development of a competitive private sector and debt alleviation, mainly through the Highly Indebted Poor Countries (HIPC) initiative and based on the Poverty Reduction Strategy Papers, to be prepared by the partner countries.

#### Structural adjustment and support for economic reforms

Providing support for structural adjustment programmes has become an integral part of the Community's financial and technical co-operation with ACP countries. Since 1992, the Community has funded structural reform to the tune of €2.334 million spent in 40 ACP countries. In former times, these funds were mostly used to prop up economies in trouble. Nowadays, the aim is to change the ways in which these economies work. Structural Adjustment funding is increasingly focused on linkages with poverty reduction.

The EU is also trying to bring about long-term changes rather than short-term fixes, and is working toward arranging joint programmes with other donors to avoid confusion in the recipient countries. During 2000, the Commission decided to allocate more than €570 million for structural adjustment programmes in 19 ACP countries. At the same time, it authorised over €350 million to be paid out in 25 ACP countries.

#### Development of a competitive business sector

The Community strategy for improving the performance of the business sector will examine what institutional and overall economic weaknesses exist in addition to the issues facing individual companies. It will also work for better co-ordination and collaboration amongst all economic players, public and private, and ensure that significant resources are set aside for financing investment and supporting entrepreneurship.

It is therefore important to improve the general environment for investment and business sector activities. Productivity and competitiveness can be improved if financial and technical support services are made available, either directly or indirectly through local service providers. Here, the EU's business sector can be mobilised via the reinforcement of EU-ACP business co-operation, and encouragement can be given to private sector organisations to provide effective services and to work with governments.



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The Community may also work with the financial sector to improve the quality and availability of financial services to private enterprise. This includes catalysing and leveraging flows of private savings, both domestic and foreign, into the financing of private companies in ACP countries. The Community will undertake to support local financial institutions, co-finance foreign investment, provide guarantees and other risk-sharing and risk mitigation devices for encouraging inflows of direct and portfolio investment.

The Commission allocated more than €590 million to new initiatives in 2000. A number of instruments, and one financial facility, have been already put in place to attract additional resources to the private sector.



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### Support for debt alleviation and HIPC

The Highly Indebted Poor Countries (HIPC) initiative is a global scheme supported by national governments, the International Monetary Fund and the World Bank. The EU gives full support in its dual role as donor and creditor. The HIPC initiative allows countries to have their debts forgiven if they can fulfil the set conditions. So far, only three countries – Uganda, Guyana and Mozambique – have reached 'completion point' (when debt relief is granted) in the HIPC framework. However, now that the principle and working practices are well established, other countries are expected to follow shortly. Following the Commission's financing decision of 24 July 1998, all Uganda's remaining obligations in the form of special loans were wiped out to the tune of €4.9 million.

Similarly, following the financing proposal adopted by the Commission on 16.12.1999, the near totality of the special loans to Guyana which represent an amount of €6.44 million have been cancelled.

Concerning Mozambique, both the special loans and part of the risk capital operations have been written off, the amount being €19.8 million.

In view of the scale of the debt problem affecting developing countries (total debt stock for developing countries amounts to US\$ 2.530 billion in 2000), the Commission has decided to increase the flow of funds to countries that are seeking eligibility for the HIPC initiative. It also assists them during the interim period when they are trying to meet the conditions for their debt alleviation and is trying to ensure that this debt forgiveness process takes full account all the social needs of the population of these countries.

## 2.2. Regional integration and institutional support

Through its policies concerning regional integration and institutional support, the Commission seeks to promote the sustainable social and economic development of ACP states, particularly through trade and market integration. If regional groupings between ACP countries are strengthened, this should enable them to play a more effective role in the global economy. At the same time, inside the ACP countries themselves, the population should derive benefit from improvements in economic efficiency and governance, leading to greater prosperity and scope for poverty reduction.

In all its development work, the Commission has always attached importance to strengthening regional integration groupings and to promoting human rights in the broadest sense. With the increasing emphasis placed on these areas by the Commission and other donors, greater amounts are being allocated to institutional support and regional integration. Development projects of all types include measures to ensure good governance and the correct use of funds, which means that the money devoted to governance goes beyond just governance projects.

### Regional integration

The goals of regional support programmes include:

- ▶ to develop and strengthen the capacities of institutions, governments and legislatures;
- ▶ to promote political and economic co-operation and integration;
- ▶ to promote sustainable social and economic development.

The Commission works with a variety of regional organisations representing the ACP countries. During 2000, the following activities took place:

#### West Africa

The Union Economique et Monétaire Ouest-Africaine (UEMOA) groups the eight countries of the CFA franc in West Africa.

In addition, there is the Economic Community of West African States (ECOWAS) which comprises all the UEMOA members plus five other countries of which the largest is Nigeria.

**UEMOA** has made important progress in the area of integration. It has had a customs union since 1 January 2000, linked to a system of temporary compensation for losses in customs tariffs, harmonisation of financial legislation and of indirect taxation. The PARI 2 support programme (Programme Régional d'Appui à l'Intégration) signed in March

**Greater regional integration will allow ACP countries to play a more important role in the global economy.**

2000 amounts to €65 million of which more than half is accounted for by budgetary support at the level of the member states. The other main component deals with capacity-building in the national administrations to implement reforms and UEMOA institutions.

**ECOWAS** has started implementing economic reforms at the regional level, for example, through introducing a common customs document. A new capacity-building programme for the ECOWAS Secretariat was signed in October 2000. Over the past few years, UEMOA and ECOWAS have started to work more closely together. ECOWAS intends to adopt a Common External Tariff in line with what has been adopted for UEMOA.

#### **Central Africa**

There were political and economic reasons behind the limits to EDF support given in the past to this region. The main regional integration body in the area is the Communauté Economique et Monétaire d'Afrique centrale (CEMAC). The present EU strategy is two-pronged: support for economic integration, based on regional reforms, and support for physical integration through improving the road infrastructure. Technical assistance has now been provided to CEMAC, enabling it to work on enhancing regional and commercial integration. A major ongoing programme in this region is dealing with environmental and forestry issues.

#### **Eastern and Southern Africa**

A key player in this region is the Common Market for East and Southern Africa (COMESA), which has 20 members. It launched a free trade area in October 2000, and is aiming for a customs union by 2004. There is an active and generally successful programme to promote regional integration through trade development. The co-operation programme with COMESA amounts to €46.7 million. The Commission also provides technical support to the Inter Governmental Authority on Development (IGAD) and to the East African Community (EAC) both of which co-operate with COMESA.

Another key player in this region is the Southern African Development Community (SADC)

A new capacity-building project has been decided during 2000. It has five components: regional integration, implementing trade and transport protocols, setting up a SADC trade tribunal, new systems for managing information and communication technologies, and statistics.

This region also includes the island states in the Indian Ocean, which are grouped in the Indian Ocean Commission (IOC). Co-operation with the IOC focuses on private sector support, tourism development and environment.



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The Community is helping to reconstruct war torn countries by supporting good governance and institution building projects.

#### **The Caribbean and Pacific**

Co-operation has continued through CARIFORUM (ACP Forum of Caribbean States), CARICOM (Caribbean Community) and the South Pacific Forum Secretariat.

- ▶ A €1.3 million project Strategic Planning in Public Services began in 1999 to improve the ability of national CARIFORUM public services to formulate and manage their policies. It has started well, with operational links established with Haiti and the Dominican Republic.
- ▶ A €4 million Caribbean Regional Anti-Money Laundering Programme, based in Trinidad, became fully operational in 2000. It provides assistance to most CARIFORUM countries.
- ▶ Cuba, which has observer status in CARIFORUM, signed a Trade and Economic Agreement with CARICOM in July 2000.

Another regional co-operation programme is with the Pays Africains de Langue Officielle Portugaise (PALOP) mainly to draw up legal, administrative and statistical support to public institutions.

In addition there is the Intra-ACP Co-operation which benefits all or a large number of ACP states situated across different geographic regions. Important areas of co-operation include training, research and education, health and trade (assisting ACP countries to apply WTO rules and prepare for a new trade round).

TEK KOP EN SPUN FID  
YU PIKIN FO MEK I NO  
GET RONBELE



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Posters such as these are used to inform mothers about the basic principles of child nutrition.

### Institutional support

The EC seeks to assist ACP countries in developing transparent, accountable and effective governance and administration in all public and semi-public institutions. It is working to strengthen the rule of law, while reinforcing the professionalism and independence of judicial systems; and helping to combat bribery and corruption. The Commission is providing technical assistance to the National Authorising Officers in most ACP countries to help them manage EDF and other donor funds. National staff are being trained to assume these responsibilities in the future. Five examples of the many types of institutional project supported by the Commission are given below.

#### Burkina Faso

The Commission is supporting the Government in its programme of legal reforms. After a detailed study of the country's needs, it decided to broaden its support to

these reforms. The initial Support Programme to the Judiciary Administration is, therefore, to be supplemented by a second programme which amounts to €16 million, to provide appropriate resources for representative political institutions, the electoral system, civil society (covering human rights and the media, in particular), and the participation of women in public affairs. The work in these areas began in May 2000.

#### Mali

During 2000, the Commission began a wide-ranging five-year programme to support Government decentralisation of 682 communes, at a cost of €39 million. The aim is to improve the services that the communes provide to the very poor. The programme provides practical help to enable the communes to deliver the public services for which they are legally responsible. They will be assisted by a network of advice centres and also a national fund for inward investment.

#### South Africa

The signature and provisional application of the Trade Development and Co-operation Agreement with South Africa from 1 January 2000 was an important landmark in EU relations with South Africa. A minimum of €360 million is due to be committed over the period 2000-2002, which includes the support to be given to democratisation, the protection of human rights, and a new emphasis on sound public management.

#### Malawi

An €8.5 million project to promote the rule of law and justice is providing training and technical resources to institutions such as the Ministry of Justice, the Judiciary, the Law Faculty, the Law Commission and the Prisons Service. Training is also given in ancillary institutions such as the Anti-Corruption Bureau, the National Compensation Tribunal and the National Archives. It was one of the first Commission programmes in the area of legal reform in an ACP country and, not surprisingly, it turned out to be complex. As it progresses, the programme is being adapted in the light of experience, and could prove to be a helpful model for future projects in the legal sector.

#### Haiti

Despite difficult political circumstances, a €4.44 million three-year project was started in 1999 to support good governance in the education sector. Its objectives of restructuring the Education Ministry, making management improvements and carrying out work on decentralisation, are being achieved. The project was helped by a government contribution of €240,000 (included in the aforementioned figure as counterpart funds), and financial support was also forthcoming from the private sector, which is heavily involved in the provision of education.

## 2.3. Health

Support from the EC is now also centred on prevention, health care, access to medicines, and the fight against AIDS. The reform of health systems and reorganising the provision of services – all part of the fight against poverty and inequality – are part of the Commission's priorities.

Most of the financing approved under the 8th EDF is aimed at improving national health capacities and at understanding the problems of this sector as a whole. Funding ranges from traditional project support to co-financing operations and to budget aid. This approach should help lay the foundation for viable long-term health systems, making basic health services accessible to the most vulnerable sectors of the population.

Support to sub-Saharan countries in this sector has increased very significantly since 1990. A sizeable part (around 35%) of this effort has been allocated, via the structural adjustment funds, as budget aid to the health sector.

In 2000, the Commission has implemented and monitored 120 projects in the ACP countries – including South Africa – representing €760 million of aid. Various initiatives are also financed by other EU instruments (specific budget headings for AIDS and population control, co-financing with NGOs, etc.).

### VACCINATION: AN INNOVATIVE APPROACH

Eight Sahel countries have asked for help, not, as earlier, in paying for goods and services they could never afford themselves, but rather in meeting the financing of these expenditures. This is the original approach taken by the regional ARIVAS project (Project to Support Vaccine Independence in Sub-Saharan Africa). In this particular case, the EC financing in fact takes the form of management support. €4.5 million have been committed.

In each country, a regional support cell is working in synergy with national players. The aim is to enhance consistency of action between the agencies involved in terms of the vaccines used and to develop regional co-operation between the eight beneficiary countries. The vaccines are provided via UNICEF.

The budgetary mechanisms, cross-frontier co-operation (loan of vaccines in the event of out-of-stocks, pooling of experience, etc.) have functioned well. This initial experiment should also facilitate dialogue with other intervening parties, and in particular the pharmaceuticals industry. This positive result has concluded with the launch of a new programme, which can potentially be extended to other ACP countries.

### SOUTH AFRICA: MOBILISATION FOR AN ANTI-AIDS VACCINE

They are on the world's AIDS frontline, and yet, what do they really know about this disease? Africans know all too much about it. Often badly informed, some of them take part in clinical tests without knowing the objectives or the purpose. Even if they give their "free and informed consent" at the bottom of the document, this consent is often no more than a signature, if not a cross, in a country in which the majority of the population is illiterate, validating a form the contents of which often give few explanations.

It is in response to this cruel lack of information that the HIVAC project has been created in South Africa. Partners are the South African Medical Research Council (MRC), the University of Pretoria, the National AIDS Convention of South Africa (NACOSA), the AIDS Legal Network and the Commission, which is contributing €1.8 million. The objective of the project is to make the population aware of what AIDS really is, to sensitise it to AIDS, to explain the need to develop a vaccine against this virus, to give advance instructions to those who could potentially take part in clinical tests and to make sure that human and legal rights are respected during these operations. This global, people-focused approach, can bring only good in terms of reducing the incidence of this disease. It could serve as an example and be applied in other African countries, thereby establishing a vital basic fund of knowledge on this continent.



© European Commission

Health service reforms should give vulnerable populations access to health care.

### Rehabilitation sector

A wide range of projects are under way in many countries, in particular in Angola, Mozambique, Liberia, Rwanda, Malawi and Haiti. European NGOs are initiating and operating these projects, amounting to €16.4 million, which are funded out of the thematic budget. As part of the rehabilitation effort, logistical support is being provided for the return of refugees. This involves providing back-up support in various fields including re-starting farming production (Liberia), reconstituting herds and free distribution of inputs (Angola).



## 2.4. Education and training

For more than 20 years, the European Commission has supported education in ACP countries. During this period, priorities have shifted, from building education infrastructure and providing vocational training and scholarships, to more general education and training activities and regional support. The EC's own experience has shown that providing basic education and developing human resources are both linked to poverty reduction. They also favour economic growth, labour productivity, greater democracy and the rule of law.

### Co-operation with ACP countries

By the end of 2000, there were more than 120 education projects in progress, on which the EC was spending a total of €680 million. (€500 million of this came from the EDF and €180 million came from the EC budget line for South Africa.) In the past, education and training projects and programmes had been evaluated on an individual basis. Attempts are now being made to assess the evolution and the impact of total EC support to education and training in ACP countries.

The year 2000 also saw a breakthrough in the way that EDF funds could be disbursed in support of education. It is now possible to allocate them to government education budgets.

### Co-operation with South Africa

The average value of South African education and training projects was €15 million each, in comparison to the usual amount for ACP countries, which is nearer to €5 million. Twelve projects in 2000 provided support, using a total EC grant of €180 million. Within the specific South African context, these emphasise market-oriented skills, development and the regulatory environment (with five projects). Three projects concentrate on higher education, two further projects focus on adult basic education and early childhood development. Primary education is also receiving overall sectoral support.

### NEW APPROACH TO UNIVERSAL EDUCATION IN UGANDA

A new method of delivering education assistance is being tried out in Uganda where donor funds are being allocated directly to the Ugandan Government's budget in the form of a Sector Wide Approach or SWAP. The main features of the SWAP in Uganda are:

- a well-formulated strategic framework for the whole education sector, with full discussion and involvement of all stakeholders;
- disbursement via official and accountable Ugandan government procedures - there is thus proper budgetary control of the combined resources;
- direct management without the need for project management units; the SWAP is closely linked to national and local government reforms, and there are promises of future decentralisation to local level;
- a system which can evolve to meet changing circumstances due to monitoring and inbuilt flexibility.

The European Commission has agreed to provide €31 million of specific budgetary support to Uganda. Although definite progress has been made, the Ugandan government and its external funding agency partners are conscious that a lot more must be done if the country's education access targets are to be met. Net enrolment should approach 100% by 2003, and at the same time, the pupil-teacher ratio should reduce to 50:1. The consensus is that the process is working reasonably well.

## 2.5. Rural development

Between 1986 and 2000, ACP countries allocated €2.4 billion - that is 15% of the programmable resources of the last three European Development Funds - to crop and animal farming projects.

### Institutional support

This type of support is designed to support development of genuine agricultural policies. It can be used for various purposes: strengthening institutions, defining rural development policies, managing external finance or training specialists (administrative and agricultural managers and technicians). Since 1986, 13% of agricultural financing has been in the form of institutional support. This share has, however, fallen off recently (1999-2000) due to the reduction in the number of projects submitted.

### Production chains

This "cash crop" technical support is tending to become increasingly decentralised and integrated into projects that

**More training and education can help ACP countries build a better future.**



### EC INTERVENTION IN LIBERIA

A seven-year civil war (1989–1996) has destroyed the national economy of Liberia. Its legacy is social and economic disorder and great suffering among ordinary people. The EC remains the main donor to Liberia and since 1990, assistance has been limited to direct aid to the civilian population of Liberia. This has been done through NGO and private sector contractors, selected and supervised by Commission services.

Over the past five years, two large EC rehabilitation programmes (totalling €52 million) have been operating to provide post-humanitarian aid, to avoid creating dependency, and to move the aid effort from relief to development. These have focused on meeting five basic needs: water and sanitation, health, electricity, food security, resettlement and reintegration.

Particular improvements resulting from EU assistance include:

- **Water and sanitation:** the EU has spent €7.12 million towards maintaining basic water supplies in Liberia. 75% of Monrovia's population have now gained access to safe drinking water;
- **Health:** The European Union has successfully delivered health assistance to 60% of the Liberian population. During 2000 to 2001, €5.83 million was spent on health projects targeting vulnerable groups (women, children and handicapped). They provided primary health care services and ensured that health assistance would reach displaced returnees and refugees;
- **Electrical power:** National energy production has increased from 490,190kWh to 1,547,980kWh. Before the project was implemented, the two African capitals of Monrovia and Mogadishu had no electricity supply;
- **Food security:** The EC food security programme in Liberia started in 1997. Operating mainly through NGOs, it encourages a return to normality by kick-starting sustainable agricultural production. As a result, food distribution was able to decrease from 55,000 tonnes in 1996 to 35,000 tonnes in 1999;
- **Some 55,000 people have been successfully repatriated to their countries of origin.**



A seemingly arid patch of land bears fruit: the Tarka Valley before and after the irrigation project.

### NIGER'S FAMINE CRISES MAY RETREAT INTO HISTORY

Thanks to a €40 million investment in the Tarka Valley irrigation project, Niger's famine crises may become a problem of the past.

The Tarka valley, with its 500 sqkm of fertile soils and underlying water reserves, could become the grain silo of Niger's Madaoua and Bouza agglomerations. It is to unlock this potential that over the past 11 years the Commission has provided experts and funds to terrace the valley's land and develop its irrigation. Farmers and technical staff have been trained, and rural credit systems have been set up to encourage local ventures. Since 1992, the region's agricultural production has practically doubled.

Today, the valley's 27,588 ha of terraced land produce 26,600 tonnes of onions, 1,800 tonnes of cauliflower and 430 tonnes of cereals every year. One part of the produce is stored in banks, while the other is sold on the market. Onion sale profits alone have climbed over the past few years from 2.17 billion CFA to more than 3.22 billion CFA.

By making food production independent of climatic variations, the Commission has increased not only the incomes but also the food security of 160,000 Nigerians.

directly benefit local populations. Major investments are concentrated on a single crop type, with the aim of increasing productivity and/or yield with due regard for the local context.

Rice and export crops (coffee, tea, cocoa, tropical fruits, etc.) are the primary beneficiaries, even if this proportion is tending to diminish. These crops generally play a vital role in rural employment and export income. Coffee, for example,

makes up 70% of the value of Ethiopia's exports. This support heading also includes the rehabilitation of crops areas that have been abandoned, destroyed or badly maintained.

In fact, 13% of programmable funds have been allocated to this project category since 1986, though this figure has fallen to 8% in recent years.



© Hans von Bleier

### Water management schemes

These projects allow supplementary crop growing areas to be created, in most cases in semi-arid zones close to major sources of water. Examples are the sub-Saharan regions, which are exposed to food shortages, but which are watered by the Niger and Senegal rivers. The major schemes of the colonial and post-colonial periods (Mali, Senegal, etc.) have been replaced by micro-water management projects, created and/or supported by the EU. These more modest-sized projects (50 to 2,000 hectares in Madagascar, the Sahel or Haiti) are managed by local farmers with the technical assistance of consultants and NGOs.

Such water management projects are generally supplemented by flanking measures (infrastructures, solar energy, reforestation, cooperative management, literacy campaigns, micro-financing, trading, etc.). They can have a very significant impact on local and regional populations, which is why this type of project, which has obtained 13% of programmable funds (€310 million) since 1986, is multiplying (18% of commitments in 1999-2000).

### Animal farming

Aid has traditionally concentrated on sedentary farmers. It is now changing with recognition of the role played by semi-nomadic animal farming populations and their relations with their sedentary neighbours. For this reason support for animal farming has been increasing significantly, and reached €234 million between 1986 and 2000.

2000 saw the closing of the major pan-African campaign against cattle plague and the launch of two programmes against the most widespread and serious infectious diseases. These two regional programmes represent a total commitment in excess of €83 million.

In southern Africa (Malawi, Mozambique, Zambia and Zimbabwe), a programme to combat infectious diseases (tsetse and trypanosomiasis) is also entering its final stage, after more than 15 years of activity.

Other animal health projects at the finalisation stage will shortly be evaluated.

### Micro-projects and decentralised cooperation

These relatively recent approaches express the growing desire to co-operate directly with development aid beneficiaries. Most of these are the poorest rural or sub-urban populations, representing between 50% and 90% of the inhabitants of the various ACP countries. The farming sector partners and contractors for these financing projects are local groupings, associations or cooperatives. These are local, relatively inexpensive initiatives, with set timeframes and not requiring complex technology. This form of aid (€87 million) represented 12% of the EDF in 1999-2000 as against 4% in 1986-2000. This increase relates to actions targeted at agriculture, with most financing projects directed at rural social infrastructures (education, health).

### SMEs and cooperatives

This support (€79 million), which is in line with decentralised co-operation, is aimed at small and medium-sized enterprises or cooperatives, which are generally unprepared to launch into productive development or to benefit significantly from external credit.

This financial instrument, has, however, limited application in the agricultural sector, as it relates to micro-credits and has only a small overall impact on development. Nonetheless, the example of highly successful micro-finance operations – in Burkina Faso, Guinea and non-ACP countries (Bangladesh) – could give a new impulse to this strategy.

### Crop and animal farming research

European aid to this type of project has grown very substantially. Over 43% of the financial aid granted between 1986 and 2000 was committed in 1999/2000. In 2000, substantial new financing was made available to agricultural research, as part of a rethought overall strategy and an intervention methodology adapted to the current context.

*The starting point for many projects is gaining access to water.*



PROLINO exemplifies the type of integrated development projects that the Community supports in the Caribbean.

#### PROGRAMA DE DESARROLLO RURAL INTEGRADO DE LA LINEA NOROESTE – PROLINO

The Dominican Republic has experienced impressive rates of economic growth in recent years. However, the marginal rural areas of the country away from the irrigated valleys have benefited little from this growth. To address this gap, a multi-sectoral project (the “Programme for the Rural Development of the North-Western Border Region” – PROLINO) was funded by the European Union covering 4 provinces in the north-west. The aim of the project, worth €23 million, was to improve rural infrastructure, services and incomes while protecting the environment.

This project experienced success in four main areas:

1. Measurable positive impact, with concrete achievements including:
  - building 102 km of roads, and 1 river bridge benefiting more than 2,400 families;
  - constructing or refurbishing 7 clinics serving 1.500 families;
  - installing and rehabilitating 43 irrigation systems for 300 families;
  - providing more than €400,000 of agricultural credit to more than 500 families;
  - reforestation with over 1.5 million successfully planted trees and water basin management;
  - distribution of some 6.000 gas stoves replacing half of the wood stoves.
2. Introducing innovative ideas to the people and institutions involved. For example, a transparent contracting process was a new idea in these regions, and the fact that the systems helped establish a 100% completion record for all works contracted gave a strong message in support of the fight against corruption. The communities were involved at all stages of the programmes and an innovative approach was taken with the beneficiaries/actors paying cash contributions for the different programmes. This system helped to secure their commitment to, and responsibility for, the investments (as no household received a gas stove that was not really wanted, nor had a solar panel installed that was not considered a priority) and also provided a strong incentive for beneficiaries to manage and maintain the aqueducts, hand pumps and wells properly.
3. Activities involving NGOs included a micro-credit programme and the distribution of gas stoves. By careful selection of NGOs the project was able to overcome the problem of the rural population viewing investments by government projects as handouts. Of the 7,500 households which received gas stoves, not one defaulted on repayments. Repayments of micro-credit to the NGOs were in all instances better than 95%, and in two of the five NGOs, were 100%. Local government councils, NGOs, government agencies (such as the Water Board) and community groups were provided with training and practical experience of identifying, implementing, managing and evaluating projects to ensure that all activities were both well-maintained and sustainable.
4. Developing capabilities through including a training element in every programme. This was essential to develop the capabilities of the rural poor. This capacity building at village group level has ensured that the villagers can manage the new infrastructure and techniques as well as being able to contribute more to future development in the region.

### At regional level

The greater part of the budget is allotted to two regional projects: the Regional Support for Agricultural Research in East Africa project (€29 million), a part of the Association for Strengthening Agricultural Research in Eastern and Central Africa (ASARECA) and the Support Programme for Agricultural Research in West Africa (€12 million), which is part of the West and Central African Council for Agricultural Research and Development (WECARD).

These projects are seeking to organise and enhance the regional dimension of agricultural research starting from national research systems. This strategy involves various forms of financing:

- ▶ institutional support;
- ▶ support for regional research networks and centres, as part of co-ordinated activities directed at major research topics;
- ▶ an innovative mechanism of incentive-based, competitive funds open to national research systems.

**At national level**, the Agricultural / Livestock Research Support Programme (€8.3 million) being carried out in Kenya received a positive mid-way evaluation. Preparatory work has begun on the Support for the Agricultural Research in Niger project, with an indicative amount of €6.4 million. Direct support to national research centres has been almost entirely abandoned in favour of a regional approach.

**At international level**, support for the Consultative Group on International Agricultural Research has been directed towards subjects which benefit from an international approach to research (genetic improvement, bio-diversity preservation and management, international political dimension).

### Integrated programmes

Integrated, or multi-sectoral, programmes are the rural development instrument which have attracted the largest volume of funding, amounting to €925 million, equal to 39% of the resources of the last three EDFs. This sum has been divided between 136 projects. These programmes, of the order of €10 to 50 million per selected development zone, each cover a substantial rural zone in an ACP country.

This type of intervention has proven highly complex and has given way to decentralised or more specific forms of support. The level of commitments for the three programmes committed during the two years 1999-2000 has therefore fallen from 39% to 9%.

The sole Action Plan for Farming Reorganisation in Burkina Faso maintains the dynamism of the earlier projects. This programme has four parts: professional agricultural organisations, rural financing, developing the rice production and marketing chain, plus an institutional support programme.

### MANAGEMENT OF CROP AND FALLOW LAND

**How can management of fallow land in Western Africa be improved? This is a fundamental problem given that, in this part of the continent, the reduction of fallow land has led to a reduction in soil fertility and to environmental degradation. In its initial phase, the managers of the Fallow Lands project, which is being undertaken in cooperation with France's Institut de Recherche et de Développement (IRD), which has many years' experience in this area, have sought to bring together all the available skills and to incorporate the results of operations carried out in various countries and in different soils. Earlier projects have provided valuable lessons:\* regeneration of degraded soils in Burkina Faso, management and regeneration of dry sandy zones in the Niger, the enrichment of natural fallow land with fruit trees in Senegal, management of planted fallow land (in particular cocoa trees) in the Ivory Coast. All these experiments share a common concern: that of situating the entire research problem in a joint context of "crop and fallow land systems". The initial results are now available. The new EDF programme is seeking to ensure the continuity of its research activities. The concern here, is to introduce the techniques that are most promising in a rural environment, taking advantage of existing development projects for improving rural areas.**

\* *In a series of high-quality publications, which are synthesised in "Jachère en Afrique tropicale - De la jachère naturelle à la jachère améliorée - le point des connaissances", published jointly by IRP/John Libbey, volume 2 of which was published in April 2001.*

### Fisheries

The Community activities in fisheries co-operation policy are centered on poverty reduction and sustainable development. Fisheries in Lake Victoria play a vital economic and social role. An EU research project for managing the Lake's resources is now in its second phase of operation. It will spend €8.4 million on developing an urgently needed comprehensive resource management plan for the Lake, in co-ordination with a regional organisation and other donors. This project also aims to strengthen the institutions involved in fisheries management in ACP countries. It will foster regional co-operation and enable the development of fish typology and new quality databases for fishery management.

The EC also has ongoing interventions in this field in the Pacific, Indian Ocean, Southern and Western Africa and the Caribbean. Another priority area for Community intervention is the strengthening of sanitary control aspects in ACP countries. A new €30 million programme was launched during 2000 and is expected to become operational by the end of 2001.

**The destruction of a region's eco-system can be a serious obstacle to sustainable development.**

### THE ISLAND REGION OF PAPUA NEW GUINEA

Over 85% of the population of Papua New Guinea (PNG) lives in rural areas where the land is owned by clans. Seventy per cent of these areas, which are rich in natural resources, are covered with forests. In order to make local communities more aware of the importance of the sustainable use of the country's forestry resources and at the same time conserve areas of great biodiversity, the government started the 'Island Region Environmental and Community Development Programme'.<sup>(48)</sup> The programme, co-funded by the European Community, got under way in 1995, with a budget of €5 million for five years, focusing initially on the island of New Britain.

The programme has emphasised support for small-scale community initiatives. Small "walkabout sawmills" have been introduced, with production levels compatible with sustainable forestry management. These operate from six regional offices in seven provinces. Over 25 such operations have been set up, and their success is all the greater inasmuch as they combine the dimension of environmental concern with a spirit of entrepreneurship.

An evaluation of this project conducted at the end of 2000 came to very positive conclusions. This initiative has favoured the development of community forestry management at the local level, which is making a significant contribution to the programme's objective of sustainable management. Specific training for forestry workers has proved very fruitful.

This example, by demonstrating that real alternatives exist to deforestation and the degrading of forests, has had a multiplier effect in Papua New Guinea and the South Pacific region. In view of the immensity of the task, a new eco-forestry programme (funded by EDF to the tune of €7.5 millions) has been added to the initial programme for a five year period. In particular, it should make it possible to integrate training into regular programmes, to develop marketing and gradually to transfer responsibilities to local organisations (local government organisations, non-governmental organisations and the private sector).



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### PRESERVING CENTRAL AFRICAN ECOSYSTEMS

Central Africa possesses one of the world's richest ecosystems in terms of biodiversity, including the world's second largest forest mass after the Amazon. The established equilibrium is under threat today from an inadequately controlled exploitation of timber resources and of animal species, threatening them with extinction in the long term. For this reason in 1992 the Central African countries signed the Convention on Biological Diversity, as well as various international agreements, which seeks to achieve a sustainable management of plant and animal resources. Also in 1992, six States (Cameroon, Congo, Central African Republic, Gabon, Equatorial Guinea and Sao Tomé and Príncipe), which are faced with common environmental problems, launched the ECOFAC (Forest Ecosystems in Central Africa) programme.

With EU support, the first stages of the programme (1992-2000) have enabled most of the infrastructures to be put in place, and 28.000 sqkm to be managed and conserved. In association with the local populations, the first concrete initiatives have been launched (rural development, social actions, eco-tourism, joint infrastructures, etc.) together with training, awareness-raising and research aimed at increasing knowledge of the region's ecosystems.

## 2.6. Environment

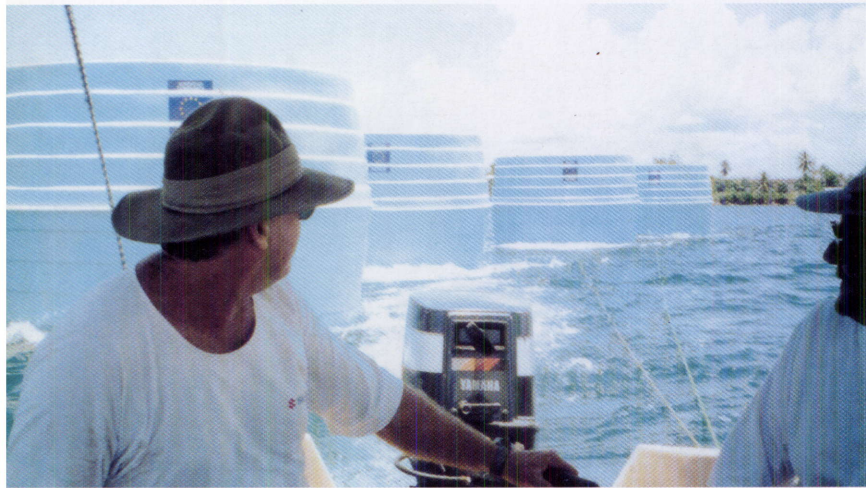
Sustainable development, an essential part of overall development, is one of the Union's priorities. Basic strategies include protecting, maximising the potential of and safeguarding natural resources, re-establishing ecological balances, and halting land and forest degradation.

The need for an integrated environmental policy, and the impact of such a policy on vital questions such as self-suffi-

ciency and food security, has not escaped the Commission. With this in mind, between 1985 and 2000, EDF financing has supported programmes in three main directions:

- environmental policies/institutional support;
- biodiversity;
- *in situ* conservation.

(48) Island Region Environmental and Community Development Programme, IRECDP.



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When land gives way to desert, this is sometimes the only solution.

In all, 181 projects totalling €244 million have been committed, 51 are still ongoing.

The dividing up of support between these different directions seeks to balance sectoral, political and institutional support, as well as the *in situ* actions, with the objectives of conservation and biodiversity. Twenty-four new projects amounting to €63 million are being supported.

A global evaluation of the Community's environmental actions between 1990 and 1995, which was published in 1998 together with more specific evaluations, give a generally positive assessment of the impact and relevance of these projects and programmes. The shortcomings mentioned are insufficient integration into consistent national policies, a still insufficient appropriation of the ensuing benefits by the entities entitled to expect them, and a certain operational fragmentation.

On the other hand, the new commitments confirm a trend towards more substantial programmes, and support for programmes integrating both sectoral and/or institutional support, and support for *in situ* conservation (see box) and rural development. The regional dimension takes on a particular importance in these two precise cases.

#### Forests/Management and exploitation

Between 1985 and 2000 the Commission's "forestry" strategy has focused on three areas:

- ▶ **forestry policy and support to administrations:** Some thirty projects, worth around €44 million, 30% of which have still to be committed;
- ▶ **forest development:** Various actions, like the creation of forest blocks, and forest protection and/or improvement. This category contains some 40 projects worth €144 million;

#### MANAGING AND CONSERVING UGANDA'S FORESTS

##### Timber is scarce

Uganda is running out of timber resources. There is a clear and urgent need for plantation-sourced timber to meet growing demand. Biodiversity conservation of key forest areas, sustainable forest production, and the creation of new sawlog resources, are three key features of Uganda's new forest management programme, designed to reduce the pressures on its natural forests.

A new Forest Resources Management and Conservation Programme (FRM&CP) must find a way to co-ordinate the needs of forest conservation with those of sustainable forest management. It must also involve the local communities who are trying to make their living from forest resources, and accommodate private sector developers who run compensatory timber plantations.

The FRM&CP will seek to contribute to poverty alleviation through programme activities and the supply of goods and services by forest areas to adjacent rural communities.

The programme will strengthen the technical skills base of the Forestry Department/National Forest Authority, and will encourage the private sector to participate in the sustainable economic management of natural forests and the creation of timber plantations. It will also promote efficient use of existing sawlog resources by pitsawyers and sawmillers.

New standards and guidelines will be formulated to ensure that best practice is adopted which may allow forest owners in Uganda to obtain certification for their forests, thereby gaining access to international funds which are linked to certification standards.

##### Under new management

In the long run the Forestry Department is due to disappear, to be replaced by a National Forest Authority (NFA) which will run up to five of the new Forest Management Areas covering 14 key districts with forests classified as 'core' and 'prime' conservation value. While the NFA is being set up, its EDF funds will be used to meet the local staff costs in full for its first year, but thereafter those costs will have to be taken up progressively by the NFA itself.

It is essential to arrest deforestation within the forest reserves, and improve the management of their conservation and sustainable development. There will be a sharper focus than before on key forest areas. The proposals for sustainable management, which could cover up to 40 villages with a total population exceeding 20,000 people living in the area are covered by the new programme. The situation will be reviewed every two years, once the FRM&CP has effectively started.

The total cost of this five-year programme, including contingencies and an allowance for inflation, is €13.17 million. €12 million will come in the form of a grant from the 8th EDF and €1.17 million has been pledged by the Government of Uganda.

► **forestry services:** The 12 specific projects, totalling €37 million, are almost entirely committed.

In addition to the various projects supported since 1985, five new initiatives, under the heading “support for forestry policies and institutions” have been supported with around €23 million. Added to the 14 earlier projects of the same type, this represents in all 19 projects with a value of €38 million emanating from the EDF.

This evaluation points to a three-pronged approach:

- a very clear reduction of “development/reforestation” type actions;
- reduction of one-off “research” and “training/education” activities;
- refocusing on more sectoral, political and institutional support, with a view to promoting a more consistent and holistic approach to the sub-sector. This approach should permit the better design and implementation of major protection, restoration and sustainable exploitation initiatives.

## 2.7. Transport and Infrastructures

### Transport

The Commission's objectives for co-operation in the area of transport infrastructures involve:

- opening up of countries both internally and to the outside world;
- cutting transport costs and passing recurrent maintenance costs to ACP countries;
- improving competitiveness by granting management licenses (ports, airports and railways) and by using the private sector for maintenance work (road sector);
- modernisation of national administrations through reforms of planning and supervisory ministries (road sector) and tutelary authorities (ports, airports, railways).

As part of the national development strategies, actions can take the form of integrated development plans for national transport sectors or regional programmes, investment projects (roads, railways, ports and airports) or institutional support.

In most cases, these are integrated development projects, ranging from institutional support to physical investment.

For the road sector (one of the most voracious in terms of support), the following items merit particular attention:

- more careful control of vehicles on the road, in particular with regard to authorized weights and dimensions;



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### AN URBAN DEVELOPMENT PROJECT IN SOUTH AFRICA: THE CASE OF CATO MANOR

Cato Manor is strategically located seven km away from the city-centre of Durban, South Africa. It covers an area of 2.000 hectares. For almost a century, Cato Manor was a melting pot of Indian and African cultures serving as a buffer zone between the city-centre and the surrounding black rural communities.

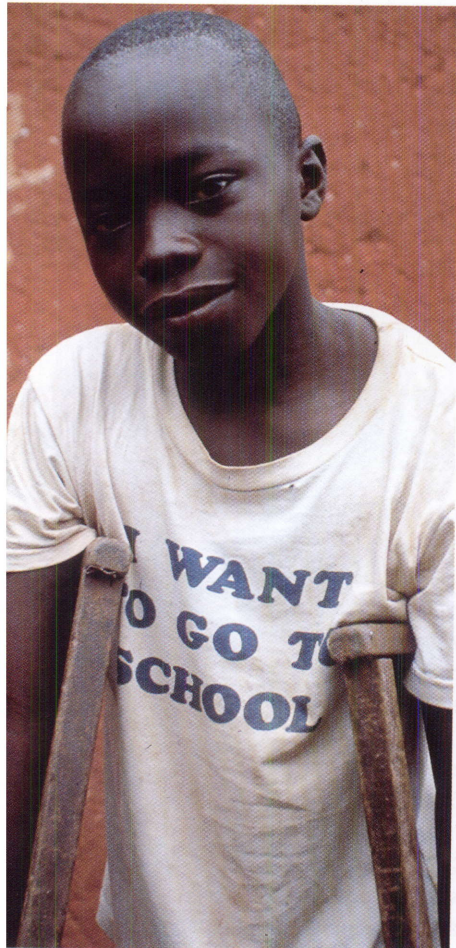
In the early 1990s, there was a general move toward post-apartheid urban reconstruction and reconciliation, and the Cato Manor district was identified as a prime development opportunity. After its creation in 1993, the Cato Manor Development Association (CMDA) secured substantial development funding from the EU, and also from local, provincial and central government. So far, it has invested about €50 million. The EU concentrated its actions in four areas:

- providing key infrastructure such as schools, community halls, a library, a health centre, new roads, and industrial workshops for emerging businesses. Most of these construction projects have been completed;
- providing small housing loans to finance easier access to housing. People were allowed to use these to build on additional rooms, or to top up their current housing loans;
- improving the employment prospects of Cato Manor residents by offering practical vocational training courses to people. Twenty light-industry workshops will be handed over to local businessmen for their commercial activities providing services and jobs. They also will receive management training and marketing support;
- training CMDA staff in their assignment duties, in order to raise their output.

It should be possible to apply the solutions found for Cato Manor elsewhere. The European Commission hopes that its contribution will be a lasting reminder of the long-term benefits that come from finding the right response to the challenges of providing equitable urban growth in South Africa.

More information is on the website: [www.cmda.org.za](http://www.cmda.org.za).

*Transport is one of the six priority fields of EC development policy.*



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### WAR CHILDREN IN SIERRA LEONE

The UNICEF programme for "Reintegrating children enrolled in the Sierra Leone armed forces into their communities" seeks to look after and protect over 10.000 "child soldiers", and to allow them return to their families, along with other people separated from them by the conflict. This initiative, to which the EC is giving €2 million, is in response to the Convention on Children's Rights, and other international human rights instruments, in particular the provisions relating to enrolment into armed forces. Through the child protection network, UNICEF is supporting several services working towards this objective: searching for missing persons and family reunification, temporary emergency care, basic social services to communities to facilitate reintegration, psycho-social assistance for children within their families, support for awareness-raising campaigns, mobilising communities to the need to protect children, etc.

The project also provides support of various kinds to strengthen the capacities of the Ministry of Social Welfare, Gender and Children's Affairs, as well as the participating NGOs.

- ▶ promotion of, and support for, SMEs and consulting engineering offices in ACP countries;
- ▶ the creation of road databases;
- ▶ improving road user safety;
- ▶ limitation of undesirable effects, in particular in the environmental area, thanks to better development and management practices.

### Infrastructures

Infrastructures, which cover a wide range of systems and areas linked to several sectors of economic activity, are an essential element of development. Here we find:

- ▶ **urban projects:** treatment of solid and liquid waste, drinking water provision, roads, public buildings;
- ▶ **telecommunications and information,** including satellite tools (meteorology, navigation assistance, etc.);
- ▶ **energy,** in its various forms (hydro-electric, thermal and renewable energies), including transport and distribution;

- ▶ **mining** geological and mining research, exploitation, aerial surveys, cartography, etc.;

- ▶ **water management** inventorising and managing water resources, area management, storage and distribution infrastructures.

## 2.8. Horizontal policies

### European initiative for democracy and human rights

Operations in these regions are supporting potentially complementary programmes and reinforcing initiatives funded by other development co-operation instruments, such as those used in the national indicative programmes. A budget of € 18 649 000 has been made set aside for this purpose.

Here we find the global EIDHR strategy of promoting the rule of law and good public governance, strengthening civil society organisations, protecting minorities and vulnerable groups, equality between men and women, preventing conflicts, and free and fair elections.

### Human Rights specialists

Human Rights are part of the body of law. They have their own complexity and merit having their own specialists. Twenty-six students from 14 African countries are taking part in a Master's in Human Rights and Democratisation programme which is emphasising a regional approach to training in this area. The project brings together the Centre for Human Rights of the University of Pretoria, Makerere University (Uganda), the University of the Western Cape and the University of Ghana. Students first spend six months at the Centre for Human Rights in Pretoria where they attend lectures by highly qualified teaching staff. After this they divide up between four universities taking part in the project, where they take courses, carry out placements and write their dissertations.

### FREER ELECTIONS IN SOUTHERN AFRICA

Adapting constitutions, legislation and practice to democratic choice is the objective of a regional programme organised by the EISA (Electoral Institute of Southern Africa). This project, which has received €622.000 of support, sets out to strengthen electoral capacities in Southern Africa. The SADC (Southern Africa Development Community) electoral commissions and civil society organisations are directly involved.

*Children are the first victims of war and famine.*



## Drugs

### *Caribbean: combating laundering*

The Caribbean Anti-Money Laundering Programme (CALP) began at the end of 1999 and will last five years. It is funded by the Community, the United Kingdom and the United States, and is the main element of the Barbados Action Plan. It responds to precisely targeted objectives.

Since CALP was launched, all the countries that are members of CARIFORUM\* have benefited from legal aid and help in introducing laws against money laundering. Training in handling money laundering-related inquiries and offences has been given to several hundred police and customs officers and justice or interior ministry officials. Conferences and seminars have been organised for staff in banks (in national and off-shore contexts) and other financial organisations, to help them to identify suspicious financial movements and unusual commercial transactions. Magistrates, judges and officials from public prosecutors' offices have also received various kinds of legal training in this area.

The programme also allows CALP counsellors to give direct help during inquiries on complex cases.

\* Antigua & Barbuda, the Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Surinam, Trinidad & Tobago, European Union.

## Gender issues

As in any other region in the world, equality of opportunity is a major factor in EC assistance. A specific example funded by the thematic budget line "Gender" is given in the box below.

### **REPUBLIC OF GUINEA: THE GIGED STRATEGY**

To increase equal opportunity between men and women, the GIGED (Groupe Inter-Projets Genre et Développement) is systematically integrating the "gender" approach in co-operation programmes and projects between the Republic of Guinea and the EU.

In spite of its modest resources,<sup>(49)</sup> the pilot phase has already made it possible, among other things, to set up a human resources network with a central support team, which is sensitising projects to this objective and engendering support actions.

The GIGED II and III projects are following the same approach. The most significant impacts are the validation of the "gender" approach as a direction of development at the national level, the setting up of a network of national capacities (institutions, development players) and the implementation of good practices. The GIGED strategy, pioneered in Guinea, has since been applied in Madagascar.



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### **CAPE VERDE ISLANDS: SOCIAL AND ECONOMIC OBJECTIVES**

A multi-annual programme, started in 1997, aims at helping vulnerable families and accompanying the process of liberalisation in the food sector. Community aid is granted in the form of currency facilities to support the balance of payments. The counterpart funds generated by the sale of the currency are targeted on a small number of areas. In 1997 and 1998, support was given, in particular, to high labour-intensive programmes (so-called "FAIMOs"), in order to improve project viability at township level and the promotion of income-generating activities.

Since 1998, another element of the programme has been to restructure EMPA (a public company for the supply and marketing of basic food products) with a view to its privatisation, which is one of the government's objectives for 2001. Lastly, a financial contribution was made for minimum social security pensions and to the Cape Verde Islands Solidarity Institute between 1998 and 2000.

## Food security

### *Ethiopia*

The major food crisis experienced by Ethiopia mobilised donors. 800,000 tons of aid (more than half of it funded by the EC) was brought in, mostly by the World Food Programme (WFP), NGOs and the EuronAid collective. Interventions by ECHO (European Commission Humanitarian Office) were targeted on the Ogaden area.

The contribution to the food security programme, which represented a significant share in global EC assistance, responded both to the urgency of the crisis and to the need for long term support in the field of food security. The overall cost of this action amounted to €40 million.

Initial direct aid made it possible to fund 10,000 tons of cereals (€27.5 million) purchased on local markets and

(49) The pilot phase received €31 000 from the "Gender" budget heading. Subsequent stages have received €510 000 out of the 8th EDF's National Indicative Programme (NIP) for Guinea.

destined for the Ethiopian government's strategic reserve. This part of the programme also included support for directing and controlling distribution of this aid, to make sure it reached the target groups.

The second part involved funding **actions to support** food security and highly labour-intensive work, to the tune of €11 million. This initiative was aimed at Amhara and Tigray, the two regions particularly affected by the drought.

A further €1.5 million was earmarked to **assess** the programme and to support the country's institutional capabilities, particularly to formulate and revise national and regional food security strategies in Ethiopia.

#### **Eritrea**

Ever since 1988, Eritrea has been facing a permanent food crisis caused by the armed conflict with Ethiopia and worsened by persistent droughts. In 2000, there were about 1.1 million displaced persons in the country. Nearly twice this number were in a situation of severe food insecurity.

To complete the EDF support programme and the interventions of ECHO and the WFP, the EU launched a €15 million **food security** programme, including a currency facility of €10 million to help import produce. The counterpart funds (local currency funds derived from the sale of this hard currency) generated in this way will be earmarked for a programme to support vulnerable groups. This programme will target farming (particularly via land resources and getting farming going again) and social protection (contribution to the Eritrean Fund for Community Development, Health, Education and Water Supply).

Furthermore, **direct food aid** of about 16,000 tons (€4 million) will be granted to the government for distribution to displaced persons and people suffering from the drought.

Lastly, the programme includes the funding of **technical assistance** *in situ* and a **feasibility study** to define the support to be given to the food security information system.

#### **POST FLOOD RECONSTRUCTION: INTERVENING WITHOUT DELAY**

**Torrential rains and two cyclones, Eline and Hudas, struck Mozambique in March 2000, provoking major damage. The government presented a Reconstruction Programme in which the Commission decided to participate with €67 million. Part of this contribution (€20 million) is concentrated in the province of Gaza. The objectives here are very precise: protecting the region from flooding of the Limpopo River and restoring the urban roadways, water networks and waste disposal infrastructures of the cities of Xai Xai and Chokwe.**

#### **Humanitarian Aid**

ECHO has been very active in ACP countries during the year. The table below shows the financial decisions on Humanitarian Aid for the region.

#### **FINANCIAL DECISIONS FOR HUMANITARIAN AID BY REGION IN 2000 (ECHO)**

<b>AFRICA, CARIBBEAN, PACIFIC</b>	<b>DECISIONS IN € Million</b>
Angola	15.768
Belize	0.850
Burundi	13.780
Chad/Niger	1.200
Comoros	2.175
Congo (Democratic Republic)	20.000
Congo (Republic)	3.000
ECHO Flight	8.800
Ethiopia/Eritrea	22.495
Kenya	4.440
Uganda	0.810
Madagascar	1.610
Mauritania	0.365
Mozambique	9.680
Other Island Countries/Territories	0.200
Sierra Leone/Guinea/Liberia	16.137
Somalia	6.518
Sudan	11.000
Tanzania	26.850
Zambia/Namibia	4.500
<b>TOTAL</b>	<b>170.178</b>

**Direct food aid is still  
a necessity in  
countries such as  
Ethiopia and Eritrea.**



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## 2.9. European Investment Bank (E.I.B.)

The European Investment Bank has financed ACP countries and territories with €401 million, as detailed in the following table:

REGION	€ MILLION
Private ACP partial financing	50
Africa	245.5
Caribbean	76.7
Pacific	3
PTOM	7
Others	18.8
<b>TOTAL</b>	<b>401</b>

## 2.10. Perspectives

The latest ACP-EU agreement allows regular review of support strategies and therefore allows flexibility including allocation of resources which will be calculated on an assessment of need and policy performance. It is clear that the partner countries should play a lead role and so Community development assistance will seek to place resources in their hands. Larger scale interventions should increase impact and make co-operation with other donors easier and more effective. All of the EFDs can now be consolidated in one clear programme rather than parallel programmes and initiatives. Finally assistance will be decided in liaison with actors at all levels of society in partner countries to avoid allocations of funds outside the basic principles of the Cotonou Agreement.

*Community development assistance seeks an increased role for partner countries.*



## VII Asia

The European Union first defined the overall strategy governing its relations with Asia<sup>(50)</sup> in 1994. But the world has moved on since then, with significant economic and political changes in both Asia and the EU. The accelerating pace of globalisation has opened up more opportunities, but also posed greater challenges. Unfinished business remains: the full potential of economic relationships between Europe and Asia has not yet been realised. Europe must strengthen its political engagement with Asia, and convert its current dialogues into stronger partnerships.





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## 1. EC co-operation with developing countries in Asia

The European Community's co-operation assistance to Asia has been growing at a moderate pace over recent years, rising from €363 million annually in 1991-1995 to an average of €438 million per year in 1996-2000. The focus has changed significantly. Today more than 80% of EC development aid earmarked for Asia goes to low-income countries. For the more advanced countries in the region, new programmes for win-win economic co-operation have been introduced that are particularly attractive. Taking EC and Member State's aid activities together, EU aid continues to account for 30% of the total overseas development aid (ODA) flows to Asia.<sup>(53)</sup> This is less than Japan (51%) but well ahead of the US (9%).

Priority fields for past co-operation have included: rural development; institutional capacity building; health and education. In 2000, health and education were again the primary focus of the EC's strategy in the fight against poverty.

The 1994 Commission Communication "Towards a New Asia Strategy" covered the countries of South, South-East and North-East Asia. It highlighted the rapid economic changes that had taken place in the region over the previous decades, and argued for a guaranteed EU presence in the region that would be effective and proactive. The key strategic objectives in 1994 were:

- ▶ strengthening existing bilateral relations;
- ▶ raising the EU's profile in Asia;
- ▶ supporting regional co-operation in the interests of peace and stability;
- ▶ supporting the conversion of state economies to free market systems;
- ▶ ensuring open markets and a non-discriminatory business framework;
- ▶ working for sustainable development and poverty alleviation in the least prosperous countries;
- ▶ encouraging the Asian region to play a more prominent role in international debate;
- ▶ ensuring a co-ordinated approach across all EU Member States in their relations with Asia.

After 1994, these objectives were refined in further country-specific and sector-oriented strategies, published in several more targeted Communications.<sup>(51)</sup> These were concerned with formalising the EU's relations with China, India, ASEAN (the Association of South-East Asian Nations), Indonesia, and the process of Asia Europe Meetings (ASEM). The sectors of energy and environment were also singled out for attention.

In 2000, the Commission undertook preparatory work to update the EU's Asia strategy. A Communication entitled "Europe and Asia: A Strategic Framework for Enhanced Partnerships",<sup>(52)</sup> outlining the main avenues of co-operation for the next decade was to be adopted in 2001.

### Budget commitments and spending

All programmes for Asia spent close to their budget limits in 2000 (see table). Payment credits for technical and financial co-operation needed a special reinforcement of more than €40 million during the year. Special attention was paid in 2000 to reducing delays in payment, with the result that the Commission services succeeded in liquidating all payments within the legal deadline of 60 days.

The significant concentration of commitments in large programmes confirms the agreed trend to move from financing small individual projects to supporting large programmes, particularly in social development sectors such as health and education. For instance, a single education programme in India (€200 million) accounted for 65% of the entire allocation of that portion of the 2000 budget.

### Poverty reduction – a priority

The main EU assistance in Asia has been focused on direct poverty reduction measures, for example through support for rural development, support for infrastructure and institutional capacity building. The environment sector has also received support with substantial programmes devoted to areas such as forest protection, biodiversity and environmental technology. The health and education sectors, which have recently become a targeted priority for our co-operation in terms of equity and quality of care, as well as enhanced education also feature significantly in EU efforts aimed at poverty reduction. Priority is given to the poorest populations, and to the poorer areas of developing countries, with a view to supporting economic activities that lead to sustainable development.

## EU FUNDS FOR ASIA IN 2000

	COMMITMENTS			PAYMENTS		
	Available € '000	Used € '000	%	Available € '000	Used € '000	%
Technical & financial co-operation	315.927	305.225	97%	253.861	253.216	100%
Economic co-operation	115.640	113.785	98%	30.380	28.193	93%
Refugees*	39.583	39.403	97%	19.593	17.415	89%
Rehabilitation*	3.910	3.810	97%	17.808	15.437	87%
Rehabilitation in East Timor*	20.000	19.950	99.5%	10.900	9.100	83%
<b>Total</b>	<b>495.060</b>	<b>482.173</b>	<b>97%</b>	<b>332.542</b>	<b>323.361</b>	<b>97%</b>

\* Managed as thematic actions.

The EC supports human resource development programmes because it has found, from experience, that this support is essential to ensure the sustainability of its projects. The training given to people in local communities is also useful to officials in national and local governments.

Work continued on 56 projects in 2000 for South Asia, South-East Asia and China. Nine new projects (€101 million) were started, and six new financing agreements were signed for a total of €83 million).

## 2. Rural development and Environment

► In rural development, the focus is on raising levels of production, both in quantity and quality, and on improving marketing capability. EC-supported projects often cover an additional wide range of associated activities, such as health and education. For each project, right from the initial planning stage, the Commission encourages local people to join in and thereby feel a sense of ownership. Such joint responsibility is also a sure way to improve project success rates.

Large-scale projects have included the construction of major canals for irrigation and water supplies, embankments for coastal protection, new rural roads and bridges. Roads are crucial to remote rural populations, who need them to get their agricultural produce to market in good time and to be reached themselves by social services.

► In the environment sector, the Commission supports the protection and maintenance of tropical forests. There are major programmes especially in **Indonesia** and the **Philippines**, where natural resources are rapidly degrading. Other projects are helping to deal with industrial and urban environmental problems, where increased industrial production and domestic consumption not only cause serious air and water pollution, but also contaminate the soil. The EC has a particularly active industrial and urban environmental co-operation programme with China.

*The direct involvement of local inhabitants is improving project success rates.*

(51) For example: A long-term policy for China-Europe Relations (COM(95) 279 of 5 July 1995), EU-India Enhanced Partnership (COM(96) 275 of 25 June 1996), Creating a New Dynamic in ASEAN-EU Relations (COM(96) 314 of 3 July 1996), Europe-Asia Co-operation Strategy for Energy (COM(96) 308 of 18 July 1996), The EU and Hong Kong: beyond 1997 (COM(97) 171 of 23 April 1997), Perspectives and Priorities for the ASEM Process (SEC(97) 1239 of 26 June 1997), Europe-Asia Co-operation Strategy in the field of the Environment (COM(97) 490 of 13 October 1997), Building a comprehensive partnership with China (COM(98) 181 of 25 March 1998), The EU and Macau: beyond 2000 (COM(99) 484 of 12 November 1999), Developing Closer Relations between Indonesia and the EU (COM(00) 50 of 2 February 2000), Perspectives and Priorities for the ASEM Process into the New Decade (COM(00) 241 of 18 April 2000).

(52) COM(2001)469 final.

(53) This can be compared with an EU share of 47.5% of ODA flows world-wide, against 27.2% for Japan, and 16.2% for the USA.



© Gerald Barton

By cooking on fuel efficient mud stoves, these women help preserve their environment.

### Project management

Most projects in the rural development and environmental sectors are managed jointly by European technical assistance experts and local representatives. A project management unit is usually set up within the main national department responsible for the project. One benefit of this system is the transfer of management skills to the local authorities. Rural development, and forestry projects involving rural populations, usually require long time spans to make any substantial progress. They often take longer than five years to complete. After starting as local undertakings, agricultural projects are sometimes extended so that their economic impact may be felt at regional level. This has been particularly the case with projects for controlling disease in livestock, and also the development of agricultural micro-projects.

## 3. Institutional strengthening

Working to achieve transparent and accountable governance in Asia is at the top of the EU assistance agenda. The focus is on developing effective public and semi-public institutional administrations. Priority has also been given to strengthening the rule of law and improving access to justice, while guaranteeing the professionalism and independence of Asia's judicial systems. The fight continues against bribery, corruption and clientelism.

### Specific goals

In the area of Institutional Strengthening:

- ▶ the Development of transparent, accountable and effective governance and administration in all public and semi-public institutions;
- ▶ the Strengthening of the rule of law and improved access to justice while guaranteeing the professionalism and independence of judicial systems;

### AGRARIAN REFORM IN THE PHILIPPINES TO REDUCE POVERTY

The Philippine Government has adopted CARP, a Comprehensive Agrarian Reform Programme designed to increase agricultural productivity and improve farm income by transferring around 8 million hectares of public and private agricultural land to 4 300 000 landless farmers. To date, CARP has distributed approximately 60% of the land to over 3 million farmers.

Adopting a community-based approach, the government also provided a package of support services to the farmers to help them become successful producers and entrepreneurs. They include the provision of modern agricultural technology, training, credit lines and marketing advice. This is called the Agrarian Reform Community (ARC) approach.

The EC became the first foreign donor to support a project designed on the ARC model. In 1995 it started the Agrarian Reform Support Project which covers 63 ARCs in five provinces. It also provides direct technical assistance for making land surveys to facilitate the land distribution process.

This agrarian reform model has been copied by many other donor-supported projects, including those funded by EU Member States. The Department of Agrarian Reform is using the lessons learned from their implementation to refine strategy, to document best practices, and to assess their impact on poverty.

The EC renewed its commitment to the agrarian reform in 2000 by signing a second project, due to start in mid-2001. This will cover 50 ARCs in four provinces in Muslim Mindanao.

- ▶ the fight against bribery, corruption and clientelism.

### Examples of programmes

Projects are being launched in Indonesia to support good governance (€13.3 million), including a programme providing institutional support to the Attorney General's Office.

In China, the EU-China Legal and Judicial co-operation programme (€9 million) is successfully underway and is being implemented by the British Council. It is a very demanding project in terms of legal skills and experience.

Also underway is the EC-China training programme on Village Governance. This €14.7 million programme is designed to strengthen the capacity of Civil Affairs Departments at all levels with regard to implementing and popularising the Village Committee Organisational Law.

*The collaboration between European experts and local representatives helps transfer management skills to local authorities.*



In Nepal, a renewable energy project (± €15 million) is planned, focused on the installation of photo-voltaic systems in rural areas where no other source of energy is available. This project will involve the strengthening and/or the creation of institutions, centrally as well as in rural areas, to monitor the project at national and local levels

In Bhutan, a programming mission took place to define a project which would be the second phase of the project "Cultivation of Medicinal Plants for Traditional Medicine" which ended in 1999. One of the main objectives of this new project will be to consolidate on a long-term basis the institutional structures set up in Phase I.



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Many Community activities in Asia relate to reproductive health.

## 4. Regional co-operation

Regional integration and co-operation contribute to the integration of Asian countries into the world economy and play a decisive role in consolidating peace and preventing conflict. They enable the countries involved to face cross-border challenges in many fields, including the environment and the use and management of natural resources. In the light of its experience and of the instruments at its disposal, the EU is in a position to support efforts in this direction across the Asian continent.

### Specific goals

In the area of Regional Co-operation and Integration:

- ▶ the development and strengthening of the capacities of regional institutions -in South Asia principally SAARC; in South East Asia principally ASEAN- to promote regional co-operation and integration in the areas of political, commercial, economic and financial co-operation;
- ▶ the development and strengthening of the capacities of national governments and parliaments in matters of regional co-operation.

### Examples of programmes

A new regional programme addressing problems of animal disease due to cross-border movements of livestock is under review for China, Vietnam and Laos, and a new programme in India has been requested.

An integrated pest management programme for cotton crops is in progress in six Asian countries. This programme, which began in November 1999 and which will finish in 2005, is being implemented by the FAO and funded by the EC (€12 million); it is seeking a new approach to cotton production, primarily the problems of pesticides used in cotton production, and is examining new requests for programme support for Nepal and Bhutan.

## 5. Focus on the Social Sectors

### 5.1. Health

The current trends for EU co-operation in the health sector in Asia show a new emphasis on equity (access for the poor) and quality of care. Priority has been given to these trends when developing health systems and supporting sector reforms. There is now a shift away from small projects to larger-scale sector programmes which also respect these values. The programmes are increasingly being implemented in close co-ordination with other donors (e.g. the World Bank) through sector-wide approaches. In 2000 the EU global allocation was €350 million.

Regional programmes have been set up to address cross-border or common problems, e.g. vector-borne disease, like the Indochina Malaria Control Programme (Laos, Cambodia, Vietnam).

The Commission has responded to international developments such as the UN Cairo/Cairo+5 process<sup>(54)</sup> on supporting initiatives in the area of sexual and reproductive health.

The Commission believes in a continuum of post-conflict rehabilitation towards development. In the case of East Timor this has been achieved through a sector-wide approach with other donors (World Bank, Portugal, AusAid, Brazil, the Japan International Co-operation Agency), and in close co-ordination within the Commission services.

(54) UN International Conference on Population and Development, Cairo, September 1994. Cairo+5 refers to the 1999 five-year review.



Reproductive health campaigns increasingly target the couple as well as individual men and women.

## Examples of EU support for health projects

### Asian region

#### Asia initiative for reproductive health

The Asia Initiative covers Pakistan, Nepal, Sri Lanka, Bangladesh, Vietnam, Laos and Cambodia. This innovative project is designed to embrace the major recommendations from the UN Cairo Population Conference, by working to increase the quality and accessibility of reproductive and sexual health care in South and South-East Asian countries. Support is given to non-profit private initiatives which work in local communities with the full involvement of the local people. In 2000, an EC grant of €29.9 million was complemented by a national contribution of €5.4 million. The programme is being implemented in partnership with the United Nations Population Fund and a number of non-governmental organisations. The mid-term evaluation, carried out in 2000, concluded that progress towards achieving the programme's overall objectives is satisfactory.

### South Asia

#### India: Support for Health and Family Welfare sector

Supported by the EC and other donors, the Indian Government is carrying out a special investment programme to reform its Health and Family Welfare sector. The goal is to improve both quality and accessibility of health services in India. The EC contribution in 2000 amounted to €200 million, while India put forward €234 million.

*Making reproductive and sexual health care more accessible is a key objective of programmes in the region.*

The money is used by central, state and district authorities to help them implement the new reformed system of Family Welfare. As a result, health services are now of better quality, and are reaching more people. The provision of a full range of family welfare services is now cost-effective, including reproductive and child health care. The process is fully monitored, and the feedback in 2000 is that progress is being made towards achieving the programme's goals. For example, reform bodies have been established, and several implementation plans have been developed at state and district level. Reform of the system of managing drug supplies is continuing.

### Bangladesh: Support for Health and Population Sector Programme

The Health and Population Sector Programme is a sector-wide programme to improve the health status of the people of Bangladesh, particularly the poor. The purpose of the project is to achieve a client-centred provision and appropriate utilisation of essential health services, which requires reform. The Bangladeshi Government will use the EC grant of €70 million, together with other donor assistance, to bring in necessary reforms of the national health sector.

### South-East Asia

#### Philippines: Women's health and maternity issues

This project is part of the assistance made available by a consortium of donors to the Government of the Philippines to help improve and sustain health care and family conditions. The EC is contributing €17 million, while the national contribution is €2 million. Particular help is given to women living in remote villages, who benefit from improved access to health services and education. Aided by the project, active partnerships are being forged between local communities, non-governmental organisations, local government units and the Health Department. In 2001, a mid-term evaluation concluded that progress was satisfactory: some partnerships have been established, and much has been done to empower women through raising awareness of their special health needs.

## 5.2. Education

Asia has the most important education portfolio of all regions. It has the lion's share – about 34% (nearly €600 million) – of the Commission's total education budget commitments (over €1.75 billion). The average size of each of its education programmes is also larger than anywhere else in the world, €33 million, which can be compared to €23.4 million in the Mediterranean region and €8 million in the ACP/Latin America/European (Tacis/Cards) regions. As part of the fight against poverty, 80% of the Asian education portfolio is dedicated to basic education.

The top EC priorities in Asia are the provision of basic education and the reformation of the education sector, particularly to improve access to, and the quality of available education services. Working with NGOs is a commonly used approach, as is inviting the private sector in local communities to become fully involved.

► **Basic education**<sup>(55)</sup> is a main entry point for dealing with key development issues such as poverty reduction and sustained development. In Asia, the focus is on providing quality educational services to disadvantaged groups, with particular attention to girls and young women. Indeed, experience has shown that investing in the basic education of girls has succeeded better than any other sectoral policy to reduce fertility rates, and also to lower figures for both maternal and infant mortality.

► **Sector reform programmes** are needed so that each national education sector can develop in an organised and structured manner, with due regard to the state of the national economy. National governments are encouraged to take over full ownership and responsibility for implementing these reform programmes. The EC support is usually closely co-ordinated with that of other donors, and works to meet the same targets as those set by the governments themselves. Care is taken to support relevant public sector expenditure programmes that form part of an equitable, well-balanced, and acceptable education policy agenda.

► **Access and quality** are issues now under the spotlight. There has been a gradual shift away from supporting 'hardware' (e.g. building schools, providing equipment) to supporting 'software' (e.g. teacher training, improved teaching and learning materials, capacity-building). The EC approach is, however, flexible: when the local situation demands that buildings should be built, or repaired and equipped, this type of support is integrated in overall plans to improve educational quality and efficiency.



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Education programmes in Asia are aimed essentially at vulnerable groups such as women and children.

► **Additional support through local NGOs and private operators** is one way of maximising the impact of Commission assistance in the education sector. Using NGO help can be very useful to forge links and create synergy between the formal and non-formal education sectors. Through supporting NGOs, the EC can direct its policy towards strengthening the non-formal education sector, particularly in those countries where NGOs already provide an important share of educational services to a large proportion of the population.

### Examples

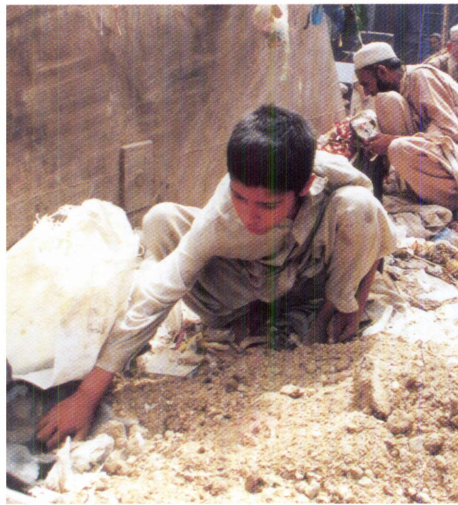
#### ► Teacher training and education in Pakistan – Second phase

The Aga Khan University Institute for Educational Development has been supported by the EC since 1993 in its objective to help improve the quality, effectiveness, relevance and outreach of education systems in Pakistan. The EC is contributing €10 million towards the total project cost of €22.8 million under the current phase, which is scheduled for completion in mid 2007.

The funds are managed by the Institute for Educational Development (IED) based at the Aga Khan University (AKU) in Karachi. The grant will be used to strengthen human resource management and the capacity of education institutes. The IED is working with government, private and NGO/community-based educational systems. It is targeting not only the education, but also the general social welfare needs, of individuals and communities who have failed to benefit from economic growth. This includes people living in remote rural areas, where it is particularly important to provide suitable education for girls and to the poorest villagers. The IED will also support efforts made by its new graduate teachers to introduce educational changes in the communities where they are teaching.

*The education of girls has reduced fertility rates in the region.*

(55) Basic education comprises the following sub-categories and includes all aspects such as teachers, inspectors, managers, instructional materials etc.: primary education (comprising generally the first cycle of systematic instruction); pre-school education; non formal education (literacy and numeracy training for the basic life skills for both adults and children).



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The following people will receive training through the programme: 1.200 visiting teachers, 180 subject specialist teachers, 150 school heads, 150 education officials, and 180 Master of Education students. The IED is confident of reaching these targets because, during its first phase (1992-2000), all its planned activities reached their intended targets on, or well ahead of, schedule. The actual number of students considerably exceeded initial targets, and many programme objectives were close to being matched inside one year of operation. For example, 40 teacher training programmes produced 1.121 new teachers (double the original target), with women outnumbering men by two to one.

#### ► Elementary education for all in India

The EC is scheduled to have contributed €200 million by December 2007 to support “the new national initiative launched by the Government of India for achieving universal elementary education, also known as Sarva Shiksha Abhiyan.” which will be spending €27 billion to provide quality elementary education to all Indian children in the 6-14 age group by the year 2010. The SSA essentially groups all existing elementary education schemes under one umbrella, thereby ensuring consistency in the Indian government’s funding and management of the elementary education sector as a whole.

In supporting SSA, the EC is building on its longstanding experience in school education in India, having committed €150 million in 1993 towards the District Primary Education Programme. This has been remarkably successful in providing primary education to large numbers of first generation learners in the 6-11 age group, particularly to girls and children from deprived communities.

Implementing the major policies of the SSA will involve some decentralisation and community-based planning. Suitable new school curricula will have to be introduced, and special classes will have to be set up to cater for the needs of the most deprived children. In areas where there are no local schools, the programme will provide alternative schooling facilities. Efforts will also be made to make the idea of attending school more attractive.

**By 2010, all  
indian children  
should attend  
elementary school.**

## 6. Economic co-operation

Economic co-operation with Asia has the following aims:

- the promotion of mutually beneficial business-to-business co-operation;
- the raising of the profile of Europe in Asia, and of Asia in Europe;
- the strengthening of Europe’s economic presence in Asia; and
- the assistance to countries to define and implement policies to improve their economic environment and performance.

In practical terms the EC combines a horizontal or sector specific approach with a regional or country specific one, whichever serves best for the targets to be achieved.

#### Asia Invest

Started in late 1997, the current phase of the Asia Invest Programme is due to expire in September 2002. Since it started, 98 projects have been financed with a total EC contribution of €11.5 million. During 2000, 34 projects were approved, with the EC contributing €4.93 million.

Asia Invest aims to promote partnerships between SMEs in the EU and in the developing countries in Asia. It provides grants to co-finance projects initiated by non-profit organisations which benefit groups of companies. It also organises business meetings between European and Asian companies, briefs EU companies on market access and investment opportunities in Asia, and provides training to EU and Asian companies.

Further information: [www.asiainvest.com](http://www.asiainvest.com)

The EU countries directly involved in Asia Invest are Belgium, Denmark, France, Germany, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the UK. (\*)

(\*) Asian partner countries include countries of South and South East Asia and China, excluding Japan and Korea (North and South).

#### The ASEM Trust Fund 1

In response to the financial crisis of the late 1990s in Asian ASEM countries, the ASEM Trust Fund1 was set up in 1998 to provide technical assistance and relevant training to governments. The fund is administered by the World Bank, and the EC contributed one-third of the fund’s total €45 million. Available funds have been fully committed to individual activities in the social (49%) and financial (51%) sectors.

## EXAMPLES OF REGIONAL AND COUNTRY SPECIFIC ACTIONS ARE GIVEN BELOW:

EU Programme At regional level	Area of economic co-operation	Benefits
1 Asia Invest	Promotion of business agreements and joint ventures	Finding business partners, attracting new investment
2 ASEM Trust Fund 1	ASEM countries hit by financial crisis	Financial and training assistance
3 Asia IT&C	Information and communications technology	Asian countries join the global information society
4 Asia Urbs	Urban developments	Socio-economic development
5 Asia Link	Co-operation in higher education	East-West inter-university links
6 Asia Ecobest	Transfer of EU environmental best practices	Cleaner air, better water quality and waste water management

The Trust Fund also supports the creation and development of links between intermediary organisations, such as chambers of commerce or trade and industry associations in both the EU and Asia.

#### PROGRAMME FOR TRANSITION TO A MARKET ECONOMY IN LAOS

Two projects have been helping the Lao People's Democratic Republic to develop a market-oriented economy. The ASEAN Support Project has helped Laos to integrate in the ASEAN group, thus contributing to the stability and security of the region. This 18-month programme started in January 2000 and has already achieved many of its goals, including successful training and study tours for Lao officials. The Banking Training Project is intended to help the Lao banking sector to improve its capacity to give backing to private sector initiatives.

Europe and Asia may be interconnected. Help is also given to improve understanding of European and Asian legislation. Nearly half of the 39 proposals put forward in 2000 have been accepted; the most popular areas of activity are agriculture and society. In 2000 an implementation agreement was concluded between Thailand and the European Commission.

#### EBICS: EUROPEAN BUSINESS INFORMATION CENTRES

European Business Information Centres (EBICs) are short-term projects that assist Councils of EU Business Associations in Asia in building up a resource and information base so as to increase the capacities of EU and Asian small and medium enterprises (SMEs) to engage in mutually beneficial collaboration for trade and investment. In 2000, EBICs were funded in India, Malaysia, the Philippines and Sri-Lanka.

*Economic  
co-operation is  
weaving strong ties  
between Europe  
and Asia.*

#### Asia ITC achievements in 2000

The aim of Asia ITC is to integrate more countries in South and South-East Asia into the global information society. The Programme Partners (about 174 organisations) are almost equally distributed between Asia and Europe. About a fifth of the total co-financing forecast of €9 million has already been allocated. Co-financed projects are limited in number and may last up to three years. Some of them are for practical demonstration purposes, showing the different ways in which



### Asia Urbs

Asia Urbs, launched in February 1998, aims to strengthen EU participation in the socio-economic development of Asia. € 26 million of its EC budget of €30 million is earmarked for co-funding projects and studies, while €4 million is allocated to technical assistance.

During 2000, 12 projects and five studies were approved, leading to the EC co-funding grants of €5.4 million. The first projects started up in August 2000. The programme co-funds urban development projects and studies which have been jointly submitted by EU and Asian local authorities. The EC grant per project (lasting a maximum of two years) ranges from €300.000 to €500.000; the grant range per study is €10.000 to €15.000 (maximum six months). The upper limit of EC funding is always limited to 65% of the total budget.

Within the framework of the Programme, 62 European local governments and 39 Asian local governments have established partnerships. In addition, 72 European non-local government actors (NGOs, private sector organisations, academic institutions) and 34 Asian non-local government actors are involved in the partnerships. Further details are given on the website [www.asia-urbs.com](http://www.asia-urbs.com).

### ASIA-EcoBest

Asia-EcoBest promotes European environmental best practices and business in Asia, operating through the autonomous Singapore-based Regional Institute of Environmental Technology (RIET). A wealth of EU knowledge and experience is placed at Asia's disposal on environmental policies, standards, laws and regulations, not forgetting training, education and consultancy in best practice, clean treatment technologies and clean industrial processes. In this way, Asian countries are able to take the shortest routes to sustainable economic development.

During 2000, 46 projects in ten Asian countries were accepted out of 81 requests for support from 43 Asian and 38 European organisations.

In 2000, RIET and Asia EcoBest co-organised three conferences in Asia on the themes of urban air quality, water and waste water management and eco-efficiency. Seventy companies attended the business-matching event 'Enviroconnect' held in Kuala Lumpur at the beginning of May.

### Bilateral Projects

Among the bilateral projects we have selected three examples targeted at enhancing China's ability for economic transition:

#### Business training in China

► **The China-Europe International Business School (CEIBS)** is providing high-level management training and help with the transfer of international management expertise to managers in China. This will further aid China's integration into the world economy, and enhance its commercial and industrial links with the European Union. Following an independent evaluation of CEIBS, which pronounced it a success story, the EC will continue to fund CEIBS to train expatriate management and faculty staff, and support scholarships and internships.

► **The EU-CHINA Junior Managers Programme** was formally launched in Beijing (its centre of operations) in autumn 2000 to train young and promising European managers in the Chinese language and business culture. This is done through intensive Chinese language training courses, seminars and workshops. There are also company visits or internships within companies based in China. A third intake group has already been selected: 35 young professionals representing 13 EU countries.

► **The EU-CHINA programme for the development of industrial vocational training** is designed to increase the skills of the technical workforce in China. Training is available for workers and for the company and technical instructions themselves, in a designated centre. The first group of training projects was organised in collaboration with 20 Sino-EU Joint Venture companies in China. The first pilot projects started in September and October 2000.

*The EC is helping  
China in its  
economic transition.*

### Higher education

Several Asian countries, such as China, Malaysia, Pakistan and Thailand, are partners in European Studies Programmes (ESPs), which the Commission continued to support in 2000. Bilateral studies programmes such as these are important for promoting a better understanding of the EU among present and future decision-makers in Asia, whether their backgrounds are academic, business or political. These programmes are training future managers in the beneficiary countries, therefore the end result will also enhance economic co-operation with the EU.

The study programmes themselves, supported with EC funding of around €15 million, take various forms.

#### Postgraduate studies

The Asian Institute of Technology (AIT), based in Bangkok, works to improve economic, social and cultural relations between Europe and Asia. It aims to reinforce European presence in Asia, and vice versa. Its regional Postgraduate Technological Studies Programme (PTS) has been receiving EC support since it started in 1997, and during 2000 it received €2.4 million. In this programme, post-graduate students are exchanged between the AIT and a number of universities in EU Member States. The PTS five-year target is to recruit 90 Asian and 90 European exchange students, each holding a Bachelor's Degree in an appropriate field.

#### New regional and horizontal institutional programmes

##### 1. The ASEAN-EU University Network Programme (AUNP)

The AUNP which was agreed in January 2000 and due to start during 2001 will promote university partnerships between ASEAN and European universities. Joint projects will also be encouraged and subsidised in order to foster long-term relations between these higher education institutions. The EC will be contributing €7 million. The AUNP will be managed from Chulalongkorn University in Bangkok, and is expected to become operational by the end of 2001.

##### 2. The Asia-Link Programme

The Asia-Link programme which was adopted by the Commission in October 2000 will encourage and develop networking links between higher education institutions in Europe and Asia. The programme will benefit a wide range of people, from post-graduate students to tutors/professors, principals and education managers, working in Europe, South Asia, South-East Asia and China.

Grants under Asia-Link will be awarded for the implementation of co-operative projects proposed by groupings of higher education institutions based in one Asian country and in at least two different EU Member States. The EC will



Santiago Herrero-Villa

contribute €40 million to this programme for the period 2001-2006, giving particular support to the development of human resources, of institutions and systems, and of new curricula.

### Culture

► The **Asia-Europe Foundation (ASEF)** was established in Singapore in 1997 in the framework of ASEM. It aims to foster mutual understanding between Asia and Europe by promoting exchanges between the civil societies. During 2000, the Commission continued to support the ASEF with €3.5 million. ASEF has a wide range of activities in three fields: intellectual exchange, people-to-people exchange and cultural exchange.

► In the framework of the EU-India Economic Cross Cultural Programme (EIECP), new projects were launched which brought the total number of EU-supported projects to 35. The EIECP was adopted in 1995 and aims to enhance existing cultural and economic links between India and the EU. However, following certain management difficulties and other problems that came to light in 2000, the entire programme is being evaluated by external consultants with a view to deciding whether, and in what form, the programme will continue to develop.

*Cultural exchanges between Europe and Asia foster mutual understanding.*



© La Maison du Patrimoine Luang Prabang

Fishing is a traditional activity in the town of Luang Prabang.

#### THE WETLANDS OF LUANG PRABANG

The town of Luang Prabang is on the UNESCO World Heritage Register. With its numerous ponds and streams, it is one of the main cultural and tourist attracts of Laos. The wetlands, which run through the town like a green band, permit aquaculture and market gardening, and stock some of the rainwater, thereby limiting the risk of flooding during the monsoon season and contributing towards water purification by natural filtering. Regrettably, they are also polluted by domestic waste water, forming infected zones.

The Association for the Development and the Urban Development of the Chinon District (ADUC), in collaboration with Heritage House\* has reacted to this problem in several ways. They drew up a programme to enhance awareness in the local population, including the creation of an eco-museum and operations in schools. A technical training programme (waste water treatment by lagooning, installation of sanitation systems) and collection of scientific data have begun.

This project, which will end at the beginning of 2002, is at present two-thirds completed and has already produced tangible results. Sanitation systems have been installed in two pilot schools and 14 houses, two specialists are completing their training and the eco-museum should open soon.

The European Union is contributing to this initiative to the tune of €385,000 out of a total budget of over €560,000. It should be noted that the local population, who feel particularly concerned by this matter, are also making a financial contribution.

Further information:

[www.ambafrance-laos.org/laobas/cooperation/patrimoine/zones-humides.htm](http://www.ambafrance-laos.org/laobas/cooperation/patrimoine/zones-humides.htm)

\* Office for architecture, urban development and the environment created by the Provincial Authorities in August 1996.

## 7. Horizontal policies

### Environment

As in every other region, the Environment is a priority in Asia. The specific thematic activities developed by the EC are complementary to the environmental element usually present in most of the programmes and projects. We can find a good example in Luang Prabang's humid areas (Laos).

### ECHO (Emergency Humanitarian Assistance)

Asian countries received just over 16% of total EU humanitarian assistance funds spent in 2000.

### FINANCIAL DECISIONS FOR HUMANITARIAN AID BY REGION IN 2000 (ECHO)

ASIA	DECISIONS IN € Million
Afghanistan/ Pakistan/Iran – Drought	9,500
Afghanistan – General	12,017
Bangladesh	1,500
Burma	1,000
Cambodia/Vietnam	10,400
China (Including Tibet)	1,300
East-Timor	10,500
India	5,830
Indonesia	7,500
Laos	1,140
North Korea	8,050
Philippines	2,635
Sri Lanka	1,200
Thailand	4,500
<b>TOTAL</b>	<b>77,072</b>



### European Initiative for Human Rights

In supporting the democratic development of this vast continent, for which €7.607 million have been made available, particular emphasis has been placed on China, East Timor, the autonomous region of Xinjiang, Hong Kong, Macao and Inner Mongolia. The abolition of the death penalty, human freedoms (including that of the press), education and human rights training as well as co-operation with the High Commission for Human Rights were all prioritised during 2000.

Parliamentary elections were held in Sri Lanka on 10 October 2000, except in territories affected by fighting or which were under the de facto control of the LTTE. To mark its support for the democratic process, the European Union sent a European observer mission. During the voting, observers were deployed in 400 polling stations in 22 districts of the city of Jaffna. This mission, headed by MEP John Cushnahan, enjoyed excellent co-operation with its Sri Lankan counterparts (public authorities, political parties, election commissioner, NGOs, etc.) during the campaign and the election. With €701 000 of funding, the German organisation GTZ co-ordinated the EU election monitoring mission in Sri Lanka.

The EU-China dialogue has been a major forum of discussion on human rights-related questions. The EIDHR has financed two distinct projects in the context of this dialogue:

- ▶ €70,200 was granted to the French Ministry of Foreign Affairs for organising an EU-China legal seminar on human rights which was held in Paris in December 2000. Chinese and European researchers, NGOs, trade unions and members of the Council's Human Rights working groups gathered to examine together the topic of workers' rights and criminal justice.
- ▶ The University of Lisbon received €203,300 to co-ordinate the EU-China dialogue of May 2000. Dialogue topics were the death penalty, China's ratification of the United Nations Pacts on civil and political rights and economic, social and cultural rights, the principle of equal rights for men and women and the difficulties confronting minority groups.

### Working with NGOs

The Commission gave assistance to boost NGO projects primarily in the fields of health, education, social development, rural and agricultural development (including irrigation and clean water management). A few projects involving good governance, institutional support and food security also obtained some co-funding support. Overall, €23.8 million was committed by the EC in support of 51 projects in 13 Asian countries and regions.



Workers from a local NGO rebuild a house destroyed during the war.

### RESTORATION AND DEVELOPMENT OF HEALTH SERVICES IN EAST TIMOR

After the post-referendum violence in September 1999, the people of East Timor were in a situation of acute humanitarian crisis. Health services had completely broken down. Doctors (mostly Indonesian) had fled the country, and health facilities had been destroyed. ECHO responded immediately to this humanitarian crisis by sending funds to the NGOs that were providing health services to the population.

At the end of the year, an international Donor Conference in Tokyo created the Trust Fund for East Timor (TFET), to which the EC gave €19 million. In April 2000 the Commission was part of a joint donor mission which set up the Health Sector Rehabilitation and Development Programme (HSRDP) to provide immediate basic health services and infrastructure, and to develop health policies for the newly independent country.

With access to basic first-line health services thus restored, ECHO began a gradual withdrawal in November 2000, successfully transferring its financing of NGO aid to the TFET.



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### NGOs help Indian communities to manage their natural resources

The Community Management of Natural Resources (CMNR) project aims to improve the living standards of people living in deprived environments in target areas of the states of Gujarat, Rajasthan and Madhya Pradesh in India, through the sustainable development of their local natural resources. The project started in 1994 and is due to end in December 2001. The EC contribution for 2000 was €14 million.

The Project is managed by the **Aga Khan Foundation**, which is a funding umbrella for the assistance given by two independent NGOs: the N.M. Sadguru Water and Development Foundation, NMSWDF, and the Aga Khan Rural Support Programme (India), AKRSP(I). Each NGO has its own agenda and working method, but both seek to give village communities greater control over, and expertise in, the management of their natural resources.

The combined achievements to date are substantial. In the four states of central West India the quality of life has improved for more than 300,000 households in over 1,000 villages. Many are small and marginal farmers, owning farms smaller than one hectare. Access to newly created sources of irrigation water has helped to double and even treble their incomes, and thereby 'distress migration' has been greatly reduced. Soil and water conservation measures have been applied to over 60,000 hectares of farmland. Villagers have planted nearly 50 million trees on private and government land. 1,300 water-harvesting structures have been built, irrigating almost 40,000 hectares of land. Some 8,000 bio-gas plants have been installed in village households.

**Natural resource management programmes are reducing the number of distress migrations.**

NMSWDF has been working since 1974 with the tribal population of the Panchmahals district in Gujarat, and in 1995 extended its work into neighbouring areas of Rajasthan and Madhya Pradesh States. The AKRSP(I), set up in 1983, works in the coastal Junagadh district, the drought-prone Surendranagar, and the tribal areas of Bharuch district. Inside these districts, approximately 750,000 people living in 460 villages have been helped. AKRSP(I) has provided drinking water supplies to over 5,000 homes, not only to cover a critical water shortage but also to try to reduce the drudgery of women's work.

Under the CMNR, the villagers have been organised into around 1350 village-level institutions, many of which are now showing increasing signs of maturity and independence. Some of them have formed federations, capable of assuming some of the roles of their parent NGO. The village institutions now have combined financial assets of more than 12.5 million rupees (equivalent to €300,100). They supply agricultural inputs worth more than 6.4 million rupees (nearly €154,000) annually. The agricultural produce of members brought to market totals about 2.2 million rupees (some €53,000) annually. Middlemen are cut out, so poorer farmers are able to earn higher incomes.

### India: NGOs against Drug Addiction

Using substitution drugs, stopping the exchange of needles, getting treatment without delay, providing treatment for AIDS, adopting preventive attitudes to HIV: these are courses of action being proposed to drug addicts by a series of NGOs working in major Indian cities. This "open" approach has proved successful, both on an individual level and for larger groups of drug users. Proof of the success of these efforts is a certain degree of loyalty that has been built up between the organisations and their "customers", who now stay in contact longer with the organisations. Apart from helping to reduce the suffering of individuals, the NGOs offer them treatment for drug addiction and support for their rehabilitation which is, in the last analysis, to the benefit of society as a whole.

Thanks to these results, six of these organisations have also helped to draft or to change government policies on the prevention and treatment of drug addiction. This is why they are officially allowed to administer drug substitution methods.

Since 1994, the EU has been funding almost 20 NGOs involved in this approach. This support is improving the operational and administrative capacities of these organisations, as well as promoting active local-level networking and developing small businesses that can offer the target groups concerned a way out of their addiction, and access to viable economic rehabilitation.

## 8. European Investment Bank (EIB)

The European Investment Bank (EIB) participates actively in EU co-operation policies worldwide and also in Asia. Through its lending policies it supports projects of mutual economic interest. Funding is provided by the budget of the European Union and/or the Member States, and its aim is to optimise the benefits accruing to beneficiary populations.

### EIB LOANS TO ASIA IN 2000

€ MILLION

<b>Indonesia</b>	<b>70,0</b>
(Extension of gas pipeline from Sumatra, including project for export of gas to Singapore)	
<b>Bangladesh</b>	<b>36,2</b>
(Construction of cement production plant near Chhatak, north east)	
<b>Thailand</b>	<b>26,4</b>
(Construction of complex for air traffic control at the second international airport in Bangkok)	
<b>Total</b>	<b>132,6</b>



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NGOs are playing a prominent role in the treatment and social rehabilitation of Indian drug addicts.

## 9. Conclusions

As indicated in the introduction on Asia, the Commission first set out an overall framework for EU relations with Asian countries in its 1994 Communication "Towards a New Asia Strategy". The Commission is due to adopt an updated strategy, taking into account key developments in the intervening years, and establishing a comprehensive strategic framework for our relations with Asia and its sub-regions in the coming decade.

Since 1994 our political dialogue with key partners in the region has intensified, and our trade and investment relations have expanded (notwithstanding the impact of the East Asian Crisis). There has been a modest growth in our development and economic co-operation with Asian countries. Much remains to be done, for example in deepening and broadening our political dialogue, in enhancing our bilateral trade and investment relations and strengthening our co-operation in the WTO, and in ensuring that our aid programmes in Asia can achieve their full potential. However it appears that the degree of mutual awareness between our two regions remains insufficient.

*Political dialogue with key partners in the region has intensified.*



## VIII Latin America

Growing ever closer by the year, and underlined by commercial opportunities and shared economic and political objectives, relations between the European Union and Latin America are also taking the form of co-operation and development projects. Advancing and protecting human rights, promoting the information society, fighting poverty, and reducing social and educational imbalances are just some of the Union's priority concerns on this vast sub-continent.





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## 1. Regional co-operation

EC co-operation at a more global level reflects the priorities that have been defined in a legal framework that has been established for the entire region. Economic co-operation<sup>(59)</sup> is one of its instruments. At the same time the Commission accords distinct sub-regional priorities for which specific initiatives can be developed under the existing institutional agreements. In Central America, co-operation is directed mainly at supporting the strengthening and consolidation of the rule of law, the modernisation of public administrations, social policy, the process of regional integration and the insertion of this region into the global economy. In respect of the Andean Community, there are two priorities: supporting institutional reform and combating drugs. The co-operation priorities between the EU and Mercosur, as well as with Mexico and Chile, operate at the economic and commercial levels.

The European Union (both the Community and individual Member States) is the largest provider of public bilateral aid to Latin America. These relations have been focused, for several years, on the economic, political and cultural levels. This strategy towards the Latin American sub-continent was heralded by the "Basic Document on the Relations of the European Union with Latin America and the Caribbean", which the Council approved in 1994. Continuing this dialogue, a number of priority directions were defined in the Communication on the "Follow-up to the first summit between Latin America, the Caribbean and the European Union",<sup>(56)</sup> adopted by the Commission in October 2000. This document envisages three priority areas of co-operation:

- ▶ promoting and protecting Human Rights;
- ▶ promoting the information society and;
- ▶ reducing social imbalances;
- ▶ education is also included in these areas.

The way in which relations have developed between the European Union and Latin America shows the pertinence of these directions,<sup>(57)</sup> in particular in the differentiated approach that has been taken in order to reflect regional and national specificities on this heterogeneous sub-continent. Political relationships have become deeper, trade has increased, European investments have grown, and Community co-operation has remained at close to €500 million a year in commitments since 1996.

### CO-OPERATION IN 2000

In 2000, the European Community signed a number of framework co-operation agreements with Latin American countries and regional sub-groups (Mexico, Brazil, Paraguay, Uruguay, Argentina and Chile/Central America, the Andean Community and Mercosur). Each of these agreements makes provision for regular follow-up meetings – the so-called "Mixed Committees" – in which the Community participates via the Commission and Member States. Support for regional integration comes partly from the Mixed Committees. Specialist sub-committees are also set up when particular areas require it (co-operation, trade, science and technology).<sup>(58)</sup>

The Commission's co-operation activity takes the form of implementing projects and programmes. These are targeted as a function of local situations and are carried out by public bodies and by operators from bodies which represent civil society. Whilst the problems encountered differ enormously from one country to another, the priority objective of a large part of the budget is fighting poverty.

*A variety of agreements have over the past year built-up EU ties with Latin America.*

(56) COM(2000) 670 final

(57) The reader is referred to the Communications: COM(1995) 495 final "The European Union and Latin America – The present situation and prospects for closer partnership 1996-2000", approved in December 1995, and COM(1999) 105 final "On a new European Union – Latin America partnership on the eve of the 21st century", approved in 1999.

(58) The mixed committees meet every one or two years. Several of these met in 2000: EC/Argentina (Buenos Aires, 4 April); EC/Mercosur (Buenos Aires, 5 April, framework inter-regional co-operation agreement); EC/Chile (Santiago, 12 April); EC/Brazil (Brussels, 24-25 May); EC/Central America, sub-committee (Guatemala, 10 July); EC/Paraguay (Brussels, 3 October); EC/Uruguay (Brussels, 5 October).

(59) The reader is referred to the chapter "Economic Co-operation"

(60) Document COM(2000) 829

**LATIN AMERICA: THE SUB-REGIONS**

Central America	Andean Community	Mercosur	Other
Costa Rica	Colombia	Argentina	
El Salvador	Ecuador	Brazil	Chile
Guatemala	Peru	Paraguay	Mexico
Honduras	Bolivia	Uruguay	
Nicaragua	Venezuela		
Panama			

Examples of this are the conclusion of the free trade agreement with Mexico, after the adoption of the decision 2/2000<sup>(60)</sup>, the negotiations which took place in 2000 for introducing an EU-Mercosur Association Agreement, and the renewal of the Generalised System of Preferences-Drugs in favour of the Andean and Central American countries, which is under negotiation. It will need a WTO waiver.

Almost €229 million have been committed for 29 actions and projects of a **regional character** involving either the entire sub-continent or the various regional groupings. This budget represents over half the financial commitments for 2000. These projects reflect the priorities established by the EC for development co-operation activities: trade and investment policies, private sector competitiveness, integration and regional co-operation (including economic, social and cross-border environmental problems), etc.

**REGIONAL PROJECTS – GEOGRAPHIC DISTRIBUTION OF THE COMMITMENTS**

Region	Percentage	Amount in € million	N° of projects
Central America	39% of the total	i.e. €89	7
Andean Community	3% of the total	i.e. €6	3
Mercosur and Chile	6% of the total	i.e. €13	2
Regional - Latin America	52% of the total	i.e. €120	17
<b>TOTAL</b>	<b>100%</b>	<b>€228</b>	<b>29</b>



A man boring a potable water well in a field near the El Salvador-Honduras border zone.

**CENTRAL AMERICA – “NO BORDERS” PROJECT: SALVADOR-HONDURAS**

The El Salvador-Honduras border zones, with their particularly conflict-laden history, are home to particularly destitute populations. In both countries there are some half a million people living in extreme poverty. A bi-national development programme, with €30 million of EC support, has helped sustain Honduras and El Salvador in the difficult process of normalising their relations as neighbours. This programme is centred on three strategic directions, accepted by both countries: the fight against poverty, decentralisation, and regional integration in Central America. The pacification and development initiatives have also made it possible to attract national and foreign investment in the region, thereby marking a further step towards economic and political stabilisation. The two beneficiary countries have each provided support of €6 million.

**MERCOSUR – THE PILCOMAYO BASIN**

The Pilcomayo river, shared by Argentina, Bolivia and Paraguay, has given its name to a *Tri-National Commission* that is working to develop this region. The process of opening up to the outside world and economic growth have been stimulated by a Master Plan, which has directed and defined the priorities and actions, as well as the necessary short and long-term investments. Support from the Commission totals €13.2 million.

DESCRIPTION OF THE MAIN BUDGET LINES	Amounts		Projects/actions	
	€ (000)	(as % of total, rounded)	Number	(as % of total, rounded)
FINANCIAL AND TECHNICAL COOPERATION	158.949	37%	16	5%
ECONOMIC COOPERATION	70.674	17%	14	–
REHABILITATION AND RECONSTRUCTION IN LATIN AMERICA	48.275	11%	2	1%
FOOD AID	35.823	8%	–	–
NGOs	52.461	12%	113	36%
EMERGENCY AID, CATASTROPHE PREVENTION AND HUMANITARIAN INTERVENTION	31.720	7%	98	31%
ENVIRONMENT AND TROPICAL FORESTS	5.507	2%	5	2%
DEMOCRATISATION AND HUMAN RIGHTS	14.559	4%	7	3%
OTHER HORIZONTAL BUDGET LINES	11.417	3%	57	18%
<b>TOTAL</b>	<b>429.387</b>	<b>100%</b>	<b>312</b>	<b>100%</b>

**EC assistance in Latin America has followed a regional approach.**

In 2000, the Commission accorded particular importance to co-operation initiatives at the regional level, which make the Community's action more effective and contribute to the gradual integration of the sub-regions. The "No Borders" and "Pilcomayo Basin" projects, from two very different regions - clearly illustrate this co-operation.

Commitments towards the sub-continent as a whole have run to around €500 million annually in recent years, mainly in the form of non-reimbursable aid. In 2000, the European Community's global co-operation effort towards Latin America added up to some €429 million in 2000, representing 312 projects financed out of **20 budget lines**.

## 2. Economic co-operation

This co-operation, in a spirit of mutual interest, seeks to create and strengthen commercial and economic ties between the EU and partner countries. In this area, initial priorities are: setting up mechanisms for promoting a stable and

dynamic world level system, then strengthening national financial systems and developing specific programmes which can provide economic support to less developed countries. These co-operation programmes and projects will contribute to development in these countries by helping them strengthen their institutional capacities. This is why economic co-operation supports institutions like Chambers of Commerce which can contribute to opening up economies. Similarly, institutional support is aimed at improving market regulation and introducing industrial standards. Annual commitments out of the "economic co-operation" budget line amounted to €70 million in 2000. Part of this co-operation takes the form of horizontal programmes, with bottom-up strategies which seek to promote partnerships. These very concrete programmes, in response to targeted needs, are adapted to the specific players. They are addressed at Europeans and Latin Americans who decide to work in synergy because they share common ambitions, technologies or trades. The fact that the majority of the projects supported by these co-operation programmes are developed and carried out by the participants themselves, further increases their medium and long-term impact.



### ALFA Programme

ALFA – Latin America Academic Training is a co-operation programme between European and Latin American higher education institutions which want to work together on projects of common interest. Its objectives are: increasing scientific and technological potential, creating knowledge transfer mechanisms and encouraging exchanges, not only between these two continents, but also between the various regions of Latin America.

This co-operation programme is network-based, with an emphasis on three specific areas: engineering, medicine and other health sciences, economics and sociology. The decentralised management structure devolves a key role to civil society players. The programme, launched in 1994, entered a second six-year phase in 1998. In phase one the Commission supported 183 projects to the amount of €8 million, in phase two it is backing 663 projects totalling €26 million.

2000 was devoted to managing projects approved during phase one.<sup>(61)</sup> Following a selection round, 12 contracts were drawn up, representing €1 million in Commission contribution and €752.000 of co-financing.

### FOOD ENGINEERING

The opportunity to master food processing - including quality criteria and engineering, analysing the complex effects of certain treatments on product quality, learning new and better performing techniques was given to 16 students who enrolled in a 3rd cycle training programme (food process quality engineering), and was supported by 12 scientific institutions and co-ordinated by the University of Reading under the ALFA programme.

In addition to acquiring technological skills, this mobility experience is allowing students to network, create contacts and pool experience, as well as immerse themselves in another culture. On their return to their own countries, these young people will be transferring significant amounts of know-how.

### AL-INVEST Programme

Latin American SMEs are looking to modernise, to open up to new markets and to internationalise. European SMEs are interested in the prospects offered by the Latin-American market and are looking for partners to help them penetrate it. An example of reciprocal interests and shared benefits is AL-INVEST,<sup>(62)</sup> a decentralised co-operation programme supported by the Commission, which helps arrange meetings and partnerships between small enterprises of the two continents



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in order to promote trade exchanges and technological transfers. The result is a mutual enlargement of markets and logistical support in the regions where they wish to invest. Its resources are information, sectoral meetings, creating one-off, specific events and activities, and the CAS internet system (Computer Access System).

### STRAWBERRIES UNDER HIGH SURVEILLANCE

At Buenos Aires, on the wings of the SIAL Mercosur trade fair, AL-INVEST organises a meeting between Latin-American and European strawberry producers. One French SME is on board, via Interco, an AL-INVEST network member based in Bordeaux. Very interested in gaining new contacts, its senior management travels to Mar del Plata (Argentina) and Porto Alegre (Brazil) to judge the harvests on the ground. The trip ends with a test order. When the imported fruit fails to live up to all its promises, a meeting is organised by AL-INVEST at Agen (France) for the Brazilian and French companies, plus the forwarding agent, to discuss solutions. Conclusion: an exclusivity agreement to supply strawberries during the winter, for three years, for a minimum of €1 million a year. The Brazilian forwarder has been given the task of transporting the produce in optimal conditions of freshness. Parallel with this, it is decided to organise technical monitoring of the part of production earmarked for the French SME, via a European consultancy office and a European producer. An initial technical assistance mission is organised in October 2000. This synergy of skills has borne its "fruits". The importer is buying higher quantities than forecast.

*Programmes in the region seek to empower local populations by transfer of know-how.*

(61) Signing of one new contract, 27 amendments to existing contracts, approval of 172 execution reports, payment of EUR 2.6 millions on outstanding contracts.

(62) AL-INVEST (Latin America – Investment) has three component parts: operators (COOPECO, Eurocentres, professional associations, chambers of commerce, foundations, consultants, etc.), SMEs and the Technological Information Promotion System (TIPS) network.



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### DEMOCRACY IN THE TOWN

The new information technologies can contribute to a better sharing of power through local participation. E-democracy is setting out to involve citizens in the management of their cities by using new means of communication. Since 1998, network no. 3 of the URB-AL programme, co-ordinated by Issy-les-Moulineaux (France), has been actively discussing the topic of "Democracy in the town" with around 150 European and Latin-American elected representatives\*. These activities are making it possible to combine, day by day, the local and international dimension of the city, by making globalisation a springboard towards exchanges of know-how between local authorities on the two continents.

These encounters have produced a number of joint projects. The "International Observatory of Local Democracy" is gathering a wealth of ideas that will help develop mechanisms to promote participation in the public business of the city. The aspirations of every citizen for greater control in politics, for a high-quality environment, and for combating economic exclusion, are other federating aspects of the concept of democracy in the town which is illustrated in several other joint projects. In this way, "Consultation as a model for strengthening democracy in the city" is introducing more active participation by means of consulting and collaborating techniques which should result in the introduction of new decision-making processes.

\* *Developing lasting relationships between local authorities and exchanging know-how in a spirit of equity is the aim in particular of network n° 3, and of the URB-AL programme as a whole, which has set out to be the driving force for decentralised co-operation where towns become agents of international co-operation. In the near future, Issy-les-Moulineaux intends to introduce an experiment in participative budgeting with the help of the city of Belo Horizonte (Brazil).*

AL-INVEST's record is impressive: 179 events have been attended by no less than 300 chambers of commerce and industrial associations and 22,000 SMEs from the two regions. The resulting business flow is an estimated €230 million over four years (1996-2000), including more than €60 million in direct investment. Total Community expenditure in achieving this was €40 million.

Speed and effectiveness are key words at AL-INVEST. Applications from the private sector are approved by the Commission within two and a half months, with the aid contract signed four months later.

In 2000, 50 sectoral meetings were selected and contracted, as well as five ARIEL (Active Research In Europe and Latin America) actions, a specific instrument of the AL-INVEST programme.

### ATLAS Programme

The ATLAS programme which was initiated by Eurochambres (Association of European Chambers of Commerce and Industry) seeks to improve ties between networks of the EU and Latin American CCI's and to offer optimum support to the economic opportunities that are developing, through training and information initiatives. ATLAS, which covers over 200 CCIs from 15 Member States and 18 Latin American countries, represents a total budget of €2.4 million, 75% of it financed by the EC, and runs for two years (2001-2003). The project proposes a series of instruments to facilitate the transfer of know-how and benchmarking between these organisations: twinings, trainee placement programmes, managerial refresher courses, etc.

### @LIS Programme

@LIS – Alliance for an Information Society<sup>(63)</sup> has been set up to promote political dialogue between the two regions and exchanges on questions of regulation and standardisation. Its strongest point is the opportunity given to non-profit organisations in the two regions to present proposals for pilot applications in four areas: local governance, health, education and social exclusion.

### URB-AL Programme

Big and small cities all face specifically urban problems that differ little from one continent to the next. Could the solutions found here – properly adapted and not just carbon-copied – serve as a source of inspiration for others? How do we create links between local entities, comply with good practices and examples that have been launched elsewhere, analyse common problems together? The URB-AL programme, which is intended to create links between local authorities, brings together around 700 cities (from metropolis down to small town) in Europe and Latin America.

With a budget of €14 million, URB AL is organised into eight thematic networks: drugs and towns; conservation of historic urban contexts; democracy in towns; the town as promoter of economic development; urban social policies; urban environment; management and control of urbanisation, and control of urban mobility. Members of these networks identify common priorities and discuss action instruments that could respond to the problems that are encountered.

Joint projects are developed and proposed to the Commission under the sponsorship of their respective co-ordinators. Some fifty such projects have been co-financed.

Phase two of URB-AL was approved by the EC in December 2000. URB-AL II will run for five years and have a budget of €50 million (easily triple that of its predecessor).

These very concrete programmes illustrate the Commission's activity in the area of co-operation. This co-operation is not, however, limited solely to the economic area but also encompasses financial and technical co-operation.

### 3. Financial and technical co-operation

The aid measures that the Commission has allocated seek to promote growth in ways that benefit the poorest sections of the population. Recognised as a key strategic tool, financial and technical co-operation was supported to the tune of €159 million in 2000. This co-operation which takes the form of projects carried out in sectors where Community aid can play an important role is directed mainly at the poorest countries and population sectors. Most of the projects covered by this budget line fall into the categories of peacekeeping activities, good governance, fighting poverty, protecting the environment, helping heavily indebted countries, improving river transport and parliamentary co-operation.

#### Infrastructure

As it is concrete and tangible, infrastructure is probably the most visible result of co-operation. It gives physical form to development, but is not limited to visible structures. Strengthening communication networks helps overcome the isolation in which certain populations live, as does improving living conditions for the worst off, and facilitating trade. Construction and improvement work – even when on a modest scale – can transform the lives of the inhabitants of a whole village or district.



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One such example is the successful Villa Europe Ko'ejú project in Paraguay, which has received €955,000 from the EC. 252 low-income families living in the suburbs of Asuncion now own a small house (50 m<sup>2</sup>, salubrious, and with solid walls and a roof). General access to drinking water has changed the hygiene and health conditions – epidemics and diseases have fallen dramatically and some have even disappeared. A school has been built. Daily living conditions have improved.

But infrastructure can also play another, totally different role. Some infrastructure projects seek to protect local populations from natural catastrophes. The city of Montero flood protection project has been a beacon project for the EU in Bolivia (more than 80% of the total budget of €17 million came from the EC). Over 50 kilometres of dikes have been built to protect a number of townships against the frequent flooding of the Montero river, which used to directly affect over 110 000 people. 15 hectares of agricultural land have been recovered in the process and roads and other communication channels are no longer subject to the unpredictability of the waters.

#### Health

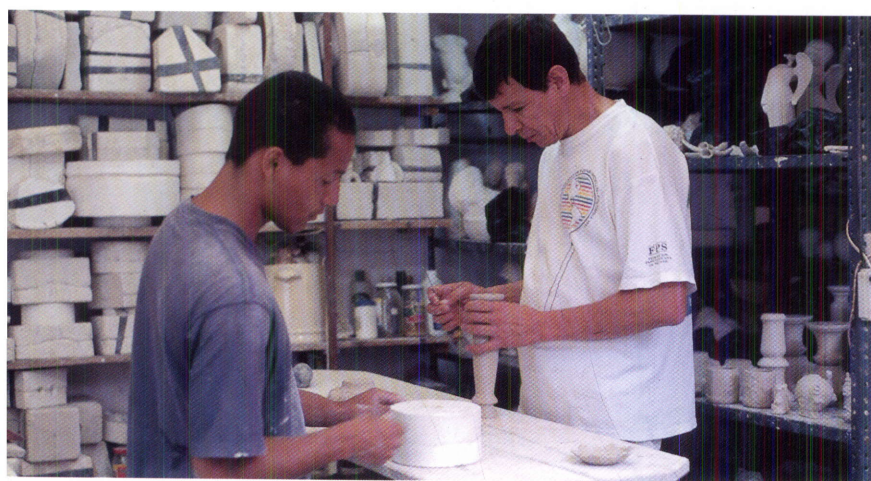
Even if income is very unequally distributed in Latin America, health indicators have improved in recent years, life expectancy has risen and the mortality rate of infants under 5 has continued to drop. Whilst many problems remain, the majority of the population has access to health care. The priorities here are:

- ▀ improving poorer people's access to health care;
- ▀ reforming health care systems in order to strengthen their general delivery capacity;
- ▀ ensuring permanent financing.

***Most people in the region now have access to health care.***

(63) The @LIS programme is right now at the design stage. A decision whether or not to go ahead could be made before the end of 2001.

(64) By way of example: GTM/B7-3010/95086: Apoyo a la reforma del sector salud, NIC/B7-3100/96/088/ Fortalecimiento del sistema de salud, VEN/B7-3100/97/101: Apoyo al sector hospitalario Caracas.



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### CONCRETE TRAINING PROGRAMMES

Students aged between 15 and 29 who come from modest families can choose between courses in hotel services, farming and food processing, shoe and garment-making, crafts, car repairs and commerce. This training is intended to be practical, by placing young people in real-life situations. Training programmes are adapted to particular regions, and directed at trades which meet local production needs, to avoid the youngsters from migrating to the big cities and abroad. This apprenticeship is being offered, every year, to around 65 people, by the 11 Experimental Vocational Training Centres in the PASE (Proyecto de Apoyo al Ajuste Social Estructural) project in Northern Peru. Setting up and equipping the pilot project cost €2 million. Whilst instructors' salaries are set by the Education Ministry, the PASE centres retain their status of small self-managed centres seeking to be financially autonomous. The network has been entrusted to a Spanish NGO, Fe y Alegría. This experiment is an excellent example of efficiency and of taking on board the needs of the local communities. This initiative will be copied across the country.

The European Community is contributing significantly to the reform of the health sector which is under way in Latin American countries. The majority of the projects that the Commission supported in 2,000 lie in this area<sup>(64)</sup> The Commission also provides supplementary financing for certain projects supported by other organisations, such as the Inter-American Development Bank and the World Bank. Two examples are given below.

*Vocational training is a substantial component of many projects in the region.*

### Bolivia: Health care from A to Z

A vast programme to radically improve health conditions has been introduced in the provinces of Potosí and Tarija. Studies are being carried out, a health care plan defined in each department, and drinking water supply and waste removal systems are being upgraded. One specific initiative aims to improve health care infrastructures (hospitals and dispensaries) and equipment. Training will be provided for both medical and hospital administration staffs. Access to medication should be improved. Health and hygiene campaigns will also be designed for the general public, whose involvement is vital to this reform process. The Union is contributing €30 million to this initiative.

### Peru: Clean drinking water for Lima

Peru experienced the ravages of cholera in the early 1990s. The poorest sectors of the population crowded around the major cities in deplorable sanitary conditions, including the edges of the city of Lima, were the first to be affected. The disastrous situation in certain quarters of the city, with the constant threat of a new outbreak of the epidemic, gave rise to the "Drinking Water" project. The objective is to distribute water of good and controlled quality, to people who need it. In order to reach this population, some 330,000 inhabitants in 292 urban zones – the project's promoters opted to undertake a large number of micro-projects. 250 such projects managed a total network of 175 drinking water systems, involving 400 kilometres of piping, 204 storage reservoirs, 102 pumps and 5,000 water collection points. This original approach, for which the EC provided €7.8 million, is an interesting example of introducing an improvement scheme in conditions where a conventional approach would have been impossible.

### Education

A major factor of sustainable growth is an appropriate, effective educational system. Education counts for much in improving productivity, which in turn allows growth rates to increase and inequality to be reduced. Despite real progress in facilitating access to primary education in Latin America, the poorer parts of society continue to experience difficulty in gaining access to secondary and, in particular, university education. Throughout the region there is a need to reform educational systems and to target educational resources better. In addition to horizontal regional programmes such as ALFA, Commission projects directed at the educational sector take account of local situations. These projects have very concrete objectives; like the PASE project in Peru, a successful initiative in the field of vocational education.

<sup>(64)</sup> The management of the geographic budget lines with all third countries is now grouped in a single department. The emphasis placed on the strategy of co-operation in this area is expressed in the guidelines contained in Regulation (EC) 975/99 of 29 April 1999. Two large new programmes have been initiated in Colombia: the Andean Human Rights Programme (to which the EC is contributing €3 million) and the Cien Municipios de Paz project, being carried out by the Colombian NGO Redepaz. These are just two examples facilitated by the restructuring carried out, since the beginning of 2000, in the Human Rights and Democratisation sector.

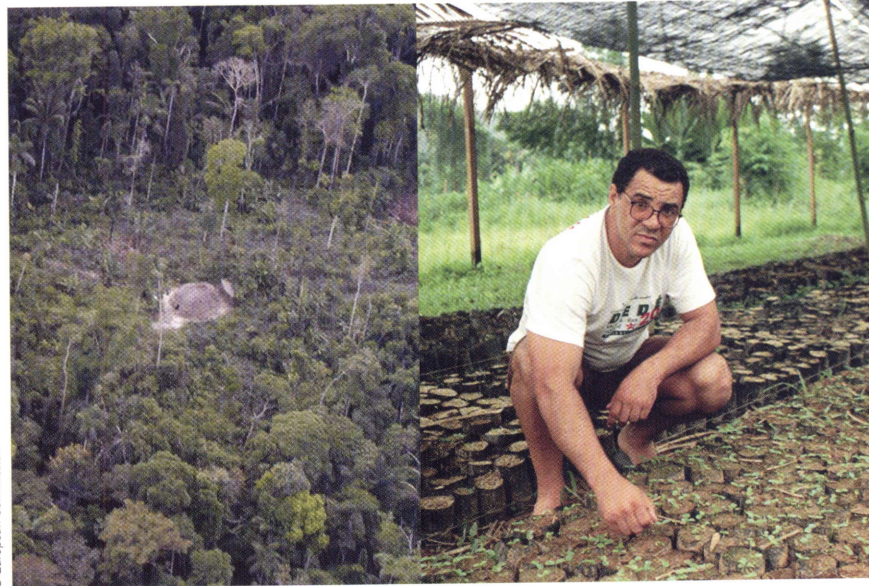
**CONSERVATION OF THE BRAZILIAN FOREST\***

An ambitious pilot programme for forest conservation in Brazil (PPG7) was launched in the early 1990s. For its promoters, "conserving" the forest means both protecting and promoting the sustainable development of the regions in question – in other words promoting the needs of the present generation without compromising those of generations to come.

The RESEX project is one of the main components - and also one of the most successful – of the PPG7 programme. The aim is to support the "extractive reservations" which the Brazilian government set up ten or so years ago and which are very special ecological areas. The native communities living in them receive long-term land leases and are authorised to use the natural resources in exchange for managing them in a healthy manner. Since 1995, four such reservations have been home to 107 "base units" of 1,718 families. Over 70% of these have formed associations to manage their communities' needs. The ecological and economic results of this initiative are impressive, as the figures show. Over 8,000 people have attended more than 670 information sessions. Household income has risen from 396 Brazilian reals (BRL) a year before the project to BRL 2,800 just four years later, higher than that of 70% of the population of the region of North Brazil. 2.16 million hectares are now under surveillance and control. Inside the reservations, the deforestation rate has remained under 1% (the authorised standard is 10%) and has been reduced considerably in the surrounding areas\*.

€650,000 have been invested in "utilisation and growth plans" which have gained the support of the various communities inside the reservations. Databases have been created of environmental, social, economic and biophysical information, whilst an environmental monitoring system (including cartographic data) within the reservations has been developed and implemented. €1.6 million have been used, much of it for the management and structural improvement for the National Centre for the Sustainable Development of Traditional Populations (CNPT) and the Brazilian Environmental Institute (IBAMA). Training programmes and logistical support for the regional offices have also been provided, as well as support for the various partnerships essential to the success of the project.

\* Programme PPG7 has benefited from a global grant of US\$ 330 million for phase one, part of it allocated to the World Bank's Rain Forest Trust Fund. The European Commission has provided €70 million since the programme was launched, the second largest contribution after Germany (135 million). The other main fund providers are the United Kingdom (23 million) and the United States (10 million). Phase one of the RESEX project (1995-2000) benefited from a €5 million contribution from the EC under the tropical forest budget line. The EC will probably contribute €7 million to phase two.



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**Environment and Tropical Forests**

Combating poverty necessarily goes hand in hand with environmental objectives and the strategies introduced for the general welfare of the populace. Recent years have therefore seen increased attention to the protection of the environment, with the safeguarding of natural resources and sustainable development now an underlying feature of all Community programmes. Many projects in this sector focus on the interaction of human activities and the environment in the Amazon region. Financing is both from specific budget lines, and from general environmental protection lines.

**Equatorial Amazonia**, a project completed in 2000 with €7 million of EC support, has made it possible to contain the negative effects of oil drilling activities, in particular in protected zones. A clean and inexpensive technique for decontaminating hydrocarbon-polluted soils was developed in cooperation with the oil companies involved. An environmental laboratory and a monitoring and control system have been put in place. This action is all the more effective for having been undertaken together with the oil companies, leading to a positive change of attitude by them towards respecting the environment and the communities living in these areas.

**Sustainable development goes hand-in-hand with environmental preservation.**

## 4. Horizontal policies

### Human Rights and Democratisation

Since the Treaty of Amsterdam, the Union now possesses a significant legal framework for promoting human rights in its external policy. This advance allows the Community to support the activities of international and regional organisations and NGOs. A commitment of €14 million has been made available for consolidating the process of democratisation in Latin America.<sup>(66)</sup> In this way the Commission is encouraging the strengthening and development of a responsible civil society and at the same time supporting vulnerable groups. Two examples provide good illustrations of this approach:

#### ANCHORING DEMOCRACY IN ECUADOR

**The High Commission for Human Rights has decided to support the Ecuadorian government in implementing an Ecuadorian national action plan on human rights. This objective enjoys support of €373,500. The HCHR provides educational and training activities. It will also participate in efforts to strengthen the position of the ombudsman.**

#### OBSERVERS IN PERU

**In Peru, 42 people have taken part in an election observation mission. This action has received €2 million of support for overseeing media coverage of the election period and educating citizens in the electoral process and in making voting choices.**

### Rehabilitation and reconstruction

Resources have been focused here mostly on Central America, and in particular the countries struck by hurricane Mitch (Guatemala, Honduras, Nicaragua, El Salvador).

The vast Central America Regional Reconstruction Programme (CARRP) is receiving financial support from the EC. An initial financial commitment of €82 million (out of a total appropriation of €250 million) was signed at the start of 2000. An initial call for proposals in the context of local initiatives was launched in September 2000, and several advance notices of service contracts were published in the final quarter of the year.

In December 2000, the Commission adopted a second financial commitment decision in the context of CARRP, of €44 million.

### HONDURAS: AFTER MITCH

**The Community programme in Honduras is directed at the poorest producers, in line with the priorities and aid conditions defined by the government's Maestro plan, introduced in the wake of hurricane Mitch (1998). The food security programme consists of three action plans:**

- 1 Access to financing and credit. This programme, which has been up and running since 1996, provides direct funding to local rural credit institutions for loans to small farmers wanting to buy production factors;**
- 2 Access to land and the strengthening of land law. Since 2000 this has taken the form of a programme which promotes a participative approach by local populations in co-operation with local and national authorities;**
- 3 Development and marketing of farm products. Here technology transfer and vocational training are helping to boost small producers' profit margins.**

**A general emphasis is placed on participation by the beneficiary populations, in order to neutralise the potential dependency effects of donor-initiated projects.**

### Gender

Improving the status of women and encouraging equality of the sexes is important, not only in absolute terms, but also as a contributing element to general economic and social development. The Commission is placing a particular emphasis on women's role in the development process.

Eliminating disparities between women and men is one important aspect of all projects supported by the Commission. For this reason all projects financed in Latin America take the "gender" dimension into account in defining their objectives and activities.

### PANAMA: FOR EQUALITY

**"Women's Offices" have been set up in various public institutions, work has begun on improving teachers' awareness of the gender question, support has been provided to women's organisations, and the integration of women into trade unions has been facilitated. These are the initial results of the "Women and Development" National Plan which has been developed in Panama, and which the EC is supporting with €9.800.000. This programme aims to rebalance the situation of men and women at both socio-cultural and economic and political levels. After a certain number of start-up difficulties, it is now running smoothly. ([www.proigualdad.com](http://www.proigualdad.com))**

**EC efforts  
at reconstruction  
are particularly  
important in  
disaster-ridden  
areas.**

(66) Council Regulation 442/97, which constituted the legal basis of actions financed under the budget line of aid to uprooted populations, and which expired on 31.12.99, was renewed for one year until 31.12.2000.

### MEXICO: INTEGRATION OF FORMER GUATEMALAN REFUGEES

The project aims to support the definitive integration of former Guatemalan refugees in the states of Campeche, Quintana Roo and Chiapas in Mexico.

In April 2000, Andres Jimenez Andres and Pablo Juan Miguel, president and treasurer respectively of the rural production company *Manos Unidas para el Progreso* (Santo Domingo Keste), presented their 101 partners with a positive economic report for the second consecutive year. The sale of 1.710 tons of water melons, harvested over 57 hectares, brought in an overall 2.231.655 pesos.

Everything began in 1982 when groups of Guatemalans fleeing the war ended up in the Chiapas forests in Mexico. Two years later (for security reasons but also in order to facilitate distribution of humanitarian aid) they were displaced by the Mexican authorities to the plains of Campeche where they became self-sufficient. In 1996, with the signing of peace in Guatemala, many of these refugees wanted to remain in Mexico, where their children were born and grew up. Early in 1997 the EC and the Mexican government implemented a programme to support their integration. This project, which is based on co-responsibility and co-management, aims to strengthen those micro-regional development processes that can promote the integration of the one-time refugees. It is supporting agricultural income creation, vocational training, development aid to small businesses, along with socio-cultural initiatives (social organisation, consultation, promotion of the Mayan identity, improving basic infrastructures, etc.). The positive results of this project have encouraged the EC and the Mexican government to support the second phase of the initiative. This definitive integration support project is aimed at consolidating the progress already made in the states of Campeche and Quintana Roo and at extending the programme to the state of Chiapas, where the socio-political problems are more difficult. This new initiative provides for a Community contribution of €5.5 million. It will benefit 53.000 people (24.000 of them of Guatemalan origin and 29.000 Mexican) across more than 150 local communities.

#### Refugees and displaced persons

In terms of aid to refugees and displaced persons, 2000 was devoted to defining the multi-annual programme 2000-2004, with a budget of €16 million. This programme consists of three national components (Mexico, Nicaragua, Guatemala) and a regional technical co-ordination component.<sup>(66)</sup> In Central America, where most of the crisis situations have stabilised, projects focus in particular on the integration or return of displaced populations. There were no new budget commitments in 2000.



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This little girl was born in Mexico. Like many Guatemalan refugees, she may now choose to stay or return home.

#### Humanitarian Aid (ECHO)

The Community finances operations to provide humanitarian aid to the victims of the countries touched by disasters, both natural and man-made. This help which is directed towards populations in distress is supplied both in kind and in the form of services. The year 2000 was a difficult period for Latin America due to conflicts and natural disasters. The Commission has provided support to the most affected populations. This aid is detailed below:

#### LATIN AMERICA ECHO FINANCIAL DECISIONS

LATIN AMERICA	ECHO DECISIONS IN € Million
Central America (El Salvador Honduras, Nicaragua)	4.425
Colombia	6.500
Cuba	2.000
Mexico	0.850
South America (Peru, Brazil, Ecuador)	4.035
Venezuela	6.750
<b>TOTAL</b>	<b>24.560</b>

*Populations in distress receive help in kind and in the form of services.*

**Food security**

The term "food insecurity" has been adopted by the Council in a regulation which defines the current legal framework of the Commission's "food security" programme, and which makes food security part of sustainable development and poverty reduction policies. Food security can now be approached in its totality: supply, demand and crisis prevention. In 2000, €36 million was committed for food aid in Latin America. The programmes carried out in Bolivia and Honduras can be cited as examples.

**Bolivia: the municipalities**

The EC has been intervening in Bolivia since 1995, with direct support for the government's food security aid programme. This programme finances actions targeted at municipalities (two-thirds of the budget) and departmental prefectures (one quarter of the financing), as well as assisting rural development. The Commission is providing technical assistance for the programme plus funding for actions in 78 municipalities (out of a total of 314) selected on the basis of poverty criteria. Traditional beneficiaries of these interventions are farm production, rural infrastructure development (in particular country roads) and training and technical assistance in both agricultural and non-agricultural sectors. In 2000, micro credits were included in the range of aid instruments. A major innovation of the present programme is the lead role given to municipalities and NGOs in carrying out the local projects and in access to financial resources.

**Drugs Programme**

Fighting the plague of drug trafficking and consumption is now a major EU action priority. To do so, the Union has adopted a global strategy in the form of Anti-Drug Action Plans.<sup>(67)</sup> The programmes the Community supports seek to respond to a problem that is increasingly affecting both urban and rural populations. The European Commission has also drafted political instructions to accompany the proposed regulation renewing preferential trading arrangements with, in particular, Andean and Central American countries which benefit from the **Drugs GSP**. One such country is Bolivia, which can therefore export over 90% of its products to the European market with special privileges or total exemptions from custom duty.

**ON THE COCAINE TRAIL**

**The Commission is financing prevention projects in nine countries (total budget: €2 million). In the Andean countries, it is supporting several initiatives to prevent money-laundering and monitor the source of funds and harmonise legislation. It has recently begun helping the Venezuelan government set up a national drugs observatory, for which it has provided €2 million. In Colombia, the EC is seeking a significant role in the peace process, to which it is contributing through alternative programmes (€30 million out of a total of €105 million).**

## 5. Relations with major European and international institutions

Collaboration between the Commission and the major international co-operation institutions is more advanced in Latin America than elsewhere in the world. These partner institutions complement European co-operation policy by contributing to the funding of projects of mutual interest, to the fight against poverty and to strengthening democracy.

**European Investment Bank (EIB)**

With framework agreements signed with 15 countries, the EIB contributes as a prime European actor in the region to financing investment projects of mutual interest to the EU and Latin American countries. It complements the Commission's activities and has provided financial support, in particular, to the manufacturing, telecommunications, energy, water provision, waste removal and transportation sectors. In 2000, €400 million worth of loans were signed for operations in Argentina, Brazil and Mexico.

**Inter-American Development Bank (IDB)**

The European Commission and the IDB collaborate actively in development co-operation in Latin America, sharing ideas on economic and social development in this region and working together to achieve a better co-ordination of services. The Commission is actively supporting a number of IDB-chaired country advisory groups (Colombia, El Salvador, Guatemala, Honduras and Nicaragua), along with the regional advisory group for Central American reconstruction. The advisory group meetings have achieved their objective of co-ordinating the activities of international donors in these countries. Since 1977 the Commission has contributed €57 million to the IDB's financial operations, both by financing various operations and via trust funds managed by the IDB. Currently, the Commission is providing funding to two large IDB-administered trusts: the special technical assistance fund (€4 million), which funds national experts from

**The EC is helping  
Andean countries  
fight drug trafficking.**



EU member countries carrying out preparatory studies for IDB projects, and the special SME fund (€15 million), which finances micro credit operations up to €540.000. A Memorandum of Understanding signed by the Commission and the IDB provides a framework for deepening and concentrating their present collaboration, in particular in the fields of democratic consolidation, poverty reduction, social equity, regional integration and IT development.

### World Bank

In July 2000 the EC agreed to contribute to the Trust Fund attached to the Highly Indebted Poor Countries (HIPC) initiative, managed by the World Bank and directed at Asian and Latin American countries. Of its €54 million contribution, €45 million has been earmarked for reducing the debt of Latin American countries like Bolivia, Honduras and Nicaragua. The EC is actively supporting the development of strategy documents for reducing poverty in countries which benefit from the HIPC programme.

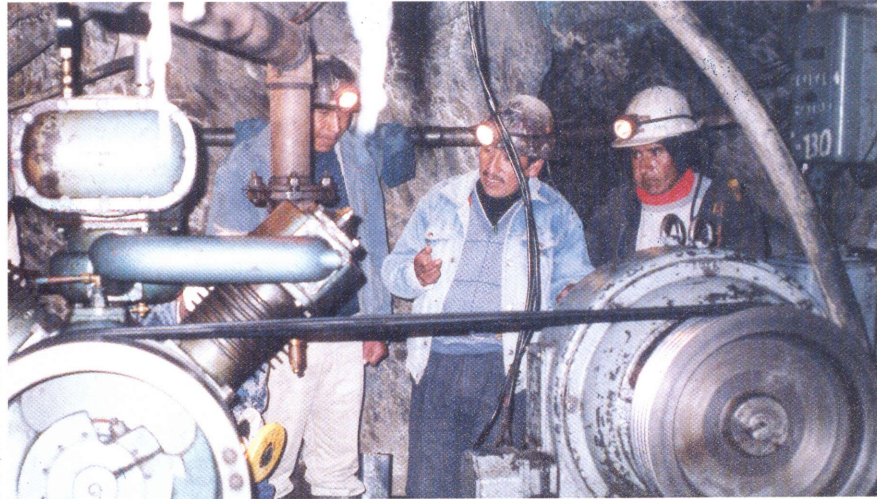
### United States Agency for International Development (USAID)

The EC is working alongside USAID in the context of the New Transatlantic Agenda (NTA) and a Joint Action Plan. Regular contacts exist in areas of shared interest like developing the private sector, strengthening institutional capacities, assisting democratic institutions, Human Rights and decentralisation.

A study on the evolution of development problems in Central America has been undertaken by the Hamburg Institute for Ibero-American Studies and Inter American Dialogue in Washington, DC. This analysis, which was very well received by USAID, features a model for regional economic integration, with proposals for strengthening democratic institutions, for progress towards customs and monetary union, and for the reform of the tax and budget systems of the countries in the region.

### Organisation of American States (OAS)

During 2000, those EU Member States with permanent observer status in the OAS met monthly to discuss problems of interest with the Union and to dialogue with senior OAS officials. In June 2000, an initial consultation examined the possibility of achieving a framework co-operation agreement between the EU and the OAS on election monitoring.



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## 6. Perspectives

The priorities established at the Rio Summit in June 1999 have been integrated into the Commission's strategies for the various countries and regions, as well as into its co-operation programming, in line with the constraints and objectives specific to this area. The objectives of the strategic partnership remain the same: strengthening relations between the two regions, whose growing interdependence justifies the search for common responses to global challenges.

The Commission's co-operation policy is aimed at expanding trade and knowledge of each other's cultures. This reciprocal recognition offers a solid basis from which economic co-operation and regional integration programmes, financial aid to disadvantaged populations, and efforts to boost the education and high technology sector, all of which will be supported from Community budgets, can take shape.

The Commission's efforts are also being concentrated on ways of increasing the effectiveness of the sectoral programmes in a longer-term perspective (for example through multi-annual planning), defined in agreement with the beneficiary countries.

Reform of management systems, with devolvement of responsibility towards local Commission Delegations, has been set in motion with the aim of increasing performance within the time limits of the various programmes.

*EC successes in the region are often the result of teamwork with international institutions and local authorities.*

## Financial tables

### Breakdown by instrument of development assistance financed on the European Development Fund (EDF) in the year 2000

Amounts in M€ Instrument	Total		Managed by EuropeAid		Managed by other DG's	
	Decisions	Payments	Decisions	Payments	Decisions	Payments
Programmed aid	1645.46	718.76	1645.46	718.76	-	-
Structural Adjustment	459.50	147.32	459.50	147.32	-	-
Risk Capital	122.59	152.55	122.59	152.55	-	-
Interest rebates	24.50	17.42	24.50	17.42	-	-
Emergency Aid	1.52	28.26	1.52	28.26	-	-
Aid to refugees	24.19	1.79	24.19	1.79	-	-
Sysmin	94.10	28.73	94.10	28.73	-	-
Stabex	361.06	70.61	361.06	70.61	-	-
HIPC	1028.97	356.44	1028.97	356.44	-	-
Others	-4.48	26.28	-4.48	26.28	-	-
<b>Total EDF</b>	<b>3 757.41</b>	<b>1 548.16</b>	<b>3 757.41</b>	<b>1 548.16</b>	<b>0.00</b>	<b>0.00</b>
<b>Grand Total Budget + EDF</b>	<b>11 858.98</b>	<b>6 597.93</b>	<b>9 091.20</b>	<b>5 561.59</b>	<b>2 767.78</b>	<b>1 036.34</b>

### Breakdown by budget line of development assistance financed on the General Commission Budget in the year 2000

Item	Description	Amounts in M€		Total (grants & loans)		Managed by EuropeAid		Managed by other DG's	
		Commitments	Payments	Commitments	Payments	Commitments	Payments	Commitments	Payments
B1-3...	Food Aid Russia (FEOGA)	-	4.64	-	4.64	-	-	-	-
B7-01..	Pre - SAPARD	528.90	-	-	-	528.90	-	-	-
B7-02..	Pre - ISPA	1016.29	2.54	-	-	1016.29	2.54	-	-
B7-03.. <sup>(1)</sup>	Pre - PHARE	1568.63	1201.19	1566.49	1200.35	2.14	0.84	-	-
B7-04.. <sup>(1)</sup>	Pre - Malta & Cyprus	7.70	-	7.70	-	-	-	-	-
B7-20..	Food Aid	458.05	437.50	458.05	437.50	-	-	-	-
B7-21..	Humanitarian Aid	489.70	540.88	-	-	489.70	540.88	-	-
B7-30..	Asia	481.10	323.36	481.10	323.36	-	-	-	-
B7-31..	Latin America	277.90	195.20	277.90	195.20	-	-	-	-
B7-32..	South Africa	123.54	110.14	123.54	110.14	-	-	-	-
B7-40.. <sup>(1)</sup>	Mediterranean	44.25	73.91	44.25	73.91	-	-	-	-
B7-41	MEDA	942.85	345.90	942.85	345.90	-	-	-	-
B7-42..	Near & Middle East	60.64	53.18	60.64	53.18	-	-	-	-
B7-51..	European Bank for Reconstruction & Devt (EBRD)	-	6.41	-	-	-	6.41	-	-
B7-52..	NIS & Mongolia - TACIS	449.13	429.01	448.35	427.62	0.78	1.39	-	-
B7-53	NIS & Mongolia/CEEC's - Other actions	111.88	125.98	9.88	40.41	102.00	85.57	-	-
B7-54..	Balkans	859.71	676.42	419.81	468.95	439.90	207.47	-	-
B7-60..	Cofinancing NGO's	199.98	130.97	199.98	130.97	-	-	-	-
B7-61..	Training & public awareness/WID	8.05	8.39	8.05	8.37	-	0.02	-	-
B7-620.	Environment/tropical forests	32.07	41.68	32.07	41.68	-	-	-	-
B7-621.	Health/anti drugs & addiction	28.45	24.01	28.45	24.01	-	-	-	-
B7-6410	Rehabilitation	16.52	20.93	16.52	20.93	-	-	-	-
B7-6430	Decentralised cooperation	2.97	5.53	2.97	5.53	-	-	-	-
B7-65..	Evaluation/coordination/anti-fraud	11.81	5.67	11.81	5.67	-	-	-	-
B7-6610	Anti-personnel mines	8.36	6.46	8.36	6.46	-	-	-	-
B7-66..	Other specific actions	35.61	34.52	3.04	2.25	32.57	32.27	-	-
B7-70..	Democracy & human rights	93.83	53.15	93.83	53.15	-	-	-	-
B7-80..	International fishing agreements	124.21	127.35	-	-	124.21	127.35	-	-
B7-8710	Bananas ACP	44.48	3.35	44.48	3.35	-	-	-	-
B7-8720	Investment promotion ALA/MED (ECIP)	1.76	6.44	1.76	6.44	-	-	-	-
B7-8...	Other external chapters of Community policy	31.55	31.86	0.26	0.26	31.29	31.60	-	-
B8-0...	Common Foreign & Security Policy (CFSP)	41.65	23.20	41.65	23.20	-	-	-	-
<b>Total Title B1-B7-B8</b>		<b>8 101.57</b>	<b>5 049.77</b>	<b>5 333.79</b>	<b>4 013.43</b>	<b>2 767.78</b>	<b>1 036.34</b>		

(1) Responsibility for the whole of B7-03.. and B7-04.., as well as for a portion of B7-40.. transferred to ELARG during the course of 2000.

### Breakdown by country of development assistance financed on the General Commission Budget and the European Development Fund (EDF) in the year 2000

Country/Region	Total (grants & loans) in M€		Managed by EuropeAid		Managed by Other DG's	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
<b>Part I: Developing Countries &amp; Territories Official Development Assistance (ODA)</b>						
<b>Europe, Total</b>	1491.47	1063.12	850.99	556.57	640.48	506.55
Albania	35.25	80.49	35.25	77.03	-	3.46
Bosnia-Herzegovina	149.35	212.75	128.88	196.36	20.47	16.39
Croatia	23.33	12.53	23.29	11.98	0.04	0.55
Macedonia (Fyrom)	78.43	86.74	21.43	30.33	57.00	56.41
Malta	6.00	1.57	6.00	1.45	-	0.12
Moldova	6.20	5.76	6.12	5.68	0.08	0.08
Slovenia	72.14	29.82	33.90	29.82	38.24	-
Turkey	343.38	35.38	343.38	15.97	-	19.41
Yugoslavia, Fed. Rep.	748.10	510.98	223.47	157.44	524.63	353.54
States Of Ex-Yugoslavia Unspecif.	25.45	87.09	25.45	30.51	-	56.58
Europe Unallocated	3.84	0.01	3.82	-	0.02	0.01
<b>Africa, Total</b>	3215.99	1484.83	2970.85	1283.73	245.14	201.10
<b>North Of Sahara, Total</b>	371.23	212.39	356.99	196.03	14.24	16.36
Algeria	46.83	17.37	32.59	1.57	14.24	15.80
Egypt	17.55	95.09	17.55	95.09	-	-
Morocco	141.80	63.17	141.80	63.02	-	0.15
Tunisia	90.19	21.94	90.19	21.53	-	0.41
North Of Sahara Unallocated	74.86	14.82	74.86	14.82	-	-
<b>South Of Sahara, Total</b>	2844.76	1272.44	2613.86	1087.70	230.90	184.74
Angola	49.44	40.16	35.57	30.71	13.87	9.45
Benin	62.12	4.21	62.12	4.21	-	-
Botswana	16.58	7.55	16.58	7.55	-	-
Burkina Faso	58.61	45.57	58.61	45.57	-	-
Burundi	25.94	10.73	12.16	2.41	13.78	8.32
Cameroon	78.81	46.25	78.81	46.25	-	-
Cape Verde	29.54	2.84	29.54	2.66	-	0.18
Central African Rep.	36.24	6.64	36.24	6.64	-	-
Chad	65.44	19.60	65.44	19.54	-	0.06
Comoros	8.79	4.61	6.43	2.99	2.36	1.62
Congo, Dem. Rep.	51.84	37.05	31.84	30.30	20.00	6.75
Congo, Rep.	3.21	3.14	0.21	2.19	3.00	0.95
Djibouti	11.44	2.24	11.44	2.24	-	-
Equatorial Guinea	1.70	2.56	1.38	2.29	0.32	0.27
Eritrea	30.70	6.83	24.65	2.74	6.05	4.09
Ethiopia	90.26	79.47	75.81	74.79	14.45	4.68
Gabon	36.47	16.32	36.20	15.98	0.27	0.34
Gambia	10.54	8.83	10.54	8.83	-	-
Ghana	22.15	20.07	22.15	20.07	-	-
Guinea	16.37	22.98	13.04	20.42	3.33	2.56
Guinea-Bissau	31.88	18.99	23.38	9.44	8.50	9.55
Ivory Coast	51.25	10.45	50.87	10.41	0.38	0.04
Kenya	142.32	25.63	136.89	22.12	5.43	3.51
Lesotho	2.09	12.81	2.09	12.81	-	-

Liberia	0.38	13.80	0.38	13.80	-	-
Madagascar	22.42	25.90	20.51	24.14	1.91	1.76
Malawi	39.34	56.56	39.34	56.56	-	-
Mali	37.68	23.84	37.68	23.77	-	0.07
Mauritania	88.74	65.02	36.81	13.28	51.93	51.74
Mauritius	9.95	5.67	9.12	5.43	0.83	0.24
Mayotte	0.80	0.52	0.80	0.52	-	-
Mozambique	143.30	88.13	134.62	82.93	8.68	5.20
Namibia	4.40	17.42	4.40	17.42	-	-
Niger	133.41	15.40	133.41	14.85	-	0.55
Nigeria	74.65	4.63	74.65	4.63	-	-
Rwanda	101.03	53.98	101.03	53.95	-	0.03
St. Helena	-	-	-	-	-	-
Sao Tome & Principe	12.39	6.74	10.80	5.78	1.59	0.96
Senegal	56.95	38.31	44.95	26.15	12.00	12.16
Seychelles	2.60	7.00	0.30	4.65	2.30	2.35
Sierra Leone	103.81	15.60	91.81	14.40	12.00	1.20
Somalia	29.73	25.35	26.37	23.24	3.36	2.11
South Africa	128.21	112.02	128.21	112.00	-	0.02
Sudan	76.77	16.77	65.77	4.04	11.00	12.73
Swaziland	24.20	8.17	24.20	8.17	-	-
Tanzania	162.38	40.73	135.53	18.06	26.85	22.67
Togo	19.43	3.83	19.43	3.83	-	-
Uganda	199.76	45.45	198.95	45.45	0.81	-
Zambia	160.02	30.25	158.52	29.05	1.50	1.20
Zimbabwe	46.85	11.96	46.85	11.96	-	-
South Of Sahara Unallocated	231.83	83.86	227.43	66.48	4.40	17.38
Africa Unspecified	-	-	-	-	-	-
<b>America, Total</b>	<b>567.22</b>	<b>404.15</b>	<b>542.13</b>	<b>365.68</b>	<b>25.09</b>	<b>38.47</b>
<b>North &amp; Central, Total</b>	<b>309.79</b>	<b>234.94</b>	<b>302.31</b>	<b>215.60</b>	<b>7.48</b>	<b>19.34</b>
Anguilla	-0.21	-	-0.21	-	-	-
Antigua & Barbuda	0.44	0.56	0.44	0.56	-	-
Barbados	1.13	2.02	1.13	2.02	-	-
Belize	15.79	7.58	15.79	7.58	-	-
Costa Rica	0.38	1.21	0.38	1.21	-	-
Cuba	16.17	7.50	14.17	2.68	2.00	4.82
Dominica	8.68	1.18	8.68	1.18	-	-
Dominican Republic	49.07	15.03	48.87	14.98	0.20	0.05
El Salvador	9.59	15.72	8.50	14.96	1.09	0.76
Grenada	0.58	0.43	0.58	0.43	-	-
Guatemala	7.10	22.65	7.10	21.93	-	0.72
Haiti	3.96	12.55	3.96	12.55	-	-
Honduras	29.26	19.72	27.76	18.59	1.50	1.13
Jamaica	49.02	47.10	49.02	47.10	-	-
Mexico	1.81	4.59	0.96	3.67	0.85	0.92
Montserrat	0.23	0.08	0.23	0.08	-	-
Nicaragua	24.58	46.40	22.74	44.72	1.84	1.68
Panama	-	3.43	-	3.43	-	-
St. Kitts-Nevis	4.00	1.56	4.00	1.56	-	-

### Breakdown by country of development assistance financed on the General Commission Budget and the European Development Fund (EDF) in the year 2000

Country/Region	Total (grants & loans) in M€		Managed by EuropeAid		Managed by Other DG's	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
<b>Part I: Developing Countries &amp; Territories Official Development Assistance (ODA)</b>						
St.Lucia	21.34	4.29	21.34	4.29	-	-
St.Vincent & Grenadines	9.95	1.31	9.95	1.31	-	-
Trinidad & Tobago	11.04	1.83	11.04	1.83	-	-
Turks & Caicos Isl.	-	0.58	-	0.58	-	-
West Indies Unallocated	-	-	-	-	-	-
N. & C. America Unallocated	45.88	17.62	45.88	8.36	-	9.26
<b>South. Total</b>	<b>161.28</b>	<b>143.45</b>	<b>143.67</b>	<b>124.32</b>	<b>17.61</b>	<b>19.13</b>
Argentina	12.53	11.15	12.53	7.06	-	4.09
Bolivia	31.01	27.51	31.01	27.47	-	0.04
Brazil	28.49	18.47	27.64	18.47	0.85	-
Chile	14.31	5.85	13.99	5.85	0.32	-
Colombia	7.58	15.84	1.08	7.79	6.50	8.05
Ecuador	7.73	7.67	5.86	6.34	1.87	1.33
Guyana	16.53	8.28	16.53	8.28	-	-
Paraguay	1.02	5.30	1.02	4.98	-	0.32
Peru	19.95	26.15	18.63	25.62	1.32	0.53
Suriname	7.24	2.70	7.24	2.70	-	-
Uruguay	1.91	2.69	1.91	2.69	-	-
Venezuela	8.18	9.51	1.43	4.74	6.75	4.77
South America Unallocated	4.80	2.33	4.80	2.33	-	-
America Unspecified	96.15	25.76	96.15	25.76	-	-
<b>Asia, Total</b>	<b>1129.52</b>	<b>799.30</b>	<b>1000.65</b>	<b>705.13</b>	<b>128.87</b>	<b>94.17</b>
<b>Middle East, Total</b>	<b>386.34</b>	<b>246.09</b>	<b>352.28</b>	<b>226.41</b>	<b>34.06</b>	<b>19.68</b>
Bahrain	-	-	-	-	-	-
Iran	3.70	0.32	3.70	0.32	-	-
Iraq	8.60	7.69	-	0.37	8.60	7.32
Jordan	22.02	93.17	22.02	92.99	-	0.18
Lebanon	9.19	40.99	9.19	40.99	-	-
Oman	-	-	-	-	-	-
Palestinian Admin. Areas	173.92	58.21	150.20	51.32	23.72	6.89
Saudi Arabia	-	-	-	-	-	-
Syria	49.60	7.29	49.60	7.14	-	0.15
Yemen	23.72	20.71	21.98	18.73	1.74	1.98
Middle East Unallocated	95.59	17.71	95.59	14.55	-	3.16
<b>South &amp; Centr. Asia, Total</b>	<b>439.67</b>	<b>305.64</b>	<b>393.12</b>	<b>269.39</b>	<b>46.55</b>	<b>36.25</b>
Afghanistan	19.87	19.24	11.77	13.03	8.10	6.21
Armenia	17.80	13.11	17.80	13.11	-	-
Azerbaijan	25.36	21.84	25.36	21.83	-	0.01
Bangladesh	36.48	74.22	34.98	71.36	1.50	2.86
Bhutan	-	0.97	-	0.97	-	-
Georgia	15.26	14.93	14.86	14.36	0.40	0.57
India	235.85	50.12	230.00	42.33	5.85	7.79
Kazakhstan	0.89	5.21	0.89	5.21	-	-
Kyrgyz Rep.	10.10	16.29	10.10	16.22	-	0.07
Maldives	-	0.19	-	0.19	-	-

Myanmar (Burma)	6.93	1.73	5.93	0.51	1.00	1.22
Nepal	4.42	16.01	4.42	16.01	-	-
Pakistan	21.96	33.12	21.96	32.91	-	0.21
Sri Lanka	5.05	6.48	3.85	5.68	1.20	0.80
Tajikistan	20.00	13.74	1.00	1.28	19.00	12.46
Turkmenistan	-	2.77	-	2.77	-	-
Uzbekistan	10.00	11.62	10.00	11.62	-	-
South & Central Asia Unalloc.	9.70	4.05	0.20	-	9.50	4.05
<b>Far East, Total</b>	<b>197.74</b>	<b>218.49</b>	<b>149.48</b>	<b>180.49</b>	<b>48.26</b>	<b>38.00</b>
Cambodia	17.40	28.36	8.90	19.96	8.50	8.40
China	32.83	29.78	31.50	29.52	1.33	0.26
East Timor	36.28	19.02	36.28	18.60	-	0.42
Indonesia	25.72	40.88	7.72	29.02	18.00	11.86
Korea, Dem.	28.37	27.13	20.00	20.24	8.37	6.89
Laos	13.28	8.42	12.14	7.45	1.14	0.97
Malaysia	0.35	0.22	0.35	0.22	-	-
Mongolia	6.18	5.86	4.30	4.93	1.88	0.93
Philippines	12.19	29.95	9.55	29.36	2.64	0.59
Thailand	18.62	13.07	14.12	8.28	4.50	4.79
Viet Nam	4.62	13.15	4.62	12.91	-	0.24
Far East Asia Unalloc.	1.90	2.65	-	-	1.90	2.65
Asia Unspecified	105.77	29.08	105.77	28.84	-	0.24
<b>Oceania, Total</b>	<b>74.27</b>	<b>71.29</b>	<b>74.27</b>	<b>71.29</b>	<b>-</b>	<b>-</b>
Cook Islands	-	-	-	-	-	-
Fiji	-0.97	0.82	-0.97	0.82	-	-
Kiribati	1.61	1.13	1.61	1.13	-	-
Marshall Islands	-	-	-	-	-	-
Micronesia, Fed. Sts.	-	-	-	-	-	-
Nauru	-	-	-	-	-	-
Niue	-	-	-	-	-	-
Palau	-	-	-	-	-	-
Papua New Guinea	23.04	8.39	23.04	8.39	-	-
Samoa	3.04	4.12	3.04	4.12	-	-
Solomon Islands	44.87	48.10	44.87	48.10	-	-
Tokelau	-	-	-	-	-	-
Tonga	0.08	1.52	0.08	1.52	-	-
Tuvalu	-0.78	0.01	-0.78	0.01	-	-
Vanuatu	1.92	6.86	1.92	6.86	-	-
Wallis & Futuna	-0.01	0.05	-0.01	0.05	-	-
Oceania Unalloc.	1.47	0.29	1.47	0.29	-	-
<b>LDC's Unspecified</b>	<b>633.43</b>	<b>579.54</b>	<b>451.60</b>	<b>433.06</b>	<b>181.83</b>	<b>146.48</b>
<b>Multilateral Aid</b>	<b>1242.34</b>	<b>540.52</b>	<b>1242.34</b>	<b>540.52</b>	<b>-</b>	<b>-</b>
UNRWA	54.04	40.14	54.04	40.14	-	-
WFP	105.33	89.94	105.33	89.94	-	-
HIPC	1082.97	410.44	1082.97	410.44	-	-
<b>Part I (ODA), Total</b>	<b>8354.24</b>	<b>4942.75</b>	<b>7132.83</b>	<b>3955.98</b>	<b>1221.41</b>	<b>986.77</b>

### Breakdown by country of development assistance financed on the General Commission Budget and the European Development Fund (EDF) in the year 2000

Country/Region	Total (grants & loans) in M€		Managed by EuropeAid		Managed by Other DG's	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
<b>Part II: Countries and Territories in Transition – Official Aid (OA)</b>						
<b>More Advanced Developing Countries</b>	10.53	18.14	10.53	17.24	-	0.90
Aruba	-0.82	1.11	-0.82	1.11	-	-
Bahamas	-0.83	2.24	-0.83	2.24	-	-
Bermuda	-	-	-	-	-	-
Brunei	-	-	-	-	-	-
Cayman Islands	-	-	-	-	-	-
Chinese Taipei (Taiwan)	-	-	-	-	-	-
Cyprus	1.70	2.28	1.70	1.38	-	0.90
Falkland Islands	-	-	-	-	-	-
French Polynesia	10.62	3.72	10.62	3.72	-	-
Gibraltar	-	-	-	-	-	-
Hong Kong, China	-	-	-	-	-	-
Israel	-	2.01	-	2.01	-	-
Korea	-	-	-	-	-	-
Kuwait	-	-	-	-	-	-
Libya	-	-	-	-	-	-
Macao	0.99	0.54	0.99	0.54	-	-
Netherlands Antilles	-0.87	4.07	-0.87	4.07	-	-
New Caledonia	-0.26	0.71	-0.26	0.71	-	-
Northern Marianas	-	-	-	-	-	-
Qatar	-	-	-	-	-	-
Singapore	-	0.03	-	0.03	-	-
United Arab Emirates	-	-	-	-	-	-
Virgin Islands (UK)	-	1.43	-	1.43	-	-
MADCT Unallocated	-	-	-	-	-	-
<b>CEEC's/NIS</b>	3494.21	1637.04	1947.84	1588.37	1546.37	48.67
Belarus	0.41	1.60	0.41	1.60	-	-
Bulgaria	308.42	85.21	151.35	84.96	157.07	0.25
Czech Republic	196.13	93.52	103.68	93.49	92.45	0.03
Estonia	75.00	42.04	33.99	41.41	41.01	0.63
Hungary	248.23	144.93	121.18	144.51	127.05	0.42
Latvia	104.58	48.81	35.36	48.56	69.22	0.25
Lithuania	170.81	46.50	87.61	45.86	83.20	0.64
Poland	964.08	236.02	485.42	236.00	478.66	0.02
Romania	654.88	152.09	262.44	151.74	392.44	0.35
Russia	72.91	105.49	64.71	97.68	8.20	7.81
Slovak Republic	128.48	56.79	79.57	56.79	48.91	-
Ukraine	64.12	77.75	64.11	77.37	0.01	0.38
CEEC's Unallocated	202.40	270.88	181.49	267.97	20.91	2.91
NIS Unallocated	303.76	266.70	276.52	240.43	27.24	26.27
CEEC's/NIS Unallocated	-	8.71	-	-	-	8.71
<b>Part II (OA). Total</b>	<b>3504.74</b>	<b>1655.18</b>	<b>1958.37</b>	<b>1605.61</b>	<b>1546.37</b>	<b>49.57</b>
<b>Grand Total Part I &amp; Part II (ODA+OA)</b>	<b>11858.98</b>	<b>6597.93</b>	<b>9091.20</b>	<b>5561.59</b>	<b>2767.78</b>	<b>1036.34</b>









## Annex

The EuropeAid Co-operation Office was created on 1 January 2001. The former Common Service for External Relations had prior to that date already effected certain reforms in the main areas of the European Commission's management of its external assistance programmes.

During 2000, the SCR made significant advances on several important issues. A brief description of these activities is given in this annex.

## 1. Evaluation activities

Like other major donors of external assistance, the Commission is careful to ensure that all evaluations of its external co-operation programmes are carried out impartially. The Evaluation Unit is therefore clearly separated from all the operational and policy services that use its findings to improve the quality of these assistance programmes.

During the spring 2000 reorganisation of external operations, the Commission decided on a major repositioning of its evaluation function to strengthen its independence and to ensure its findings are used more effectively. The Governing Board of the new EuropeAid Co-operation Office took over responsibility for the evaluation service in January 2001. The Board sets the evaluation service's work programme and encourages the other services to consider its findings carefully and, based on these, take all necessary actions. In addition to the usual policy-level analysis of major sectors, cross-cutting themes, instruments and country programmes, the European Commission's programming process and 'policy mix' are also about to be evaluated.

Four major reports, together with an overall synthesis report, were submitted to the Council in 1999 and were extensively debated. These reports related to the activities of the ALA, MED, ACP and Humanitarian Aid programmes carried out between 1995 and 1999.

### 1.1. Evaluation findings of 2000

The major evaluations completed in 2000 are listed below. They can be grouped into four main areas:

- ▶ human rights and democracy;
- ▶ aid via civil society organisations (by means of decentralised co-operation and co-financing with NGOs;
- ▶ country programmes and strategies;
- ▶ Phare sectoral programmes.<sup>(68)</sup>

In some cases, representatives of EU Member States were included in the country strategy evaluation teams. This was generally arranged after the start of the evaluation process, therefore they cannot be considered truly joint evaluations. Nonetheless, this experience demonstrated that it might be useful to conduct joint evaluations in the future where and when appropriate.

### 1.2. General evaluation comments

**Programmes and projects:** While general policies, in areas such as human rights and food security, were found to be up to date and relevant, the way they were translated into programmes and projects often led to confusion. In some cases programmes did not take all relevant policy areas into account; in other cases unclear or inappropriate government policies and strategies led to poor identification of suitable projects.

**Partnership and co-ordination:** This was often found to be weak. Findings suggested there was insufficient co-ordination between governments and donors, or indicated that the focus of individual donors on their own priorities sometimes hampered the transition to sustainable development (as in the case of Mozambique), and prevented the provision of effective donor support to governments (as in the case of Papua New Guinea and the Dominican Republic). Management committees with EU Member States generally failed to improve their two-way co-ordination and seemed unable to ensure that actions taken on both sides - with regard to food aid or food security - were properly co-ordinated.

**Implementation and management:** All projects suffered from insufficient Commission staffing. In some cases it was quite severe - human rights issues for example. With resources so scarce, the proper management of projects was deemed impossible. This problem was found to be further compounded by delays in decision-making and implementation. The responsibility for this lay with the Management Committees as well as with the Commission's lumbering implementation procedures (this despite the fact that some bureaucratic measures were imposed on the Commission). The findings concluded that in order to improve the delivery and quality of assistance, European Commission delegations should urgently be reinforced.

**Negative results of reorganisation:** It has to be admitted that the 1998 reorganisation of the Commission's external services made matters worse in two ways:

- ▶ it did not always make clear to staff adapting to new duties what were their responsibilities and what were those of their colleagues;
- ▶ it severely handicapped the provision of external assistance by failing to resolve certain fundamental staffing problems which came on top of the confusion and delay created by the streamlining of procedures.

**Wrong priorities:** The excessive emphasis placed on the correct execution of procedures and financial operations often came at the expense of the speedy delivery of assistance and the demonstration of sensitivity to local needs. Evaluations recommended that the European Commission become more preoccupied with the achievement of results.

(68) Responsibility for evaluation in the context of the Phare programme was transferred to the Directorate for Enlargement in July 2000.



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A team of European experts visit the PROLINO project in the Dominican Republic. The findings of their mission formed the basis of their project evaluation report.

## EVALUATIONS COMPLETED IN 2000

### PHARE \*

Phare - Posts and telecommunications  
 Phare - Social sector & labour market  
 Phare - Transport sector  
 Phare - Agriculture sector  
 Phare - Programmes in support of Small/Medium Enterprises (SME)

### TACIS

Country programme in the Russian Federation  
 Supply of agricultural products to Russia  
 Tacis - Customs programme  
 Country strategy - Azerbaijan  
 Country strategy - Moldova  
 Nuclear safety  
 Tacis - Lien programme  
 Tacis - Interstate programme in environment  
 Tacis - Inogate Programme  
 Joint programmes between the EC and the Council of Europe

### ACP

Human rights (ACP countries)  
 Decentralised co-operation (ACP countries)  
 EU assistance to ACP banana producers  
 Global authorisations for technical assistance  
 Country Strategy - Papua New Guinea  
 Country strategy - Senegal  
 Country strategy - Dominican Republic 1996-2000  
 Country strategy - Mozambique 1996-2000  
 Co-operation in the mining sector and Sysmin  
 Cross-Border Initiative (CBI) (Southern Africa)  
 UEMOA - Regional co-operation in West Africa

### ALA

Uprooted people (ALA)  
 Health sector (ALA)  
 Country strategy - Nicaragua  
 Microfinance in Bangladesh

### MULTI-REGION

Cofinancing with NGOs  
 AIDS/demography budgetlines  
 Fight against drugs  
 Food security

\* Evaluation function for PHARE was transferred to DG Enlargement in July 2000.

### 1.3. Country strategy evaluations

**Civil society Involvement:** Civil society was found to be generally under-represented in European Commission programmes, despite the fact that this recently improved in a number of countries.

**Poverty-related issues:** Though the European Commission's handling of issues related to poverty is improving, evaluations found this issue still needed much work.

**Institutional issues:** The issue of good governance was found to have grown in importance, claiming much more European Commission attention.

**Capacity-building:** This aspect of external assistance programmes was considered very poor. Evaluations revealed an insufficient focus on developing good, locally owned policies and relevant key institutions. It did, in some cases, find evidence of existing local structures being duplicated or bypassed.

### 1.4. Using evaluation principles

Since 1987, a series of Council Conclusions and a European Parliament Resolution have set out a list of practices to follow in the conduct of evaluations. These, as well as the pertinent actions taken during 2000, are listed below.

**Project Cycle Management (PCM) system:** This system is based on the Logical Framework planning tool for project design, monitoring and evaluation. Since 1993 it has been gradually incorporated into Commission practices. The Evaluation Unit updated this system at the end of 2000. The number of External Relations staff given the PCM training course has in the space of a year risen from 750 to 1.300 (this number includes counterpart staff in developing countries as well as consultants). This course has played a key part in the reform and reorganisation of the External Relations services. A short training course in project-level evaluation developed for Commission staff and their counterparts in partner countries, is now also being given.

**Ensuring extensive evaluation coverage:** The country, sectoral, regional and thematic coverage of evaluations is now satisfactorily comprehensive – as demonstrated by the list of 2000 evaluations, and its 20% coverage of the Phare 2000 programme. The EuropeAid Co-operation Office, with interim assistance from the Evaluation Unit, will introduce a universal new monitoring system during the year 2001. The new system will greatly increase the flow of information to management, thus helping to improve the very targeting and quality of evaluations.

#### **Exchanging evaluation results with Member States and others:**

Three meetings were held with counterpart services in the Member States to discuss current and recently completed evaluations and propose new ones. Some first steps were taken to plan joint evaluations based on the '3Cs' - Co-ordination, Complementarity and Coherence. The exchange of results with other donors continued as usual through the OECD/DAC Working Party on Evaluation.

**Publishing evaluation findings and maintaining a database:** The full texts of all evaluation reports and their short summaries commissioned by the Evaluation Unit since 1998 (they are made by specialised external consultants) can be found under the Evaluation heading on the EuropeAid Co-operation Office website. The Evaluation Unit also maintains a database of Commission-funded evaluation reports made on individual projects.

**Involvement of local stakeholders:** When evaluations are planned, key local stakeholders are consulted, especially at national and local government levels. This is done during field visits, which are a standard part of each study, and also during the comment stage of draft reports. Discussion is encouraged with civil society organisations and ultimate beneficiaries, wherever practicable. The use of local consultants in evaluation teams is strongly recommended when tendering and contracting for evaluation work. Ways of further developing these practices have been examined, in particular with the ACP Secretariat, and these have been incorporated in new operational guidelines for evaluation.

**Preparing new programmes:** A programme currently in preparation will list all policy-level evaluations (covering sectors and themes) as well as all evaluations of the 'policy mix' and the programming process.

**Feedback: the Interservices Quality Support Group (IQSG) –** This is a new group that was created by the May 2000 Communication on the progressive harmonisation and improvement in the quality of programming work. This Communication was based on relevant evaluation findings. At the end of 2000 arrangements were made to transfer to EuropeAid the project-level QSG that was set up by the Directorate-General for Development in 1998. Unfortunately, at the time of reporting, this transfer is not yet complete. This is partly due to the fact that the process will from now on be applied to projects and programmes in all regions instead of just those carried out in ACP countries. Furthermore, allowances should be made for the time required to set up evaluation arrangements for programmes which have hitherto not been subjected to quality controls.

**Additional measures:** These measures should help all Commissioners dealing with External Relations make decisions on the programme of evaluations and ensure they receive proper feedback. They include:

**The 'fiche contradictoire' mechanism:** This fiche will set out on paper the recommendations made on the basis of the evaluation findings and the reaction to these of the services concerned. This will allow the Evaluation Unit to inform Commissioners of recommended changes that have been agreed, or others that are being resisted. It is hoped these fiches will help resolve differences so that instructions regarding policies, working methods and resources can be issued. It will also point out which specific corrective measures could subsequently be evaluated.

**Regular reporting:** The evaluation service is to report regularly to the Commissioners on its major evaluation findings. It will also present six-monthly summaries on new and emerging trends.

**Annual reporting:** As requested by the Council in October 2000, the Evaluation unit will also produce regular annual reports.

All the above measures taken together will enhance the authority, independence and transparency of the Commission's Evaluation Service in the field of external co-operation, and also increase its ability to bring about change. As a learning organisation, it will find its place in the vanguard of best donor practice.

## 2. Harmonisation of contract award procedures

There have been significant developments in the harmonisation of contract award procedures. The Manual of Instructions adopted by the Commission in 1999 was developed this year with two Practical Guides, one covering the pre-programmes (Phare, ISPA, Sapard), and the other covering all external aid programmes except the EDF.

These Practical Guides set out the operational detail necessary to award contracts for services, construction work, supplies and grants. They contain all the standard forms necessary for launching calls for proposals and calls for tender procedures, as well as the corresponding standard contracts. Special rules concerning nuclear safety, applicable in the NIS, were issued by the Commission on 6 September 2000.

A special framework contract – AMS/451 – which covers short-term assistance, lasting less than twelve months and using budgets of less than €200 000 has also been established. It can be used in 12 different sectors in any country receiving external assistance.

Finally, there is also now a standard agreement for use with international organisations, modelled on the standard External Relations grant contract and the UN standard framework agreements. It can be used for any international organisation, whatever the European Union programme used for funding, apart from the development banks and the international organisations (FAO, UNESCO) with which the Community has already negotiated specific framework agreements.

All of these documents can be found under the Procedures heading of the EuropeAid Co-operation Office website ([europa.eu.int/comm/europeaid](http://europa.eu.int/comm/europeaid)).

### Some figures

In 2000, the SCR handled:

- ▀ more than 30.000 payments totalling €4.3 billion;
- ▀ commitments totalling €7.7 billion;
- ▀ 3.000 calls for tender;
- ▀ more than 8.000 contracts or addenda to existing contracts.

Statistics show that, in its first seven months of operation, 300 missions were contracted under the AMS/451 short-term contract procedure, representing about €23 million.

The number of consultations of EC notices published on the Website – both calls for tender and calls for proposals – jumped from 789 in 1999 to 2192 in 2000.

**EXTERNAL AUDITS IN 2000  
NEARLY 300 AUDIT REPORTS CARRIED OUT IN 2000**

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<b>Audits ordered in 1998 and carried out in 2000:</b>	<b>8</b>
<b>Audits ordered in 1999 and carried out in 2000:</b>	<b>32</b>
<b>Audits ordered in 1998 and being finalised:</b>	<b>15</b>
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**MEDA**

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<b>Audits ordered in 2000 and carried out in 2000:</b>	<b>37</b>
<b>Audits ordered in 2000 and to be carried out in 2001:</b>	<b>25</b>

**EASTERN EUROPE EXCEPT THE APPLICANT COUNTRIES**

<b>Audits ordered in 1999 and carried out in 2000:</b>	<b>10</b>
<b>Audits ordered in 2000 and carried out in 2000:</b>	<b>2</b>
<b>Audits ordered in 1999 and being finalised:</b>	<b>2</b>

**NGOs**

<b>Audits ordered in 2000 and carried out in 2000:</b>	<b>1</b>
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**ACP COUNTRIES**

<b>Audits initiated in 2000 (headquarters and delegations):</b>	<b>137</b>
<b>TOTAL AUDIT REPORTS:</b>	<b>288</b>

## 3. External Aid and 'RAL'

### 3.1. RAL vs Backlog

The concept of RAL (*reste à liquider*) has recently been widely discussed. It has often been wrongly interpreted as an overall backlog. Technically speaking, RAL stands for the amount of outstanding commitments. In arithmetical terms, it is the sum of all amounts committed in the previous budgetary years, minus the total amounts disbursed and de-committed.

RAL exists because of the budgetary concepts embedded in the Financial Regulation applicable to the European Union's budget, which provides for two types of appropriations for actions that run over from one budgetary year into another:

- **commitment appropriations**, setting annual limits for the commitments which will be entered into with third parties, and

- **payments appropriations**, which are meant to cover each year any foreseen disbursements to these third parties.

For EDF funding, a similar concept of 'outstanding amounts' can be defined as: the difference between the amount of 'primary commitments' – which set an upper limit to what can be contracted and spent on a given programme – and the amounts already disbursed.

Inevitably there will always be a number of outstanding commitments, but only some of them represent a real backlog. The others are amounts that have been committed for actions that are actually running according to a timed schedule which is different for each project type or programme funded by the Union.

Although a significant proportion of the amounts still outstanding is in reality neither old nor dormant (77%), all commitments classified as 'old' or 'dormant' will continue to be subject to regular monitoring.

### 3.2. How RAL evolved during 2000

In 1999, the tendency of the global RAL to stabilise had already been observed, and this was confirmed in 2000. In absolute terms, the RAL for external aid financed through the Union's budget has only grown by €713 million in 2000, the smallest increase since 1990. A comparison with 1990 also shows that this RAL increase is in line with the evolution of the amounts committed (1990 values multiplied by 3.3).



## THE EUROPEAN COMMISSION EXTERNAL RELATIONS WEBSITES

SERVICES	ADDRESS	AVERAGE VISITS PER MONTH IN 2000
DG External Relations	Europa.eu.int/comm/external.relations	1 million
DG Development	Europa.eu.int/comm/development	600.000
EuropeAid Co-operation Office	Europa.eu.int/comm/europeaid	600.000
DG Trade	Europa.eu.int/comm/trade	1 million
DG Enlargement	Europa.eu.int/comm/enlargement	1 million
ECHO	Europa.eu.int/comm/echo	400.000
The EU in the world	Europa.eu.int/comm/world	200.000

For EDF, the significant increase of the global RAL (up €2.2 billion) is an automatic consequence of the huge increase in amounts committed after the adoption of the 8<sup>th</sup> EDF.

Two specific areas of concern remain:

- ▶ Old commitments (with a life span of more than five years), and
- ▶ "Dormant" commitments (budgetary commitments for which no disbursements had been made in the past two years).<sup>(69)</sup>

Both criteria were taken as indicators showing up actions that had either fallen behind schedule or were perhaps already fully paid off. Such RAL are regarded as potentially 'abnormal' and have been subject to special review. Some significant results have already been achieved on commitments dating back to before 1995 – the number of old commitments still open has been halved, and the amounts outstanding reduced by 34%.

## 4. Transparency and the Web

The new EuropeAid Co-operation Office's prime concern is transparency of activities and management practices. This was already the case of the former SCR and of all the Commission's other External Relations services.

The Office's Website (taking over from the former SCR) is a central source of information for potential partners or just people interested in what the European Commission does in the field of external assistance. The website will soon contain progress reports on the implementation of EU aid programmes.

The site contains the full details of contract procedures, together with all the documentation pertaining to these: application forms, standard contracts, procurement notices, calls for proposals and so on so. These documents can be downloaded from the site by interested parties such as companies, NGOs, local authorities etc.

The EuropeAid site also contains final evaluation reports on programmes and projects carried out with EC funding, and will soon provide information on projects still under way.

In addition to the new EuropeAid Co-operation Office website a new Web Portal common to all External Relations services "The European Union in the World" was launched in 2000. It covers all external activities of the European Commission and can be seen as a gateway to all sectors, including country profiles. It is planned to further develop this portal in the near future.

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