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Implementation of External Assistance in 2005**

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TABLE OF CONTENTS

1.	STRATEGIC FRAMEWORK.....	4
1.1.	Introduction.....	4
1.2.	The European Consensus on Development.....	6
1.3.	Focus on Africa.....	9
1.4.	Policy Coherence for Development.....	10
1.5.	MDG Review at the UN Summit.....	13
1.6.	European Neighbourhood Policy.....	17
1.7.	Aid effectiveness.....	18
1.8.	Highlights on some 2005 key reforms.....	20
2.	GEOGRAPHICAL FOCUS.....	22
2.1.	Western Balkans.....	23
2.2.	Eastern Europe and Central Asia.....	33
2.3.	Mediterranean and Near and Middle East.....	43
2.4.	ACP countries and OCTs.....	53
2.5.	Asia.....	62
2.6.	Latin America.....	70
3.	THEMATIC PROGRAMMES AND MAINSTREAMING OF CROSS-CUTTING ISSUES.....	80
3.1.	Democracy and Human Rights.....	82
3.2.	Human and social development.....	87
3.3.	Environment and sustainable development of natural resources, including energy..	90
3.4.	Non-state actors in development.....	95
3.5.	Food security.....	97
3.6.	Migration and asylum.....	98
3.7.	Conflict prevention, crisis management and mine actions, including the Peace Facility.....	100
3.8.	Drugs.....	104
3.9.	Equality between men and women.....	106
4.	FEATURE ARTICLE.....	107
4.1.	Trade and development.....	107

4.2.	Education as a priority sector in the European Commission's external assistance..	115
5.	EC AID MANAGEMENT: EFFICIENCY AND EFFECTIVENESS OF EC CO-OPERATION	122
5.1.	2005 progress on qualitative issues in aid management	122
5.2.	Developments in aid delivery modalities.....	123
5.3.	Relations and partnerships with international organisations and other donors.....	127
5.4.	Enlargement and special Task Force on Capacity Building	131
5.5.	Simplification of EC procedures.....	132
5.6.	RAL (<i>reste à liquider</i>).....	133
6.	MONITORING AND EVALUATION	134
6.1.	Project results: Results-Oriented Monitoring.....	134
6.2.	Evaluation: Review of the 2005 work programme	138
7.	ANNEXES	142
7.1.	EC assistance detailed in other reports.....	142
7.2.	Introduction to financial tables.....	147
7.3.	Financial tables.....	149

1. STRATEGIC FRAMEWORK

1.1. Introduction

2005 was an important year for development. The UN World Summit of September 2005 and the review of progress made in the implementation of the global development agenda – the Millennium Development Goals in particular – have highlighted the leading role played by the EU and have contributed to stimulating the debate within the EU on development policy.

The new Development Policy Statement – the European Consensus on Development – was signed on 20 December 2005¹. It provides “for the first time, a common vision that guides the action of the EU, both at its Member States and Community level, in development co-operation”. The Declaration defines common values, principles, objectives and means in favour of poverty eradication and with a view to achieving the Millennium Development Goals.

The Declaration highlights the need for better co-ordination and harmonisation between all donors in order to support developing countries’ own efforts. While “the primary and overarching objective of EU development co-operation is the eradication of poverty”, the Declaration also takes into account the importance of realising the synergies between different policies and objectives of EU external action. It sets development objectives within the context of sustainable development; Human Rights and good governance are defined not only as areas for action and cross-cutting issues to be systematically mainstreamed, but also as objectives in their own right.

While the European Consensus provides the general policy framework, orientations and focus to guide the implementation of Community co-operation with partner countries and regions, the legal framework for Community Development Policy is laid down in the Treaty establishing the European Community. In particular, Article 177 sets three objectives for the EC development policy: the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them; the smooth and gradual integration of the developing countries into the world economy; and the fight against poverty in the developing countries.

In preparation for the World Summit of September 2005, on the basis of Commission proposals, the EU as a whole and the 25 Member States individually committed themselves to taking ambitious measures to accelerate progress towards the Millennium Development Goals. Their commitments focused on three issues: (1) more and better aid; (2) strengthened policy coherence for development; and (3) extra efforts in support of Africa.

¹ The Commission and the Council adopted the document at the General Affairs and External Relations Council on 22 November 2005 (14820/05), whereas the Parliament endorsed it at the Plenary Session of 15 December 2005 (Resolution n. P6-TA-PROV (2005) 0528)

The EU Strategy for Africa, adopted in December 2005, is the first concrete application of the European Consensus on Development. It sets out a framework for action for EU Member States and the European Commission to support Africa's efforts to attain the Millennium Development Goals, and foresees enhanced support in particular for peace and security, governance, infrastructure and trade.

The EU is the world's leading donor. Collectively the EU provides 52.32% of worldwide official development assistance, amounting to €44.8 billion (US\$55.7) in 2005. The collective EU aid effort, expressed as a proportion of the combined EU national income, reached 0.44% in 2005. The EU committed itself to further increasing its aid volumes to 0.56% of its national income by 2010, with a view to reaching 0.7% by 2015, thus making this long-standing UN target a reality. Through this effort, the EU will provide 78% of the expected additional Official Development Assistance (ODA) by 2010. Significant progress was also made on the aid effectiveness agenda.

The EU acknowledged that finance alone is not enough to reach the Millennium Development Goals, and that non-aid EU policies have a very important contribution to make in this respect. The EU has decided to associate other policies with the MDG agenda. It has identified 12 policy areas that have great potential to contribute to the MDG objectives. A so-called 'Policy Coherence for Development commitment' was made in respect of each of them (agricultural policy, trade policy, research and development policy, etc) in order to improve coherence with the specific objectives pursued by EU development policy.

Through its co-operation programmes with over 160 countries, the EC is particularly attentive to responding to the diverse challenges facing different regions and adjusting to the different priorities of each partner. Assistance is adapted to the specific relations linking the EU more closely to certain countries and to the co-operation priorities defined in that framework. For the EU's neighbouring countries, the European Neighbourhood Policy (ENP) aims at developing a zone of shared prosperity and stability, in order to bring these countries closer to the EU while offering them a stake in its internal market. Development policy constitutes a component of the ENP within its broader policy framework. In addition, EU co-operation with Russia is pursued in the framework of the strategic partnership established between the two.

A number of close partners, namely Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Serbia and Montenegro and Kosovo (under UN Security Council Resolution 1244) have now moved further on the path to accession to the EU and continue to benefit from the CARDS Programme until the introduction of the unified instrument for pre-accession in 2007. The prospect for future membership of the EU was endorsed by the Feira European Council in June 2000 and confirmed by the European Council in Thessaloniki in June 2003. The European Council of December 2004 reaffirmed that the future of the countries of the Balkans is within the European Union. The Thessaloniki Agenda has strengthened and enriched the Stabilisation and Association Process with elements from the enlargement process, so that it can better meet the new challenges as the countries of the region move from stabilisation and reconstruction to accession preparation.

CARDS assistance, which underpins the political process, is directed at adjusting to the EU political objectives for the region and particularly at contributing to the Stabilisation and Association Process. Croatia was granted candidate country status following the decision of the European Council of 17 and 18 June 2004. Croatia as a candidate country benefits from all three pre-accession financial instruments: Phare for institution-building and economic and social cohesion, ISPA for environment and transport infrastructures, and SAPARD for agricultural and rural development. Croatia also remains eligible for the CARDS Regional Programme in 2005 and 2006.

1.2. The European Consensus on Development

The key political priority for 2005 was the adoption of a new development policy statement. The European Consensus on Development, jointly agreed by the Commission, the Council and the Parliament in December 2005, provides a policy platform setting out common objectives and principles for development co-operation. It reaffirms the EU commitment to poverty eradication, ownership, partnership, delivering more and better aid, and promoting policy coherence for development. It will guide the European Union's development co-operation with all developing countries for the coming years.

The starting point for this consensus was the wide public consultation process that took place between January and April 2005, on the basis of an Issues Paper on the future of EU development policy and an online questionnaire. A tour of European capitals took the debate to national governments, parliaments and civil society of the Member States. The process – involving a multiplicity of stakeholders, as well as the Commission Delegations in a number of developing countries – produced a total of 530 contributions, which were then analysed in a Consultation Report². An evaluation study³ of the 2000 EC Development Policy Statement was also undertaken and integrated into the Commission's new proposals.

The Commission then prepared its proposal for a joint declaration by the Council, the Parliament and the Commission, and the resultant Communication was adopted in July⁴. At that point, the formal debate started between the Commission, the Council and the European Parliament. The European Economic and Social Committee drafted an opinion on the Commission proposal, supporting the concept of an EU policy statement, highlighting the importance of greater harmonisation between the EU actors, and stressing the need for a more inclusive globalisation. The Committee of the Regions also provided input on the related subject of decentralised co-operation. The debate was rich, lively, and at times controversial.

The Parliament adopted a first Resolution on the Commission proposal, the content of which had been integrated to a large extent in the final draft of the Statement. Thus, the need for a balanced approach tackling all aspects – social, economic and environmental – of sustainable development, the emphasis on gender and on children's rights and the promotion of key principles of aid effectiveness were clarified and strengthened thanks to the Parliament.

² http://europa.eu.int/comm/development/body/tmp_docs/consultation_report_en.pdf#zoom=100

³ http://europa.eu.int/comm/development/body/tmp_docs/ecdpm_report.pdf

⁴ COM(2005) 311 of 13.7.2005

The Council and the Commission adopted the Consensus at the General Affairs and External Relations Affairs Council in November. Then the Parliament proceeded swiftly to adopting a second Resolution which welcomed “the fact that for the first time the EU and its Member States have agreed to act together to promote a common EU vision of development, setting out common objectives and principles and reaffirming the EU's commitment to poverty eradication, ownership, partnership, delivering more and better aid and promoting policy coherence for development, which will guide Community and Member States' development co-operation activities in all developing countries.” Thus the Parliament has given its assent to the European Consensus on Development, making it a fully fledged tripartite Declaration between the three major institutions of the European Union.

The approval of the European Consensus marks the beginning of a new paradigm for development co-operation. For the first time in fifty years of development co-operation, the Declaration defines at the Union level the common values, principles, objectives and methods in favour of poverty eradication. It commits the Community and the Member States, not only as members of the Council, but also as bilateral donors.

The European Consensus on Development

The European Consensus on Development reflects the European Union's willingness to make a decisive contribution to poverty eradication and to help build a more peaceful and equitable world.

The Declaration is divided into two parts: the EU common vision of development is the subject of Part I, while Part II sets out the policy guiding the implementation of this vision at the Community level.

Part I - The European Union Vision of Development

This part will guide Community and Member State development co-operation activities in all developing countries.

Common Objectives

The primary objective is the eradication of poverty, considered in its multidimensional aspects and in the context of sustainable development, in line with the Millennium Development Goals (MDGs). Human rights and good governance are other important objectives.

Common principles

Ownership, partnership, in-depth political dialogue, participation of civil society, gender equality, engagement towards preventing state fragility.

Delivering more and better aid

Commitments to:

- reach 0.7% target of gross national income by 2015 (0.56 % by 2010 is

the intermediate target

- make public development assistance more stable and predictable
- implement and monitor commitments on aid effectiveness
- progressively increase the budget support aid modality, as a means of strengthening ownership
- use also debt relief and improve untying of aid
- improve co-ordination and complementarity between the Community and Member States.

Advancing Policy Coherence for Development

Take account of development co-operation objectives in all policies which can affect developing countries and ensure that these policies support development objectives.

Part II - European Community Development Policy

This part sets out how the common vision will be implemented in the delivery of assistance from the resources entrusted to the Community.

The Community role

The Commission will use a differentiated approach based on its comparative advantages as well as on the needs expressed by the regions and countries. In each country it will target its assistance in a limited number of priority areas of action. Resource allocation will be guided by objective and transparent criteria related to needs and performance.

Nine areas for action

The Community will be primarily active in the following nine areas:

- trade and regional integration
- the environment and the sustainable management of natural resources
- infrastructure, communications and transport
- water and energy
- rural development, territorial planning, agriculture and food security
- governance, democracy, Human Rights and support for economic and institutional
- reforms

- conflict prevention and fragile states
- human development
- social cohesion and employment.

Four cross-cutting issues

In all its activities the Community will apply a strengthened approach to mainstreaming these cross-cutting issues:

- democracy, good governance, Human Rights, the rights of children and indigenous peoples
- gender equality
- environmental sustainability
- the fight against HIV/AIDS.

The wider picture

Aid modalities will be tailored to countries' needs and contexts, with budget support as the preferred modality. When appropriate, the Community will continue to support global funds and initiatives clearly linked to the Millennium Development Goals and Global Public Goods.

1.3. Focus on Africa

In 2005 Africa featured high on the EC agenda. On 12 April, the Commission proposed, as part of the so-called *MDG package of Communications*⁵, a "Focus on Africa". In this proposal, the Commission concentrated mainly on three multipliers for development: governance, infrastructure and social cohesion. The Council (April 2005) welcomed the "Focus on Africa" initiative and called on the Commission to elaborate further these proposals and to develop a long-term Strategy for Africa.

The new EU Strategy for Africa was adopted on 12 October 2005 by the European Commission. Its adoption was preceded by consultations with the African regional organisations and the African Union. Following this proposal, the European Council adopted on 19 December a full-scale EU Strategy for Africa.

This Strategy provides a common, comprehensive and coherent framework for action for all EU Member States and the European Commission to support Africa's efforts to reach the UN Millennium Development Goals (MDGs). In the context of this Strategy, the Commission will strengthen its political, economic and developmental support in areas considered prerequisites for attaining the MDGs (peace and security, good governance), areas that create the economic environment for achieving the MDGs (economic growth, trade, interconnection) and areas directly targeting the MDGs (social cohesion, environment). The four key Commission initiatives under

⁵ COM(2005) 132

this Strategy are a new Governance Initiative, a Euro-Africa Business Forum, a Partnership for Infrastructure, and the Nyerere programme for student exchange.

As decided at the EU-Africa Ministerial meeting in Bamako on 5 December 2005, commitments made in the context of this Strategy will be closely monitored, with the Commission working together with Member States and the Council Secretariat.

The year 2005 witnessed strengthening of the link between the European Commission and the African Union. The dialogue especially took on a high profile on 12 October 2005 when the EC College hosted a joint seminar with the AU Commission in Brussels. In addition to the Commission-to-Commission meeting, a large number of bilateral meetings were held between different European Commissioners and their respective AU Commission (AUC) counterparts. Members of the European Commission have attended all AU Summits to date. A framework for future co-operation between the two Commissions is set out in a Joint Work Plan which, together with a Joint Declaration, was adopted at the Commission-to-Commission meeting on 12 October.

At the technical level, a Joint EC-AUC Task Force has been established and its two first meetings were held in Addis in February 2005 and in Brussels in July 2005; a third meeting is foreseen in early 2006. Its objective is to foster close institutional ties through the exchange of experience in different fields such as institutional development, governance, environment and trade. In parallel, the Commission has fully contributed to the progress of the EU-Africa dialogue, and actively participated in the work of international fora where Africa was high on the agenda, in particular the G8 and the UN.

According to the 2005 FAO (Food and Agriculture Organization) report on world food security, one-third of the Sub-Saharan Africa population is currently undernourished. The Commission is heavily engaged in tackling acute and chronic hunger in Africa in the framework of poverty reduction programmes. During major food crises which occurred in Niger, Malawi and Sudan in 2005, and are likely to continue in 2006, the EC has mobilised aid in close co-ordination with other donors and UN organisations.

To reduce poverty, of which food insecurity is the basic dimension, the new EU Strategy for Africa aims at promoting pro-poor growth. To that effect, the Commission is in the process of elaborating a pan-African programme to tackle rural poverty by advancing agricultural development. African leaders and the AU are increasingly aware that food security and agriculture are linked and need to be prioritised, reversing the negative trends in investments of the last decade. Developing agriculture would raise rural income and improve access to food at household level, while increasing its availability at national level.

1.4. Policy Coherence for Development

It is widely understood that development policy alone will not bring progress to developing countries. An effective improvement in the coherence of developed countries' policies would put developing countries in a much better position to achieve the Millennium Development Goals. The impact of EU non-aid policies on

developing countries should not be underestimated, nor should their potential to make a positive contribution to the development process in these countries.

The EU commitment towards policy coherence is not only a key political commitment in the context of the MDGs. It also has a firm legal basis in the EC Treaty (Art. 178), which states that the Community “shall take account” of development objectives in all its non-aid policies “which are likely to affect developing countries”. In preparation for the World Summit of September 2005, based on the Commission Communication on Policy Coherence for Development of April 2005⁶, the Council adopted in May 2005 conclusions on how non-aid policies can assist developing countries achieving the MDGs.

The Commission Communication identified 12 different policy areas where the challenge of attaining synergies with development policy objectives was considered particularly relevant for assisting developing countries achieving the MDGs. The Council took the commitments to the implementation of the objectives contained in the Commission Communication and agreed on a list of ‘policy coherence for development commitments’. In addition, the ‘European Consensus on Development’, jointly agreed by the Commission, the Council and the European Parliament in December 2005, reaffirms the EU’s commitment to taking action to advance policy coherence for development in these 12 areas.

⁶ Commission Communication on ‘Policy Coherence for Development (COM(2005) 134), April 2005

The 12 Policy Coherence for Development commitments⁷

Trade: The EU is strongly committed to ensuring a development-friendly and sustainable outcome of the Doha Development Agenda and EU-ACP Economic Partnership Agreements (EPAs). The EU will further improve its Generalised System of Preferences, with a view to effectively enhancing developing countries' exports to the EU. The EU will continue to work towards integrating trade into development strategies and will assist developing countries in carrying out domestic reforms where necessary.

Environment: The EU will lead global efforts to curb unsustainable consumption and production patterns. The EU will assist developing countries in implementing the Multilateral Environmental Agreements (MEAs), and will work to ensure that the capacities of developing countries are taken into account during MEA negotiations. The EU will continue to promote pro-poor environment-related initiatives and policies.

Climate Change: The EU recognises that one of the greatest environmental and development challenges in the twenty-first century is that of mitigating and adapting to climate change, and that lasting progress in achieving the MDGs will be enhanced by the success of the international community in implementing the Kyoto Protocol and reinvigorating the international negotiations to ensure a post-2012 arrangement in the context of the UN climate change process. In this context the EU reconfirms its commitment to the Kyoto Protocol and its determination to develop a medium- and long-term EU strategy to combat climate change, consistent with meeting the 2 degree objective as outlined in the European Council's conclusions of the 23 March 2005.

Security: The EU will treat security and development as complementary agendas, with the common aim of creating a secure environment and of breaking the vicious circle of poverty, war, environmental degradation and failing economic, social and political structures. The EU will enhance its policies in support of good and effective governance and the prevention of state fragility and conflict, including by strengthening its response to difficult partnerships/failing states. The EU will strengthen the control of its arms exports, with the aim of avoiding EU-manufactured weaponry being used against civilian populations or aggravating existing tensions or conflicts in developing countries.

Agriculture: The EU will continue its efforts to minimise the level of trade distortion related to its support measures to the agricultural sector, and to facilitate developing countries' agricultural development.

Fisheries: The EU will continue to pay particular attention to the development objectives of the countries with which the Community enters into bilateral fisheries agreements. Within the context of the new EU policy on fisheries partnership agreements with third countries, which has been implemented since 2003, the EU will continue to encourage the conclusion of fisheries agreements in order to

⁷ General Affairs and External Relations Council (GAERC) conclusions of 24 May 2005

contribute towards rational and sustainable exploitation of the surplus of coastal states' marine resources, to the mutual benefit of both parties.

Social dimension of globalisation, employment and decent work: The EU will contribute to strengthen the social dimension of globalisation with a view to ensuring maximum benefits for all, men and women. The EU will promote employment and decent work for all as a global goal.

Migration: The EU will promote the synergies between migration and development, to make migration a positive factor for development.

Research and innovation: The EU will promote the integration of development objectives, where appropriate, into its RTD and innovation policies, and will continue to assist developing countries in enhancing their domestic capacities in this area. The EU supports global, regional and national efforts in research for development, to address the special needs of the poor in the areas of health, including prevention and treatment of HIV/AIDS, agriculture, natural resource and environmental management, energy, in particular renewable energy and energy efficiency, and climate.

Information society: The EU will address the digital divide by exploiting the potential of Information and Communication Technologies as a development tool and as a significant resource for attaining the MDGs.

Transport: The EU will address the special needs of both land-locked and coastal developing countries by promoting the intermodality issues for achieving network interconnectivity as well as security and safety issues.

Energy: The EU is strongly committed to contributing to the special needs of developing countries by promoting access to sustainable energy sources and by supporting the interconnection of energy infrastructures and networks.

As regards implementation and with a view to supporting strengthened policy coherence for development, the Council conclusions of May 2005 and the European Consensus on Development called for improved procedures, mechanisms and instruments at the level of the Council, Commission and Member States, and for the allocation of adequate resources and the sharing of best practices. Furthermore the Commission and Member States are committed to prepare a rolling work programme that will propose priorities for action, define roles and responsibilities of Council, Member States and Commission and set out sequencing and timetables.

To further enhance EU policy coherence in the specific context of supporting the MDGs, the Commission will prepare biennial progress reports to monitor progress on the EU coherence commitments. The first of these EU PCD reports is due in 2007.

1.5. MDG Review at the UN Summit

The EU has on several occasions underlined the importance of the MDG Review at the World Summit of September 2005 as a decisive opportunity to accelerate progress towards achieving the Millennium Development Goals.

In preparation for the UN Summit, the European Commission services compiled a consolidated EU report on how the Union has contributed towards past progress on the Millennium Development Goals. The report was based on the national and Community MDG reports⁸ prepared in 2004 and 2005 by the EU Member States and the Commission.

Building on these MDG reports, in April 2005 the Commission adopted three Communications which provide concrete proposals on how to accelerate progress towards achieving the MDGs. Together, these Communications offer a substantial reply to the challenges ahead. On this basis, in May 2005 the European Union adopted conclusions aimed at accelerating progress towards the Millennium Development Goals – by more and better aid, by strengthened policy coherence for development, and by extra efforts in support of Africa. These conclusions, which formed the basis for the European contribution to the UN Summit in September 2005, consisted of three main elements:

(1) a significant increase in the quantity and quality of Official Development Assistance (ODA)

In 2005 the 25 Member States' ODA totalled €43 billion (OECD figures). Yet EU Member States agreed to continue increasing their ODA budgets beyond the commitments they made at Monterrey (0.39% of GNP in 2006), committing to a new interim minimum target for each Member State of 0.51% for 2010 (0.17% for the new Member States). This would take the Union's collective effort to 0.56% with the ultimate goal for 2015 being 0.7%. In absolute terms this commitment would mean an additional €20 billion in ODA by 2010, and ensure staying on track for the achievement of the 0.7% target fixed by the UN in 2015.

(2) strengthening Policy Coherence for Development and associating non-aid policies to the MDG agenda

Development co-operation alone will not be enough to achieve the Millennium Development Goals. Other EU policies have an essential role to play in helping developing countries attain the MDGs. The Union has agreed to associate 12 policy areas with the MDG objectives and timeframe. The EU is fully committed to taking action to advance Policy Coherence for Development in these 12 areas. On each one, the EU accepts specific 'Policy Coherence for Development commitments', to make these policies coherent with development policy objectives.

(3) the priority given to Africa.

The Commission wishes to focus its efforts on Africa and help its countries become the main players in their own development. The EU should focus on areas where it can also catalyse action by other donors:

- governance, in particular through support for the African Union and partnership with its institutions and the refinancing of the Peace Facility;

⁸ "EC Report on Millennium Development Goals 2000-2004", (SEC(2004) 1379), October 2004

- the networks necessary for regional integration between African countries and fostering South-South trade;
- social cohesion and sustainable development.

The Monterrey Process - Financing for Development and Aid Effectiveness

In the context of the UN World Summit, the European Union accepted historic new commitments on Financing for Development and Aid Effectiveness, building on the earlier 'Barcelona commitments' taken at the Monterrey International Conference on Financing for Development in 2002. The decisions of May 2005 were essential to prompt commitments by others. The EU's endeavours were welcomed by our developing country partners, particularly because the results of the Summit itself remained below expectations, notably as regards the Financing for Development segment. Subsequently, the UN General Assembly agreed on a follow-up conference to take place between 2008 and 2009 to review further progress on the Monterrey consensus.

The new ODA commitments will further reinforce the EU's position as the world's biggest aid donor. They include

New targets for Official Development Assistance (ODA): the EU increased the initial ODA targets set by those Member States that participated in the 'Barcelona commitments' (= EU15): those targets consisted of a 0.33% ODA/GNI individual baseline to ensure an EU collective average result of 0.39% by 2006). In order to achieve the 0.7% UN goal by 2015, all 25 Member States subscribed to new intermediate commitments for 2010.

The EU15 that are below a level of 0.51% ODA/GNI undertake to achieve that level; while those that are above promised to sustain their efforts.

The Member States that joined the EU after 2002 (=EU10) and have not yet attained a level of 0.17% ODA/GNI will strive to increase their aid to that level by 2010 and to 0.33% by 2015. The acceding countries of Romania and Bulgaria aligned themselves to these commitments.

These individual commitments would correspond to a collective EU result of 0.56% ODA/GNI by 2010.

These commitments are combined with the promise to raise aid to Sub-Saharan Africa and to provide at least 50% increased aid volume to the African continent.

Further new commitments concern: innovative sources of financing for development; further debt relief; more predictable aid mechanisms, mitigation of exogenous shocks and aid untying; better co-ordinated and more effective aid at EU level – notably by implementing the Paris Declaration on Aid Effectiveness and the additional EU commitments; International Public Goods; reform of the international financial institutions with a view to strengthening the voice of developing countries, starting from an improvement of existing EU co-ordination; and finally more and better co-ordinated aid for trade (trade-related assistance).

The Commission informed the Council with reflections on the most promising options for innovative sources of financing for development and provided detailed technical analyses⁹. As a result of this process, two proposals received the support of some Member States: the International Finance Facility for immunisation; and a contribution on airline tickets to be introduced on a country-by-country voluntary basis to help finance development projects. These either aim to ‘frontload’ the implementation of already committed resources transferred to partner countries or to mobilise resources to finance existing ODA commitments.

Concerning further debt relief, the most important development in 2005 was the Multilateral Debt Relief Initiative launched by the G8 in view of the UN World Summit.

The Commission remains committed to the Highly Indebted Poor Countries (HIPC) initiative, to which it has pledged more than €1.6 billion. In 2005 debt relief effectively granted on EDF loans to HIPC countries amounted to €88.64 million, bringing the cumulative amount of Commission participation since inception in 2000 to €344.5 million, including the supplementary Least Developed Country initiative decided on by the ACP-EU Council in December 2000.

The Commission acts also as a donor to the HIPC Trust Fund to help finance the participation of other regional multilateral organisations in the initiative and has, since inception, transferred to it €841.5 million (USD 820 million), out of which USD 697 million have been effectively used by the Trust Fund for debt relief so far. The Commission reports annually to the EDF Committee and to the ACP group of the Council on the details of the implementation of the HIPC initiative¹⁰.

The trade-related assistance commitment was further specified by the Council in December 2005 prior to the WTO Ministerial Conference in Hong Kong:

The EU jointly committed to provide, by 2010, €2 billion for ‘aid for trade’. The EC alone will contribute €1 billion and all Member States together the other €1 billion.

The EU also agreed to ensure adequate and predictable funding of an enhanced Integrated Framework¹¹, provided the current weaknesses are addressed.

⁹ "New Sources of Financing for Development : A Review of Options" SEC(2005) 467 of 05.04.2005 : http://europa.eu.int/comm/development/body/communications/docs/133_com_staff_working_paper_options_en.pdf, "An analysis of a possible contribution based on airline tickets as a new source of financing development" SEC(2005) 733 of 15.06.2005, and "A possible contribution based on airline tickets as a new source of financing development : technical reflections in the run up of the UN High Level Event", SEC(2005) 1067 of 01.09.2005: http://europa.eu.int/comm/taxation_customs/taxation/other_taxes/airline_tickets/index_en.htm

¹⁰ The “Commission Participation in the HIPC Initiative - 2005 Status Report” is available at http://europa.eu.int/comm/development/body/theme/hipc/index_en.htm

¹¹ The Integrated Framework (IF) for the Least Developed Countries is the key multilateral initiative in the area of trade-related capacity building. The IF is designed to help countries mainstream trade in national development strategies. It is also an instrument for donor co-ordination of trade assistance to LDCs. It is supported by a range of donors and involves six multilateral agencies: WTO, WB, IMF, ITC, UNCTAD and UNDP

1.6. European Neighbourhood Policy

Objectives of the European Neighbourhood Policy

The European Neighbourhood Policy (ENP), approved by the Council in 2004, is a key EU external relations priority.

Through the ENP, the EU is seeking to promote governance and development in its immediate vicinity. The ENP responds to the EU's interests in helping ensure increasing prosperity, stability and security on its border, and to the wishes of the neighbours of the enlarged EU for closer relations. The ENP also supports efforts to achieve the objectives of the European Security Strategy adopted by the European Council of December 2003.

The ENP offers partner countries a new kind of relationship with the EU, going beyond co-operation to include closer political links and an element of economic integration. In addition to these incentives it offers a stake in the internal market and support to meet EU standards, as well as assistance with reforms that will stimulate environmentally sustainable economic and social development. In turn, ENP partners make precise commitments, which can be monitored, to strengthen the rule of law, democracy and respect for Human Rights, to promote economic reforms, to stimulate employment and social cohesion, and to co-operate on key foreign policy objectives such as counter-terrorism and non-proliferation of weapons of mass destruction. The ENP also helps address concerns within the EU about illegal migration, border management and organised crime.

The ENP works on the basis of Action Plans. An Action Plan is an agreement between the EU and the neighbour country identifying priorities for action across a broad range of areas. The Action Plan agreed with each partner is keyed to its particular needs and capacities, in line with the principles of joint ownership. The partnership is designed in such a way as to reward progress with greater incentives and benefits, which are entirely distinct from any prospect of accession. How far and how fast each partner progresses in its relationship with the EU depends on its capacity and will to implement the agreed priorities.

Main achievements to date:

In 2005, significant progress has been made:

- Implementation of the seven ENP Action Plans approved in December 2004 (Israel, Jordan, Moldova, Morocco, the Palestinian Authority, Tunisia and Ukraine) has started and is kept under review through the institutions of the Partnership and Co-operation and Association Agreements.
- Preparation of five new Action Plans has begun (Armenia, Azerbaijan, Egypt, Georgia and Lebanon) and should be completed in 2006.

Partners with approved Action Plans have begun implementing the agreed priorities, in line with clear timetables. Furthermore, the Government of Moldova has made the ENP Action Plan the centrepiece of its reform strategy, and some Mediterranean countries see ENP as a means of accelerating their own reform programmes (e.g.

Jordan's linkage with its own National Agenda) and achieving the enhanced status in relations with the EU they have long sought.

During 2005, sub-committees have been established, most of them new, under the existing Association or Partnership and Co-operation Agreements. These cover political dialogue, justice and home affairs including migration, the economy, social affairs and education, research, transport, energy and environment. In this framework, a first round of technical discussions on the implementation of the Action Plans has taken place with seven countries. Through this scheme, progress has been made on a number of important issues, e.g. Market Economy Status, visa facilitation and energy dialogue with Ukraine, setting up a border-monitoring mission on the Moldova-Ukraine border, strengthening and expansion of the scope of the EU's political dialogue with a number of Mediterranean countries (including, for the first time, the creation of sub-committees in which to discuss on a regular basis issues such as democracy, Human Rights and governance). Immediate examples on the assistance side include institutional twinning¹² and the use of the TAIEX instrument¹³ to provide targeted policy and legal advice in the context of legislative approximation with the *acquis communautaire* for Southern Mediterranean partners.

As part of the reform of the external financing instruments, the Commission proposal (October 2004) for a new European Neighbourhood and Partnership Instrument (ENPI) has been positively received overall by the Council and the European Parliament. It has the capacity to support a wider range of activities than is possible under existing financial instruments (MEDA and TACIS), integrates a wide range of core policy objectives, including for example development policy, and takes a new approach to cross-border co-operation. Even before the adoption of this Regulation, EC assistance under these instruments is being targeted towards the reform priorities agreed in the ENP Action Plans, as well as strengthening cross-border co-operation through Neighbourhood Programmes.

EU Member States are taking the ENP Action Plans into account in their own bilateral assistance programming while the international financial institutions (IFIs) are also beginning to take the ENP Action Plans as the basis of their own agenda for their operations with these partner countries.

1.7. Aid effectiveness

1.7.1. Co-ordination and harmonisation

2005 has been an active year for the strong EU commitment to enhance the quality and effectiveness of its aid. Indeed, the international process on co-ordination received a strong impetus through the second High Level Forum on Aid Effectiveness (HLF II) of Paris in March 2005, which provided a comprehensive agenda for immediate implementation. The EU was instrumental in helping international donors and aid recipients agree on monitorable commitments related to ownership, harmonisation, alignment, results and mutual accountability. The Paris

¹² "Twinning" refers to the institutional twinning arrangements developed in the PHARE programmes for candidate countries

¹³ <http://taiex.cec.eu.int/>

Declaration, its objectives and indicators represent the visualisation of these commitments which are to be implemented before 2010.

In this Declaration the European Union – Member States, including 10 new Member States as emerging donors, and the Commission – signed up to additional ambitious objectives, both as individual donors and as a collective group. Indeed, the EU committed itself in Paris to additional concrete targets, in particular :

- to provide all capacity building assistance through co-ordinated programmes with an increasing use of multi-donors arrangements;
- to channel 50% of government-to-government assistance through country systems, including by increasing the percentage of assistance provided through budget support or Swap arrangements;
- to avoid the establishment of any new Project Implementation Unit (PIU);
- To reduce the number of uncoordinated missions by 50%.

In addition, and in the run up to the HLF II, the EU adopted a comprehensive set of commitments as a collective contribution to the reduction of transaction costs. These are based on the Council Conclusions of November 2004 and entail progress on elements such as supporting local process, joint programming, joint arrangements and further division of labour.

Moreover, determined to move the international agenda forward and to assume its share of the effort, the EU gave increased aid effectiveness a central role in its own development strategy. Improving aid effectiveness has been introduced as an essential part of the New EU Development Policy Statement and the EU Strategy on Africa, both of which focus on developing concrete results in the field in this regard.

1.7.2. Complementarity

The new policy statement - the European Consensus on Development - places the effectiveness of EU aid, including complementarity, at the centre of its shared vision. The EU Strategy for Africa, endorsed by the European Council at the same time, also calls for rapid and steady implementation of the aid effectiveness agenda in Africa.

This set of commitments forms a package of comprehensive deliverables regrouped in an Action Plan which is now being submitted to the Council and the European Parliament. These commitments fall on three interconnected axes:

- a transparent and knowledge-based mapping and monitoring of activities. This includes deliverables such as the Donor Atlas, the preparation of a second edition for 2006, and the drafting of several compendia of EU development rules;
- the execution of the aid effectiveness pillar of the new EU strategy framework, as defined in the new development policy statement, the European Consensus and the EU Strategy for Africa;

- the implementation of the collective commitments adopted by the Paris Declaration on harmonisation and alignment. This includes *inter alia* the preparation of a proposal for a joint Programming Framework. Background studies for this have analysed and compared the programming systems of the Member States and existing experience in the field, and the results have been the subject of a lengthy consultation process with the Member States. This also includes the establishment, by common accord of all EU donors present in the field, of country-based ‘EU harmonisation roadmaps’ to define concrete steps strengthening the local harmonisation process in relationship to national agendas.

Finally, in December 2005, the EU adopted two Regulations¹⁴ laying down rules on access to Community External Assistance, amending all existing aid instruments and initiating an unprecedented untying of EC aid. This approach, which goes far beyond a trade negotiation between donors, has been endorsed by the Council and the European Parliament. It puts the partner country at the centre of the action and advocates an intelligent application of the concept of untying that also supports regional integration, capacity building and the development of local markets. It helps the partner country to become a major actor in its own development, not only in political terms but also operationally. In the new regulations, all aid to the Least Developed Countries will be unilaterally untied.

The procurement of expertise will also be untied, meaning that contracts will be awarded only on the dual criteria of quality and price. 30% of all EC aid will be completely untied. According to internationally agreed estimates, this will create better value-for-money, worth up to €500 million, going much further than the existing limited international consensus that covers only 2% of aid.

The remaining part of EC aid will be almost completely untied, the only condition being reciprocity for donors. This represents a generous offer for those donor countries that do not yet untie their aid.

1.8. Highlights on some 2005 key reforms

1.8.1. Revision of the Cotonou Agreement

The year saw a number of opportunities to accelerate progress towards world poverty reduction. The first major political event of 2005 reached a successful conclusion on February 23 when, following 10 months of discussions, 25 EU Member States and 78 countries from Africa, the Caribbean and the Pacific completed negotiations on revision of the Cotonou Agreement.

The objectives were to enhance the effectiveness and quality of the EU-ACP partnership, ensure consistency with the new international agenda for development, deepen the political dimension of the partnership, and broaden the co-operation framework to include new security issues. The revision process did not call into question the fundamental *acquis* of the Cotonou Agreement.

¹⁴ Council Regulation (EC) No 2112/2005 and Council Regulation (EC) No 2110/2005

The outcome is a balanced package which can be summarised as follows:

- The political dimension and co-operation in the area of security have been strengthened. The establishment of a more systematic political dialogue under Article 8, in relation to respect for Human Rights, democratic principles and the rule of law, will encourage effective dialogue and better results. A number of important security provisions have been added to the Agreement, including references to the fight against terrorism, the International Criminal Court (ICC), and co-operation in countering the proliferation of Weapons of Mass Destruction (WMD). This last commitment is an essential element based on clear reference to the relevant multilateral bodies, including the IAEA and OPCIN. This constitutes a real breakthrough in the area of international relations and reflects the common commitment of 78 ACP countries and 25 EU Member States to the non-proliferation of WMD.
- Development strategies have been improved through a series of amendments. These include a specific reference to the MDGs, facilitation of non-state actor access to indicative programme resources, recognition of local authorities as actors in the partnership, and enhancement of regional co-operation between ACP states and other developing countries.
- The Investment Facility has been made more flexible by amending the conditions attached to loans and interest-rate subsidies, exchange-rate-risk-sharing, and repayments to the Bank. The Facility is now subject to a joint performance review halfway through and at the end of the financial protocol.

Implementation and management procedures have been simplified and improved, *inter alia* through provisions relating to greater flexibility in the allocation of resources, untying of aid and, in particular, the creation of a larger reserve at the time resources are allocated. The reform also introduces the possibility of raising amounts in national and regional envelopes in the light of special needs, exceptional performance, or to cover international initiatives of benefit to ACP countries. The responsibilities of the managing and executing agents have been reformulated, including a greater strategic role for the national authorising officers.

1.8.2. *New financing instruments and financing perspectives*

Important work was done in 2005 on reform of the overall legal and financial framework of the aid programmes managed by the Commission. In place of the existing range of geographic and thematic instruments, six new instruments were proposed by the Commission in September 2004, three of them horizontal to respond to particular needs – humanitarian aid, stability and macro-financial assistance – and three with a defined geographic coverage for the implementation of specific policies: pre-accession, neighbourhood, development and economic co-operation. The Commission proposals have been subject to intense debate with the European Parliament and Council.

The Commission was heavily engaged in 2005 in preparing the next generation of aid programmes to be implemented in the framework of the Financial Perspectives 2007-2013.

In co-operation with the competent authorities and the relevant stakeholders of the beneficiary countries, as well as with the Member States and other donors, the Commission started work on the Strategy Papers that will guide the programming process for the different countries and regions. This process will be completed in 2006, to allow an implementation of the planned activities from January 2007 onwards.

Objectives and principles enshrined in the December 2005 European Consensus on Development have inspired the preparation of these country and region Strategy Papers. Particular emphasis has been placed on the improvement of aid effectiveness, by translating the commitments entered into by the EU and its Member States, in particular at the Paris High Level Forum, into the programming process.

The simplifications proposed by the Commission have a significant impact on the management of thematic programmes in particular. The different existing thematic regulations will be integrated into these new enabling regulations.

The future of thematic programmes has been of particular concern to the European Parliament and the Council, but also to European NGOs, and has generated debate in the context of the new legal framework. In response to these concerns, and in line with President Barroso's announcement to Parliament of 12 April 2005, the Commission presented a first overall Communication on 3 August 2005¹⁵. This Communication sets out the Commission's approach to the criteria for establishing thematic programmes, the scope and rationale for the programmes envisaged, and critical aspects of the management procedures foreseen for their programming, budgeting and adoption.

This will be followed by a set of detailed Communications defining the Commission's approach to thematic programmes and outlining the specific contents of each thematic programme, including the respective strategies and delineation.

2. GEOGRAPHICAL FOCUS

This synopsis of EC international co-operation initiatives is presented on a geographical basis, organised around the six regions of the world where EU development co-operation is active. Each of these geographical sub-chapters has the same structure to permit parallel reading, starting with a general description of the EC's work in that particular region, then providing details on implementation and concluding with a summary of results and perspectives. Charts, graphs and tables provide supporting data.

Some figures are given to illustrate the contents of this chapter but there is no overall information on financial transactions. The reader may find exhaustive financial information in Chapter 7. Regional activity tables include all commitments made during the period covered, in terms of 'geographical' budget lines as well as 'thematic' ones. Figures in the tables and graphs below include bilateral and multilateral Official Development Aid and Official Aid managed by EuropeAid.

¹⁵ COM(2005) 324

2.1. Western Balkans

2.1.1. Introduction

Economic growth in the Western Balkans has been sustained in 2005 with an average 5.2% increase in GDP. The process of privatisation has progressed at an uneven pace. While a number of large sales took place, significant delays have been encountered in some countries, notably Albania and Serbia. Enterprise restructuring, notably in loss-making publicly owned enterprises, was again delayed by protracted decisions and poor management. Enforcement of property rights and contracts continued to encounter considerable difficulties throughout the region owing to weaknesses in the judiciary. This continued to have wide-ranging economic consequences and to hinder business decisions, notably investment, and market exit.

Politically, a number of important developments took place during 2005. In October the EU opened accession negotiations with Croatia. In December the former Yugoslav Republic of Macedonia was granted EU candidate status by the European Council, underlining the substantial progress made in completing the legislative framework related to the Ohrid Framework Agreement¹⁶, as well as the country's track record in implementing the Stabilisation and Association Agreement since 2001.

On 9 November, the Commission published its annual progress report¹⁷ as part of the 2005 Enlargement package. Therein the Commission indicated that Albania had made sufficient progress to allow the proper implementation of a future Stabilisation and Association Agreement (SAA). Following Bosnia and Herzegovina's (BiH) participation in the Stabilisation and Association Process (SAP), negotiations for a Stabilisation and Association Agreement (SAA) were launched on 25 November 2005.

In its Feasibility Report of 12 April 2005¹⁸ the Commission concluded that Serbia and Montenegro is sufficiently prepared to negotiate an SAA with the EU, and negotiations started in December 2005. In line with the "twin-track" approach, negotiations will be held with the State Union or the Republics in their respective fields of competence. On 20 April 2005, the European Commission adopted a Communication to the Council 'A European Future for Kosovo'¹⁹, reconfirming the Commission's determination to help realise Kosovo's European perspective.

The Stabilisation and Association Process is thus proving to be the right mechanism to provide stability to the region and make the EU perspective real.

¹⁶ The Ohrid Framework Agreement, signed in 2001, opened a process building an integrated multi-ethnic society. The progress made in its implementation allowed for the former Yugoslav Republic of Macedonia to return to stability. Furthermore, the efforts made to implement the Agreement have been fostering a positive environment for progressing on the path of European integration

¹⁷ Albania 2005 Progress Report, COM(2005) 561 final

¹⁸ Communication from the Commission on the preparedness of Serbia and Montenegro to negotiate a Stabilisation and Association Agreement with the European Union, COM(2005) 476 final

¹⁹ Communication from the Commission "A European future for Kosovo" COM(2005) 156 final

2.1.2. *Evolution of EU co-operation*

Since the inception of the Stabilisation and Association Process at the EU-Balkans Summit in Zagreb on 24 November 2000, the main objective of Community co-operation with the Western Balkans has been to underpin this policy. The focus of the assistance to the region has thus evolved from physical reconstruction and basic economic recovery, in the early phases of the CARDS²⁰ programme, to areas which are at the core of the accession process, i.e. reform of the public administrations and legal approximation. During 2005, programmes in these countries have continued to support the establishment of a modern fiscal system and an effective tax administration, as a key element underpinning a functioning market economy.

The EC is also helping to reform the police and judiciary in several countries in order to provide the necessary support in addressing some of the key challenges affecting the region, such as organised crime and corruption. Programmes in the health sector, as well as vocational education and training systems in all these countries, are making a tangible improvement to people's lives. A number of projects are also helping local governments deliver better public services of particular relevance to those which have initiated a decentralisation process.

The European Partnerships introduced for the Western Balkans in the Thessaloniki Agenda have become a regular tool for the identification of priorities and obligations to be met by the countries concerned. The Partnership priorities have become the basis for programming CARDS assistance, reflected in the Multi-Annual Indicative Programmes and Annual Programmes. As part of the 2005 Enlargement Package, the Commission's Regular Report in November included, as an annex, a set of European Partnerships for the Western Balkan countries.²¹

Croatia has, since 1 January 2005, become eligible for the Enlargement pre-accession instruments – Phare, ISPA and SAPARD – but remains eligible for the CARDS Regional programme in 2005 and 2006.²²

2.1.3. *Regional co-operation and integration*

EC assistance, via the national and the regional programmes in particular, has continued to promote regional co-operation, one of the priorities of the Stabilisation and Association Process.

²⁰ Since 2001 the Community Assistance for Reconstruction, Development and Stabilisation (CARDS) programme has been the main EC financial instrument to deal with the SAP countries. CARDS represents a long-term assistance approach that targets through a single framework the needs of the country and reflects the objectives of the SAP. It focuses on reform support and institution building, which are crucial for the successful implementation of the Stabilisation and Association Agreements (SAA). CARDS supports Albania, Bosnia and Herzegovina, Croatia, Serbia and Montenegro, and the former Yugoslav Republic of Macedonia and Kosovo (under UNSCR 1244) in pursuing their objectives under the SAP. €4.65 billion have been allocated in its framework for the period 2002-2006

²¹ http://europa.eu.int/comm/enlargement/report_2005

²² The Phare programme is one of the three pre-accession instruments financed by the European Union to assist the applicant countries of Central and Eastern Europe in their preparations for joining the European Union. ISPA stands for "Instrument for Structural Policies for Pre-Accession" and finances environment and transport projects. SAPARD stands for "Special Accession Programme for Agriculture and Rural Development"

On 25 October 2005 the Energy Community for South Eastern Europe Treaty was signed in Athens²³, with the aim of permitting the creation and efficient operation of a single regional electricity market and establishing a stable legal and economic framework to encourage investment and trade within the region. CARDS assistance supported this regional co-operation by financing the opening of the interim Energy Community Secretariat in Vienna in 2005.

In the transport sector, the EC financed the South East Europe Transport Observatory (SEETO) which supports technically the implementation of the “Memorandum of Understanding on the Development of the South East Europe Core Regional Transport Network” signed in 2004²⁴.

In the area of justice, freedom and security, many initiatives have been pursued in the fight against organised crime and in border management. A key challenge has been improvement of the trans-border co-operation capacity of the police and customs services. Ongoing regional police and judicial reform co-operation projects are furthering regional and international police co-operation capacities; these reforms are leading to greater regional co-operation between prosecutors and mutual legal assistance between the courts. The 2005 CARDS Regional Programme has been designed, *inter alia*, to support the SECI Regional Centre for combating trans-border crime, based in Romania, and to strengthen national platforms for international police co-operation.

The regional project on asylum, migration and visa policies, concluded in 2005, issued a Road Map for Integrated Asylum, Migration and Visa Management in the Western Balkans, and should now be followed up with the requisite measures at national level.

Highlighting the importance of regional co-operation as part of the Stabilisation and Association Process, Croatia remains eligible for participation in CARDS Regional activities.

2.1.4. *Implementation*

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

On 23 December 2005, the Commission issued a report to the Council on the future of the European Agency for Reconstruction (EAR). The Commission proposes to discontinue the EAR, while seeking extension to 31 December 2008 in order to phase out activities under CARDS gradually. At the same time the Commission will prepare the implementation, from 2007, of the future Instrument for Pre-Accession

²³ On 25 October 2005 the first multilateral Treaty between the European Union and the Member States of South East Europe was signed in Athens in order to create a legal framework for the integrated energy market stretching across 34 European jurisdictions

²⁴ http://www.seerecon.org/infrastructure/sectors/transport/documents/mou_transport.pdf

(IPA) Regulation in a de-concentrated manner through its Delegations in the countries concerned. The report, recognising the success of the Agency in delivering reconstruction aid in the Western Balkans, highlights the importance of an even closer linkage between the political process and political dialogue, on the one hand, and financial assistance and implementation on the other, as well as the need to prepare beneficiary countries on assuming their own financial responsibility for the implementation of EC assistance.

The process of design, approval, procurement, tender specification and implementation has had to be adapted, since emphasis has moved towards ‘soft’ assistance – which, in contrast to ‘hard’ assistance (investment in infrastructure and/or equipment) aims to improve the legal and administrative regulatory environment through the approximation of laws to the *acquis communautaire* and to assist in institution building. Factors such as quality assurance, training, evaluation and monitoring play an ever greater role in ensuring that programmes meet the needs of the region and that lessons are learnt, in an increasingly complex context reflecting the political imperatives.

Credits committed under CARDS in 2005 were at 100%, corresponding to €519 million. Furthermore, programmes in the former Yugoslav Republic of Macedonia and for regional activities were reinforced at the end of the year by reallocating assigned revenues. The Kosovo programme was also reinforced. CARDS payment credits used in 2005 amounted to €345 million.

External aid financed on the General Commission Budget managed by Enlargement 2000-2005						
	2000	2001	2002	2003	2004	2005
Commitments	863	705	658	624	663	519
Payments	677	845	619	425	510	345
Bilateral and Multilateral ODA/OA (Enlargement). Amount in € million.						

Institution Building

In **Serbia and Montenegro** support was provided to the governments in their efforts to secure better public finance and tax collection, and to adopt complex legislation e.g. on bankruptcy, cadastre etc. The Employment Support Programme aims to help the Ministry of Labour, Employment and Social Affairs, as well as the Republic Employment Service (RES), fulfil their objectives and responsibilities. The support focuses, first, on institution building of the Ministry, the RES and the Republic Employment Council (REC) and, secondly, on regional employment councils in order to develop national employment policy and strategy. The establishment and implementation of an active labour market measures fund aims to address the needs of the unemployed in selected areas.

In **Kosovo** EC assistance has supported the institutional development of the Kosovo Institute for Public Administration (KIPA) through such initiatives as developing training curricula and strengthening the skills of KIPA core staff. EC assistance is building the capacity of the ministries – and in particular the Office of the Prime Minister (OPM) and the Office for European Integration Processes – to draft, implement and enforce reforms, laws and policies compatible with the *acquis* and EU standards, in order to participate effectively in the Stabilisation and Association Process (SAP).

The Commission is engaged in establishing a regional School for Higher Education in Public Administration Reform. The 2005 CARDS regional programme foresees funds that will lead to the first EU-SAP training programme for senior servants and trainers, together with transnational courses.

For the first time, the 2005 Regional Action Programme (AP) identified an indicative number of Community Agencies with which SAP countries could initiate co-operation. These are: the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), the European Monitoring Centre for Racism and Xenophobia (EUMC), the European Maritime Safety Agency (EMSA), the European Aviation Safety Agency and the European Agency for Safety and Health at Work. Co-operation with the European Environment Agency should continue.

Justice and Home Affairs

Bosnia and Herzegovina has worked to strengthen the State's capacity to develop and implement an asylum and migration policy, and integrated border management. The mandate of the EU Police Mission (EUPM), which ended on 31 December 2005, has been renewed. The existing co-ordination mechanism between the EUPM and the EC that operates under the CARDS programme will continue.

Economic and Social Development

In the former Yugoslav Republic of Macedonia the Ministry of Economy has received continuous assistance on SME-related policy development and the strengthening of the relevant ministerial departments and agencies. This assistance has been backed by parallel programmes contributing to an enabling environment for SMEs, including initiatives focused on competition protection, banking sector reform, trade legislation, intellectual property rights, standardisation, metrology, accreditation and quality validation. Support has been provided for the establishment of a Human Resource Development Fund for SME managers, developing the human capital in local companies.

At local level, there are 10 on-going Neighbourhood Programmes approved under the 2004 CARDS Regional Programme. Progress has been complicated by the need to link existing programmes and different budget sources. However, most programmes with Member State partners are well advanced and several calls for proposals have been launched during 2005, with a large oversubscription of CARDS country participation.

In the field of education, the European Commission continued to implement the Tempus programme in the Western Balkans. In 2005, the EC committed €11 million

for university co-operation projects involving higher education institutions from the CARDS region.

Environment and Natural Resources

Much of the Western Balkans lacks adequate environmental planning. Recent neglect has left many scars, both visible and invisible. EU assistance is addressing this issue in a number of ways. Support has been provided for approximation to EU environmental legislation and capacity building of institutions responsible for environment. Urgent attention has been paid to "hot spots" that present immediate threats, such as local contamination caused by heavy metal and other by-products from old industries. Aid includes rapid remedies in the form of specific "quick-start" programmes providing funds to focus the attention of banks, international financial institutions and non-governmental organisations.

At regional level, assistance is provided to the Regional Environmental Reconstruction Programme for South Eastern Europe (REReP) in order to help countries meet their SAP obligation of regional co-operation. A CARDS regional assistance project supports the REReP secretariat and also finances the Balkans Environmental Regulatory Compliance and Enforcement Network (BERCEN)²⁵.

In Albania the EC is currently supporting a 'hot spot' remediation project, and other projects on environment legislation, awareness-raising, and pollution abatement and control are planned.

Providing a boost to Kosovo's energy sector

After a decade of neglect and poor investment and the devastation caused by the 1999 conflict, Kosovo's energy sector was in crisis. The main Kosovo B power plant was inoperative, equipment was obsolete and suffered from a lack of maintenance and investment. Most workers were unskilled in operational and safety practices. Moreover, a poor system for collecting consumer payments meant little revenue was available to reinvest in routine maintenance activities and upgrade equipment and technology. Many people sat in darkness, with much of Kosovo starved of electricity. In 1999, the EU stepped in, providing emergency electricity imports and covering operational and emergency maintenance costs. At the same time, the EU planned a long-term rehabilitation of the existing infrastructure.

The biggest challenge was to overhaul both generation units at Kosovo B, the main power plant. Through the European Agency for Reconstruction, the EU financed the upgrading of the coal mines that fed the power plants and supplied ancillary equipment to move the coal to them. The Agency also helped improve transmission and distribution systems supplying households, businesses and public services such as hospitals. To support the efficient use of energy, the EU rehabilitated Kosovo's three district heating plants.

²⁵

This network aims to facilitate, assist and promote the enforcement of regulations throughout South East Europe by disseminating information, finding common denominators for co-operation, and developing projects of common interest with the countries participating in the network. The members of BERCEN work together to advance the application and implementation of environmental legislation and to increase the effectiveness of enforcement agencies and inspectorates

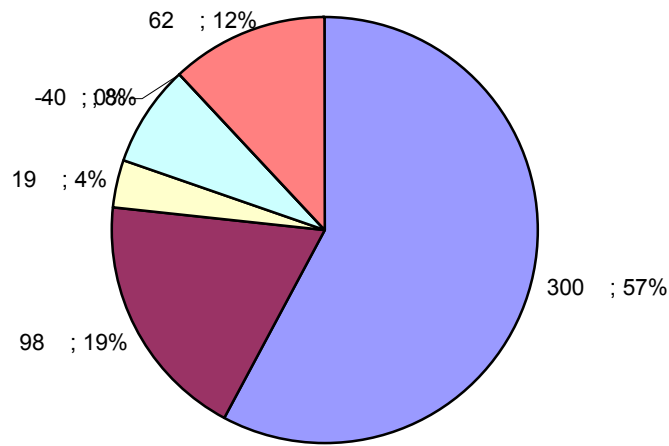
Today, through carefully and properly selected investments, the EU is working with KEK, the Kosovo energy company, to improve its management and enhance its ability to operate, maintain and modernise the energy sector. EU funds are also being applied to the establishment of a liberalised energy market and its integration into the regional energy market of South East Europe. One of Kosovo's most valuable natural resources is the vast amounts of high-quality lignite in its opencast coalmines. The construction of new lignite-fired power generating units and the development of the lignite mines will help Kosovo produce electricity from its own resources and provide a window of opportunity for economic development.

Infrastructure

In the former Yugoslav Republic of Macedonia the European Agency for Reconstruction, in conjunction with the European Investment Bank (EIB) and European Bank for Reconstruction and Development (EBRD), has financed a major rehabilitation of the E75 Road, part of the Trans-European Road Network (Corridor X) linking the former Yugoslav Republic of Macedonia with its neighbours and ensuring high-quality transport modes across the Balkans.

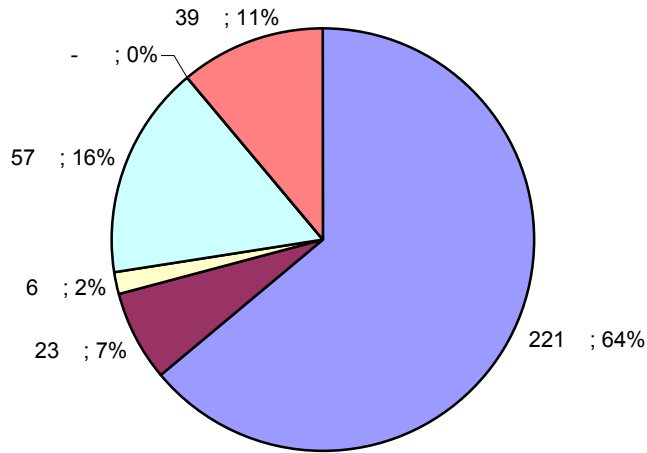
Breakdown by sector of external aid financed on the General Commission Budget managed by Enlargement in 2005

Commitments in € million



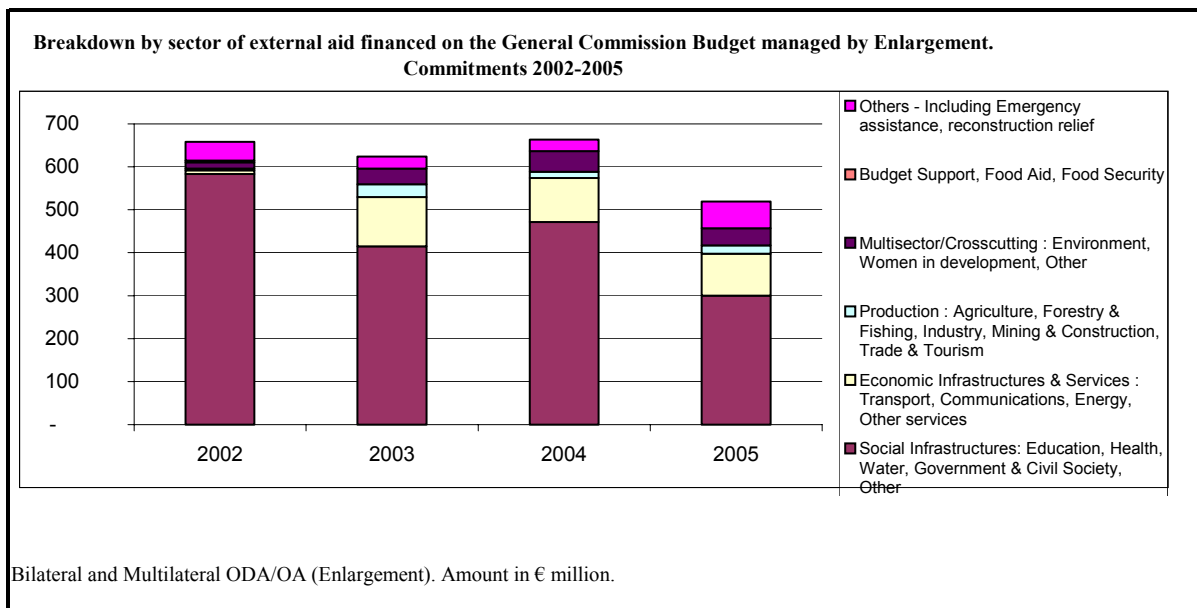
- Social Infrastructures: Education, Health, Water, Government & Civil Society, Other
- Economic Infrastructures & Services : Transport, Communications, Energy, Other services
- Production : Agriculture, Forestry & Fishing, Industry, Mining & Construction, Trade & Tourism
- Multisector/Crosscutting : Environment, Women in development, Other
- Budget Support, Food Aid, Food Security
- Others - Emergency assistance, Including reconstruction relief

Payments in € million



- Social Infrastructures: Education, Health, Water, Government & Civil Society, Other
- Economic Infrastructures & Services : Transport, Communications, Energy, Other services
- Production : Agriculture, Forestry & Fishing, Industry, Mining & Construction, Trade & Tourism
- Multisector/Crosscutting : Environment, Women in development, Other
- Budget Support, Food Aid, Food Security
- Others - Emergency assistance, Including reconstruction relief

Bilateral and Multilateral ODA/OA (Enlargement).



2.1.5. Co-operation with Member States and other donors

Co-operation with EU Member States takes the form of both sharing information and experience in regular scheduled meetings, usually in the receiving country, and of practical co-operation on projects and programmes in co-financing operations. This provides opportunities to develop common positions on assistance issues of mutual concern, to exchange information on the current implementation status of EC programmes, and increasingly to co-ordinate EC and EU Member States' bilateral assistance.

The Twinning instrument²⁶ is increasingly being used to transfer and apply knowledge, expertise and experience from EU Member States' institutions in particular, in order to strengthen the administrative and judicial capacities of the Balkan countries.

Another type of co-ordination exists in some areas between the EC and other international donors such as the World Bank, the United Nations agencies, etc. As an example by the mid-2005, in Serbia and Montenegro, more than €60 million of EC grant funds had contributed to the mobilisation of some €730 million of EIB loan funds.

The Joint Office for South East Europe (SEE) was established by the EC and the World Bank in 1999 with the role of supporting these institutions in their task of co-ordinating international assistance for the reconstruction and development of South East Europe. Its work has continued in 2005, with particular focus on supporting the Infrastructure Steering Group and reporting on overall assistance to the region.

A Donor Co-ordination meeting took place in Brussels in November 2005 with the aim of fostering cross-country learning about current practices in the region. The meeting initiated a move towards an agreed definition of co-ordination to guide future activities and helped identify the next steps for advancing the co-ordination

²⁶ An instrument which enables relevant administrative knowledge and technical expertise of the EU Member States' administrative bodies to be made available to the beneficiary countries' administrations through the secondment of an EU Resident Twinning Advisor to the beneficiary public administration

agenda across the region. One conclusion of the meeting was that government ownership on the matter was vital.

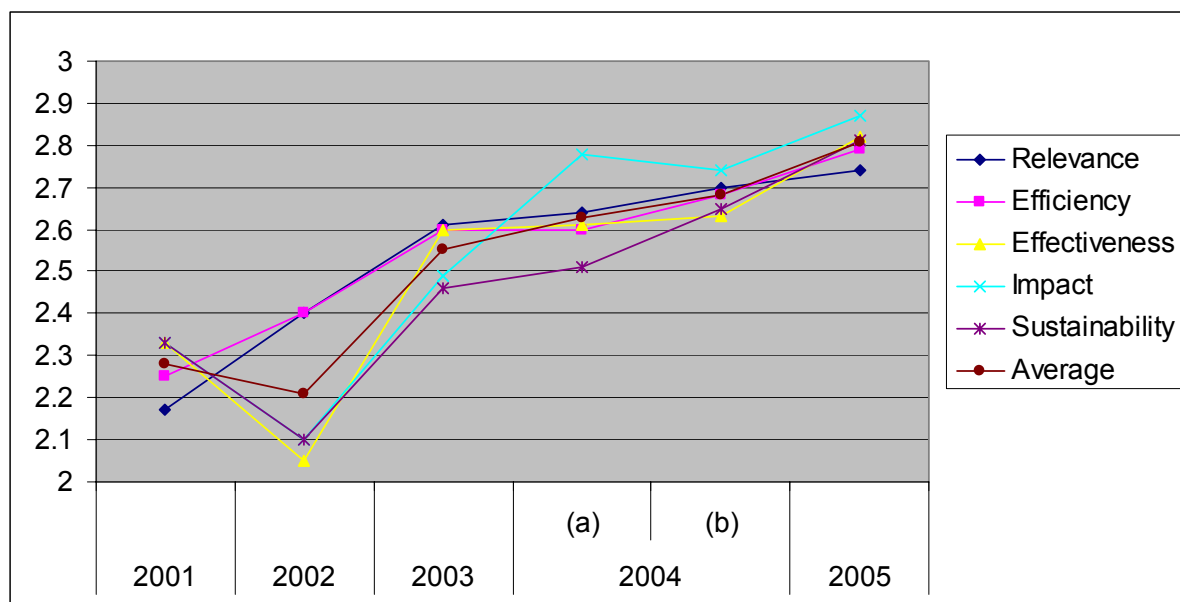
While there has been tangible progress on co-ordination at country level, there is still room for improvement. One example of how to improve donor co-ordination within the receiving countries is the Integrated Planning System (IPS) approved by the former Albanian Government in May 2005. This completely reforms the way in which the latter intends to manage domestic and foreign public investment within Albania.

2.1.6. Overview results-oriented monitoring (ROM)

During 2005 independent monitors assessed 100 projects, covering a total budget of €92.8 million in the Western Balkans/CARDS region. For the second consecutive year the region showed a remarkable improvement.

CARDS	2001	2002	2003	2004		2005
				(a)	(b)	
Relevance	2.17	2.4	2.61	2.64	2.7	2.74
Efficiency	2.25	2.4	2.6	2.6	2.68	2.79
Effectiveness	2.33	2.05	2.6	2.61	2.63	2.82
Impact	2.33	2.1	2.49	2.78	2.74	2.87
Sustainability	2.33	2.1	2.46	2.51	2.65	2.81
Average	2.28	2.21	2.55	2.63	2.68	2.81

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



To ensure consistency of methodology, each of the five criteria comprises individual sub-criteria which the monitor has to consider, comment on and rate: scores for the criteria are then calculated from the ratings for the sub-criteria. This new and more

exact method of calculation was introduced end-2004. Consequently, while the original method of calculating from the (rounded) scores for each criterion gives the result 2004 (a), the overall averages for 2004 (b) and 2005 are now calculated from the ratings for each sub-criterion, in order to give a more precise evaluation.

All priority areas demonstrate good average scores for 2005. The macroeconomic and social sectors, as well as institutional capacity building and good governance, recorded particularly high scores. Since the CARDS programme aims primarily at preparing partner countries for EU candidate status, institutional capacity building is of pivotal importance. Improvements can also be attributed to an increased sense of ownership among the stakeholders implementing the projects.

Relevance shows good performance with a slight improvement from 2.70 in 2004 to 2.74, although it remains the relatively 'weakest' point of the whole region. Low quality of preparatory documents, frequent failure to adequately involve project partners and beneficiaries, as well as the relatively long period between project design and project launch, are cited among the factors that might be improved.

2.1.7. Conclusions and perspectives

Major political developments have taken place in the region, sending out a very positive signal. The European perspective is real and provides a powerful incentive for the reforms that contribute to an alignment towards the EU. As the major donor in the Western Balkans, EC funding has had a major impact on the rate of adoption of this process and is encouraging these countries to evolve in order to join the Union at a future stage. The instruments successfully developed in the accession process are now being applied widely to candidate and potential candidate countries and are bearing their fruits. With well targeted assistance, the Western Balkan countries benefit from stronger institutions, more reliable judicial and police systems, and better infrastructures, all of which have a positive impact on economic and social development and on the wellbeing of their societies.

The new Instrument for Pre-Accession (IPA), which will replace the existing pre-accession instruments and CARDS from 2007 onwards, will cover assistance to candidate and potential candidate countries. It will simplify the provision and co-ordination of assistance and regional co-operation in particular. 2006 is going to be an important year for its preparation. The Stabilisation and Association Process requires a daily relationship at local level and a learning approach to Community methods. This is best achieved through proximity and the promotion of ownership in these countries, including a gradual transfer of responsibilities for the management of EC funds. The IPA regulation is particularly designed with this aim.

2.2. Eastern Europe and Central Asia

2.2.1. Introduction

The political dialogue with the new neighbours of the enlarged EU made significant progress, especially in the context of the development of the European Neighbourhood Policy (ENP).

Since the Orange revolution, Ukraine has taken strides in promoting political and economic reforms. The EU is a key partner in supporting this transition process to democracy and a market economy. However, Ukraine's effort to maintain the reform momentum was to some extent affected by the political difficulties that the country experienced following the Orange Revolution which came to the open in the change of government in September 2005.

In March the Council appointed Mr. Jacobovits de Szeged as Special Representative (EUSR) for Moldova. The focus of the EUSR's efforts is the settlement of the Transdnistria conflict. In this context, the EU deployed its Border Assistance Mission to Moldova and Ukraine. The Mission will help prevent smuggling, trafficking and customs fraud, and will also play an important role in developing preconditions for a peaceful settlement of the Transdnistrian conflict. A further step forward in EU-Moldova relations was the opening, in September, of a Delegation of the European Commission in Chisinau.

The situation with regards to Human Rights and democracy in Belarus remains a matter of grave concern and has recently further deteriorated. The delivery of assistance from international donors is also severely constrained.

The development of the Caucasus region, as well as the relations between its three countries, is still hampered by the 'frozen conflicts' in Nagorno Karabakh, South Ossetia and Abkhazia. Additional concern was expressed in 2005 over the November parliamentary elections in Azerbaijan, which were qualified by the International Election Observation Mission as failing to "meet a number of OSCE commitments and Council of Europe standards and commitments for democratic elections."²⁷

The countries of Central Asia faced similar obstacles but very different prospects for the future. Kazakhstan continued to strengthen its position as regional leader thanks to steady economic growth. The country wishes to be internationally recognised as a market economy and remains committed to diversifying its economy. The December presidential elections were criticised by the OSCE for not meeting a number of international standards for democratic elections. In Tajikistan, 2005 has seen a trend towards the reversal of democratic reforms, such as freedom of the media. Although official figures show economic growth, there are signs of increasing poverty in rural areas. The OSCE criticised the February parliamentary elections for failing to meet key international standards.

In March a popular revolt took place in Kyrgyzstan, sparked by allegations of government interference in parliamentary elections and fuelled by poverty and corruption. The revolt succeeded in removing the incumbent President, and presidential elections were held in July 2005. However, the regime change led to instability, economic growth stagnated and the share of the informal economy increased.

Following the refusal of the Uzbek authorities to allow an independent international enquiry into the events in Andijan, all scheduled technical meetings under the EU-

²⁷

International Observation Mission for the Parliamentary Elections in the Republic of Azerbaijan (European Parliament, Council of Europe, OSCE Parliamentary Assembly, ODIHR, NATO Parliamentary Assembly), Statement of preliminary findings and conclusions, Baku, 7 November 2005

Uzbekistan Partnership and Co-operation Agreement were partially suspended, and the allocation to Uzbekistan under the TACIS programme reoriented and reduced.

In July the Council appointed a Special Representative of the European Union (EUSR) for Central Asia. The appointment reflects the wish of the EU to play a more active political role in Central Asia and to ensure co-ordination and consistency of EU external actions in the region.

2.2.2. *Evolution of EU co-operation*

The introduction of the European Neighbourhood Policy (ENP) was particularly notable in Moldova and Ukraine, where implementation of the ENP Action Plan has started. The Government of Moldova has brought the ENP Action Plan into the centre of its reform strategy and, in Ukraine, progress has been noted across a number of areas, including energy, transport and environment²⁸. The ENP Action Plan for Ukraine was jointly endorsed by the EU and Ukrainian Government at the EU-Ukraine Co-operation Council in February 2005.

Because of the prevailing political climate, the EC continued its support to the needs of the population of Belarus, and has decided to step up its presence in the country by opening a new regionalised Delegation in Minsk.

A step forward in the strategic partnership with Russia was taken in the EU-Russia Summit in May 2005, when a single package of Road Maps was adopted for the creation of the four Common Spaces²⁹. These Road Maps set out shared objectives for EU-Russia relations as well as the actions necessary to achieve these objectives.

During 2005 the EU also continued its intensive co-operation with the Caucasus countries. The Commission closely monitored the progress made by each country with regard to political and economic reforms. As a result of this process, in March 2005 the Commission produced Country Reports for each of the three countries and the negotiations on ENP Action Plans for Georgia, Armenia and Azerbaijan started in November 2005.

During 2005, dialogue with Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan was further developed at the bilateral Co-operation Committee/Council meetings as well as the Sub-Committee on Trade and Investment and the Joint Committee under the Trade and Co-operation Agreement. The dialogue covered a wide range of issues relevant for the countries' relations with the EU, including implementation of the co-operation programme, economic and trade relations, foreign policy, and democracy and Human Rights.

The year 2005 has seen major preparatory work in deploying in TACIS countries the institutional "twinning" instrument, aiming at twinning administrations in beneficiary countries with partner administrations in EU Member States. Programme offices are being established in Azerbaijan, Moldova and Ukraine. A major workshop is also scheduled to be held in Kyiv in early March 2006 on this twinning instrument, which

²⁸ For which a Memorandum of Understanding was signed in December 2005

²⁹ Common economic space; common space of freedom, security and justice; common space on external security; common space on research, education and culture

anticipates the Neighbourhood Policy and its European Neighbourhood Policy Instrument (ENPI).

2.2.3. *Regional co-operation and integration*

TACIS continued to foster regional co-operation between the partner countries, in particular on global issues including transport, energy and environment. Moreover, energy and transport issues have been given a higher profile through the regional co-operation framework established as a result of the November 2004 Ministerial Conference in Baku.

In 2005, assistance was provided to further develop the interconnection of energy networks (especially oil and gas pipelines) through the Inogate programme, to reinforce and extend the transport corridors with Traceca assistance, and to enhance co-operation in environmental protection. In the context of the ENP, increased assistance was provided to crucial areas such as border management and the fight against terrorism and organised crime.

The Border Management for Central Asia – Central Asia Drug Action Programme (BOMCA-CADAP) made good progress in the Central Asia region, notably in Tajikistan where institutional strengthening activities were prioritised to help the authorities, following the withdrawal of Russian border forces from the Tajik-Afghan frontier.

2.2.4. *Implementation*

External aid financed on the General Commission Budget managed by EuropeAid 2000-2005						
	2000	2001	2002	2003	2004	2005
Commitments	449	426	432	504	504	515
Payments	468	402	384	396	359	432

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

Institutional, legal and administrative reform

The TACIS Programme pays particular attention to justice, law and security in the partner countries. Notable successes in this area were achieved in the countries of the Caucasus in 2005.

In Azerbaijan, assistance to judicial reform was provided in the penitentiary sector and in the better execution of decisions by the Court. Southern Caucasus countries are also co-operating via the TACIS regional programme on the fight against drugs³⁰. In Georgia, a training programme was completed for the country's 750 prosecutors.

³⁰ SCAD: Southern Caucasus Action Plan on fight against drugs

The Procuracy reform project covered the European Convention on Human Rights, ethics, the criminal procedural code, and adversarial proceedings. In Turkmenistan, the EU is supporting reform of the budgetary process and the establishment of a management system to monitor the effective use of government resources.

In the field of statistical reform, the TACIS Statistics 7 Programme supported a range of projects to develop the capacities of national statistical offices. Using EU statistical methods and standards as the basis for technical assistance, projects were implemented in Moldova, Kazakhstan and Kyrgyzstan during 2005.

Private sector and economic development

TACIS assistance ranges from high-level advice on trade, economic and budgetary policy to helping align legislation with international practice in areas such as competition, banking, supervision, accounting and quality standards. For instance, the EU is advising SMEs in Russia on management principles that meet international standards. These projects are providing training modules on systems processes, performance improvement, employee empowerment and customer focus.

Ukraine and Moldova have received enhanced support in progressively integrating EU Internal Market principles and rules into their economies on financial products, insurance schemes, competition, standardisation and consumer protection. WTO accession conditions have also been addressed.

In Azerbaijan, Georgia and Armenia, EU activities in the private sector continued to focus on encouraging economic development and diversification. The TACIS Programme included support for the development of SMEs and of the local market infrastructure for entrepreneurship in the less developed regions. Complementary assistance was also provided to the tax information system in Azerbaijan and to the introduction of International Accounting Standards, in order to improve the business climate in these countries.

In Kyrgyzstan, the EU launched a project aimed at improving the investment climate and increasing Foreign Direct Investment (FDI) flows into the country through practical support to the government in setting up and operating an Investment Promotion Agency.

Social consequences of transition

In its efforts to help the partner countries mitigate the social consequences of transition, TACIS programmes also offer extensive support in the areas of poverty reduction, health, education and social services. Of particular importance are the primary health care projects in Georgia, Moldova and Ukraine, where the spread of HIV/AIDS was also addressed. These projects are helping the countries set up or restructure, equip and manage the funding of their primary health care systems. TACIS is also helping Russia and Ukraine implement reforms of their social policies by introducing improvements in the targeting and performance of their welfare systems, so that the needs of the most vulnerable groups are better addressed.

In **Tajikistan**, **Kyrgyzstan** and **Uzbekistan** projects directly addressing poverty alleviation and conflict prevention are being implemented in pilot regions, notably in

the Ferghana Valley. In Tajikistan and Kyrgyzstan, these projects are complemented by the Food Security Programme. Budget support instalment releases under the Food Security Programme in these two countries against pre-defined benchmarks amounted to €6.9 million and €7.9 million respectively in 2005. The Food Security Programme targets rural development and social protection.

In the TACIS region, the European Commission continued to provide support to the higher education sector through the Tempus programme. A total of €20.8 million was committed in 2005 to finance projects that promote higher education modernisation and alignment with the principles of the Bologna process, in countries that have signed the Bologna Declaration.

Infrastructure networks

In **Ukraine**, a new project will assess the needs and propose initiatives to develop the cross-border element of the transport network, allowing better links between Ukraine and the EU. The same project will integrate specific components for **Belarus** and **Moldova**.

At a broader regional level, TACIS continued its support to TRACECA. In April 2005 the Fourth Annual Meeting (Conference) of the Intergovernmental Commission (IGC) TRACECA took place in Baku, Azerbaijan.

Safer Skies over Central Asia and Russia

In an area as vast as Central Asia, aviation is a vital transport mode for people and for goods that need to be moved rapidly. It is not the role of TACIS to replace ageing aircraft fleets, since the programme is essentially about the provision of technical assistance rather than acting as a financing tool. TACIS does, however, support the region by bringing expertise to the numerous complex support functions on which safe and efficient aviation depends. In this context, the Programme has provided support to the Ministry of Transport and Communication of Kyrgyzstan in developing its Department of Air Policy and its national airline.

TACIS has provided Russia with computer equipment for air traffic controller training and has also made extensive assistance available for the development of the so-called Southern Ring air routes. It also runs a programme to help the approximately 400 air traffic controllers in Russia improve their English language skills to a level that enables them to perform their tasks efficiently and safely. TACIS is making the air routes across Russia safer, not only for domestic flights but also for airlines overflying from the EU to Japan via the most direct route to the Far East across Siberia.

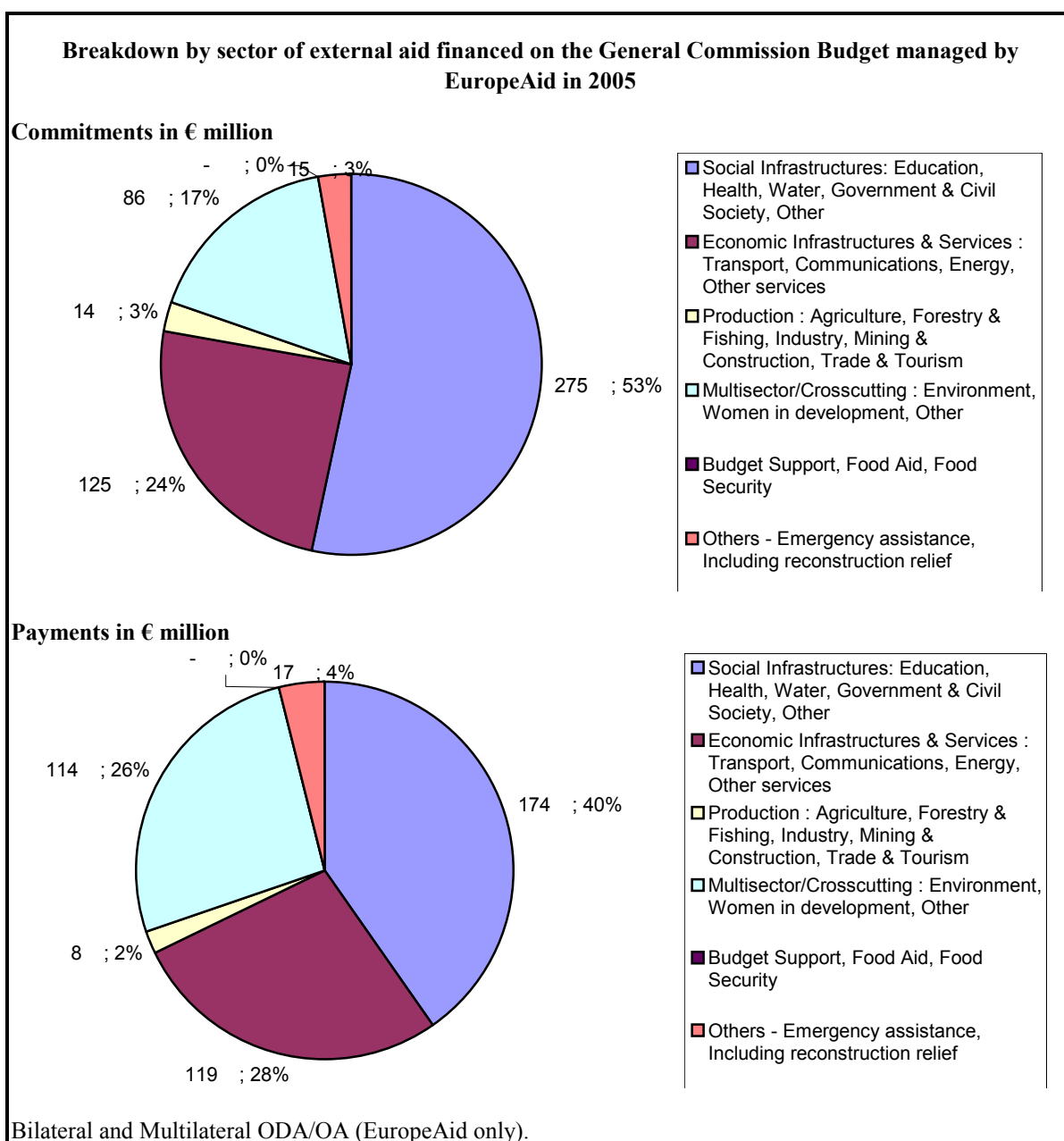
Nuclear safety

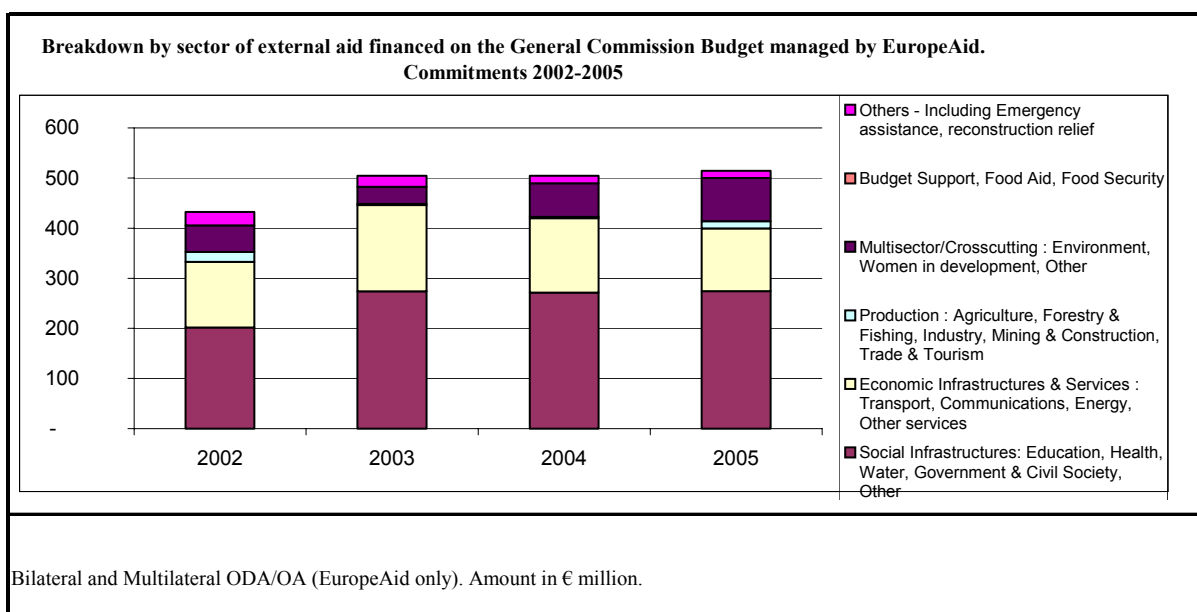
The Commission continued its efforts in 2005 to improve the safety of Nuclear Power Plants (NPPs) of Soviet design.

Large Plant Improvement Projects (PIPs) were designed and contracted for both **Ukraine** (South Ukraine, Rovno and Khmel'nitski) and **Russia** (Novovoronezh, Smolensk). In the meantime on-site assistance consultants – foreign experts providing advice and training on the management of nuclear installations and selected through a new procedure developed in 2003 – have continued their activities at various NPPs: Kola, Kalinin, Khmel'nitski, Zaporozhe and southern Ukraine.

In Ukraine, Russia and Armenia, TACIS provided the assistance of EU regulators to the Nuclear Regulatory Authorities. This activity has been strongly linked to the implementation of plant improvement projects at the sites concerned.

The environmentally friendly dismantling of the Chernobyl nuclear power plant is now underway: this includes several EU-supported initiatives. The Commission paid the last part (€22 million) of the second pledge (€100 million) to the Chernobyl Shelter Fund, managed by the European Bank for Reconstruction and Development (EBRD), and a new pledge for €49.1 million has also been made. Meanwhile, the construction of a radioactive waste treatment plant (value €55 million) has been undertaken in anticipation of the dismantling of the power plant. In spite of the difficulties inherent in the construction of complex facilities of this nature, the plant is expected to come into service in 2006-2007.





2.2.5. *Assessment of the EC's contribution towards poverty reduction and towards the achievement of the MDGs*

Most of the TACIS region still sees low levels of prosperity, and poverty is one of the main concerns in almost all partner countries. Therefore, although poverty reduction is not explicitly defined as a goal, it is to a great extent detailed in most projects.

Poverty is mainly tackled through the programmes aimed at mitigating the social consequences of transition. In **Armenia**, TACIS provides support to the Ministry of Agriculture in designing reform policies that will combat poverty and boost food security. Policy advice is also provided in **Azerbaijan, Russia** and **Moldova**, mainly in the area of social protection and welfare, which are priorities of national poverty reduction strategies. The approach is different in **Georgia, Tajikistan, Kyrgyzstan** and **Uzbekistan**, where TACIS implements pilot poverty reduction schemes linked to a community-based approach in order to reactivate rural development.

The TACIS programmes also contribute to the achievement of the health-related and environmental MDGs. They support comprehensive reforms of the primary health care systems in **Georgia** and **Moldova**. In **Russia**, support is particularly focused on combating HIV/AIDS. In Central Asia for example, **Kazakhstan, Kyrgyzstan** and **Tajikistan** need to enhance the quality of service provision and improve access to social services if the MDGs are to be achieved by 2015. This relates in particular to child mortality, maternal mortality, and HIV/AIDS and TB incidence.

Environmental sustainability is promoted through improved water management in different geographical areas, including the Aral basin in the Kyzylorda region of **Kazakhstan**. TACIS also contributes to waste water management in the Saint-Petersburg area of North-West Russia.

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

TACIS programmes continue to ensure maximum co-ordination and complementarity with the interventions of other donors.

The consultation process takes place at different levels, from programming to implementation; its format varies across the beneficiary countries. In some instances, co-ordination is focused on key sectors, such as assistance to the Chernobyl-affected areas of **Belarus**. In other cases, the EU has taken the lead in the co-ordination process. An example of the latter is health sector co-ordination in **Russia**, organised by the EC Delegation in Moscow.

At the project level, Memoranda of Understanding (MoU) are increasingly used to underpin the co-ordination process. For example, in **Georgia**, the EU signed an MoU for a Primary Health Care project with the World Bank and the UK Department for International Development (DfID), and another for Rural Development with the DfID, UNDP and NGOs. In a less formalised way, 2005 has seen very successful co-operation with the World Bank in **Azerbaijan** in the area of financial accounting standards. In **Moldova** and **Ukraine**, co-ordination with the UN agencies and the World Bank has improved. It should also be noted that other donors, not only EU Member States, are adjusting their assistance and co-operation to issues and needs mentioned in the ENP Action Plans.

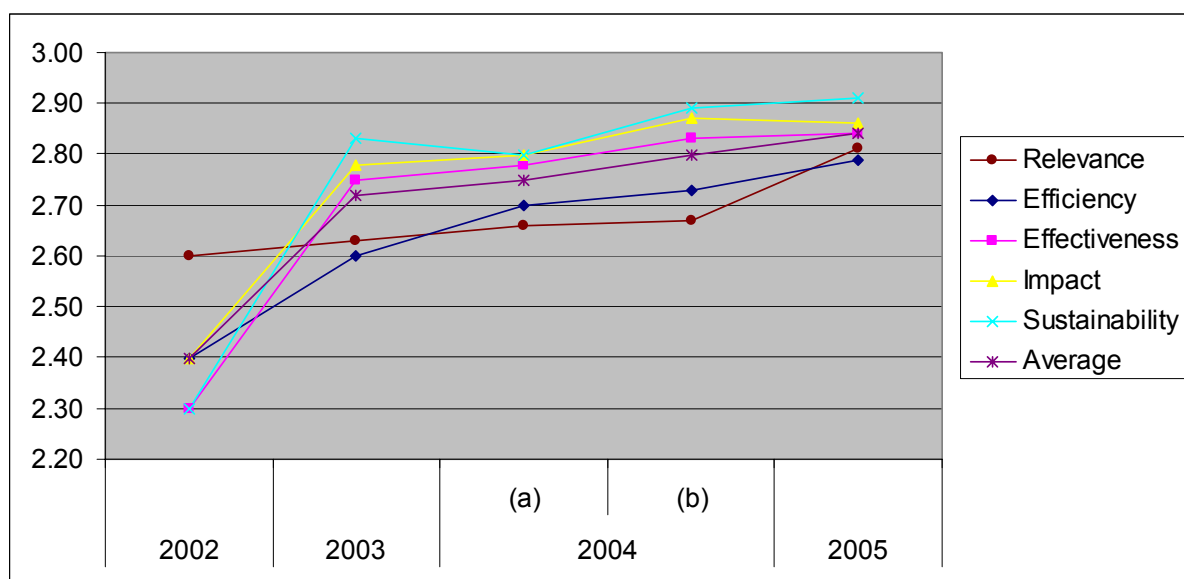
In Central Asia, the establishment of a Consortium of EU Member States, within the framework of BOMCA-CADAP, has led to effective donor co-ordination on border management and drug issues. The partnership has also been extended to include the US, Russia and international organisations working in the field. At the second BOMCA-CADAP Donor Co-ordination Conference, in September 2005, the donors agreed on a partnership approach within the sectors.

2.2.7. *Overview results-oriented monitoring (ROM)*

In 2005, 302 projects with a total budget of €518.3 million were monitored in this region, showing good results across all sectors for the third consecutive year.

TACIS	2002	2003	2004		2005
			(a)	(b)	
Relevance	2.6	2.63	2.66	2.67	2.81
Efficiency	2.4	2.6	2.7	2.73	2.79
Effectiveness	2.3	2.75	2.78	2.83	2.84
Impact	2.4	2.78	2.8	2.87	2.86
Sustainability	2.3	2.83	2.8	2.89	2.91
Average	2.40	2.72	2.75	2.80	2.84

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



To ensure consistency of methodology, each of the five criteria comprises individual sub-criteria which the monitor has to consider, comment on and rate: scores for the criteria are then calculated from the ratings for the sub-criteria. This new and more exact method of calculation was introduced end-2004. Consequently, while the original method of calculating from the (rounded) scores for each criterion gives the result 2004 (a), the overall averages for 2004 (b) and 2005 are now calculated from the ratings for each sub-criterion, in order to give a more precise evaluation.

Potential sustainability is the strongest criterion, with an overall score of 2.91. However, the composite nature of the sustainability criterion indicates that, while environmental, technological and socio-cultural adequacy in particular return high scores, financial/economic viability is often much weaker, particularly in the Caucasus and Central Asia. The implication of low economic viability reflects the difficulty these countries face in shouldering the additional financial burdens placed by institution-building projects on their already strained state budgets.

The fact that policy support and economic viability score higher in national projects than in regional programmes suggests that national ownership of a project positively affects project performance.

With its good performance of 2.79, efficiency is the least positive criterion in 2005. Monitors' observations notably indicate room for improvement in the timeliness of inputs, which seem to be late due to the delayed starting of projects.

2.2.8 Conclusions and perspectives

As from 2007, the new regulations, ENPI (for ENP countries and Russia) and DCECI (for Central Asia) will include an intensified dialogue with the partner countries as well a high commitment from their side in all fields, adoption of adequate policies to address economic growth and poverty reduction, approximation of legislation to the EU standards, democratic reforms and respect of Human Rights and the rule of law. Regional co-operation and cross border co-operation will be fostered, and further support should be given for a peaceful resolution of conflicts in the Caucasus region.

Donor co-ordination, particularly with the EU Member States, will be stepped up and the visibility of EU co-operation will be given close attention, notably in co-financing and pool funding arrangements.

2.3. Mediterranean and Near and Middle East

2.3.1. Introduction

The year 2005 marked the 10th anniversary of the Barcelona Declaration (1995) and of the creation of the Euro-Mediterranean Partnership which comprises 35 members, 25 EU Member States and 10 Mediterranean partners: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia and Turkey. Libya has had observer status since 1999. Several events were organised to review progress made in the past decade and to examine new initiatives aimed at maintaining policy momentum. This culminated in a Euro-Mediterranean Heads of State Summit that adopted a five-year work plan to take the Barcelona Process forward. The Euro-Mediterranean Anna Lindh cultural foundation was established in Alexandria. Work continued on the implementation of the bilateral European Neighbourhood Policy Action Plans, as a complement to the regional Barcelona Process.

The political situation in the region showed some signs of improvement although major conflicts persisted. The security situation in **Iraq** remained very tense, with continued high levels of violence. Important progress was made however on the political front when a provisional constitution was adopted and elections were held, with participation from all groups in society. The Middle East Peace Process made some progress with the unilateral withdrawal of Israel from the Gaza Strip, clearing the way for Palestinian self-rule in that area. Presidential and municipal elections were held in the **Palestinian Territories**. Syrian troops withdrew from **Lebanon** in the wake of the murder of former Prime Minister Hariri. The government of **Algeria** sought closure for a long period of violence and embarked on a reconciliation process.

The economic situation in the region improved somewhat as growth accelerated. Growth was driven mainly by a steep increase in oil prices, directly benefiting oil exporters such as **Algeria** and **Syria**. This also had positive spill-over effects for non-oil economies, mainly through increased remittances and investment. Growth remains insufficient however to reduce unemployment and increase incomes significantly. Moreover oil price-driven acceleration of growth masks the continuing insufficient pace of structural economic reform, which is necessary to sustain this acceleration in the long run.

2.3.2. Evolution of EU co-operation

Preparing the future of the Euro-Mediterranean Partnership

2005 was a transitional year for the Mediterranean region with, on the one hand, the ongoing implementation of Euro-Mediterranean bilateral and regional co-operation through the MEDA programme and, on the other, significant progress in the launch of the European Neighbourhood Partnership Instrument (ENPI) which will replace MEDA from 2007. The strategic objectives agreed in Barcelona 10 years ago remain the basis for EU action in the promotion of sustainable economic and social

development in the region. This strategy also includes specific measures to promote democracy, good governance and the respect of Human Rights, as well as to foster intercultural dialogue between the two shores of the Mediterranean.

Priorities and key initiatives during 2005

In terms of priorities, the Euro-Mediterranean Partnership continued to focus on the following objectives:

- Supporting the Association Agreements

Encouraging economic reforms of partner countries under the Association Agreements remained at the heart of EC action during 2005. This support confirmed the link between the MEDA programme's objective of sustainable development and those of the Association Agreements. This approach, based on each country's needs, will be pursued under the future ENPI. New programmes in support of the Association Agreement in both **Egypt** and in **Jordan**, as well as the Structural Adjustment Facility (SAF IV) in **Tunisia**, are clear examples.

Euro-Mediterranean Association Agreements have been negotiated and concluded with all Mediterranean partner countries and have already entered into force in **Algeria, Tunisia, Israel, Morocco, Jordan, Turkey, Egypt** and the **Palestinian Authority** after ratification by the Parliaments in the Euro-Mediterranean countries. An Association Agreement with **Lebanon** is expected to enter into force in 2006 and an Association Agreement with **Syria** has yet to be signed.

- Twinning

The year 2005 has seen major progress in deploying in MEDA countries the institutional "twinning" instrument, a forerunner of the Neighbourhood Policy and the future ENPI. These programmes, aimed at twinning administrations in beneficiary countries with partner administrations in Member States, are in place in **Jordan, Tunisia, Morocco, Lebanon** and **Egypt**; ten twinning contracts have already been signed and 38 more are in the pipeline. These contracts cover different fields such as trade, taxation, health norms, money laundering, migration, competition, and land tenure.

- Promoting new Sector-Wide Approach Programmes (SWAPs)

Support for sector policies in the Mediterranean countries – in particular in the fields of education and health – increased considerably during 2005. This aid provides additional budget resources for advancing reforms in the targeted sectors. Several actions carried out in 2005 illustrated this trend: they included a social housing project for **Morocco** and support for secondary education reform in **Tunisia**.

- Deepening the human dimension of the partnership

Promoting Human Rights, democracy and good governance is an essential element of the Partnership. In this respect, several initiatives were launched in 2005 such as the National Plan for Human Rights and Democracy in **Morocco** and **Jordan**, the

modernisation of the judicial system in **Tunisia**, the support to civil society development in **Egypt** and to reforms and local governance in **Lebanon**.

2.3.3. *Regional co-operation and integration*

As in earlier years, regional MEDA initiatives continued to be a priority for co-operation. A key 2005 regional programme was a €60 million contribution to the risk capital facility of the European Investment Bank (EIB). Through this facility the EIB is fostering the development of financial markets in the Mediterranean partner countries. This comes in addition to a €25 million contribution for technical assistance under FEMIP.

Other important projects under the 2005 regional strategy were the support to the Anna Lindh Foundation (€5 million), a €5 million contribution to the Euro-MED Youth Programme, a new €10 million contribution for Middle East Peace Projects, and support to various New Neighbourhood Initiatives such as the promotion of a Euro-MED air space (€5 million), joint Israel-Palestine energy and transport offices (€1.9 and €2 million respectively), a project that promotes co-operation between local authorities on both sides of the Mediterranean (MED-PACT, €5 million) and a new transnational cross-border programme (€9.4 million). Finally, support to the Tempus programme continued under the 2005 MEDA regional co-operation programme with an allocation of €12 million.

Regional economic integration

Encouragement of enhanced economic integration continued. An important example is support to the implementation of the Agadir Free Trade Agreement, concluded by **Jordan, Egypt, Morocco** and **Tunisia**. Initiatives dealing with industrial co-operation, such as the MEDA-funded EuroMed Quality Project, help to upgrade infrastructure in the partner countries through training, promotion of services, workshops and laboratory comparison analysis. More than 60 quality support centres will benefit from this project through information and training.

The first Neighbourhood Programme was launched with a focus on the energy and transport sectors. In December, the MEDA-funded project on the integration of the Euro-Maghreb electricity market was approved. This project supports regional integration and co-operation in the production and distribution of energy between **Algeria, Morocco** and **Tunisia**. A project supporting Euro-Mashreq gas market co-operation was approved in 2005 and is being implemented with the participation of Jordan, Egypt, Lebanon and Syria.

In transport, the Euro-Mediterranean Ministerial Conference held in Marrakech identified institutional reform, infrastructure, maritime transport, multimodal transport, air transport and Galileo as priorities for regional co-operation. As for sub-regional co-operation, the agreement establishing a Joint Transport Office between **Israel** and the **Palestinian Authority** will promote co-operation between the two, as well as infrastructure projects of common interest.

Social and human development

Exchanges of young people and volunteers between EU and MEDA countries under the EuroMed Youth programme is contributing to the education of young people through intercultural partnerships, while the ongoing Tempus programme promotes co-operation between universities.

Co-operation in Justice and Home Affairs

Justice and Home Affairs matters are becoming increasingly important. The MEDA Justice, Police and Migration project is promoting regional co-operation in the field of justice, in the fight against drugs, organised crime and terrorism, as well as co-operation on issues relating to the social integration of migrants, migration and the movement of persons.

Ensuring security and justice, monitoring migration

In the framework of the regional MEDA JAI Programme, the EuropeAid Co-operation Office has financed and organised high-level meetings attended by judges and senior police officers from all the Mediterranean countries, including Israel and the Palestinian Territories. These encounters have allowed for debate and the exchange of best practice on highly political issues like terrorism, drug trafficking and reform of the justice system. They have also laid the foundations for the establishment of future operational networks in these fields. This is the first time that such an initiative has been launched under the umbrella of the European Commission, and the beneficiary countries have shown great interest and involvement.

Also in the context of the MEDA JAI Programme, a First Annual Report on Mediterranean Migration was published on 18 October 2005 (www.carim.org). This document, which has been very much welcomed by the Commission, provides an overview of national migration policies in the Euro-Mediterranean region during 2005, and allows for a better understanding of the migratory phenomenon and its economic, legal and political dimensions.

2.3.4. Implementation

2005 was another record year for the MEDA programme. Total commitments under MEDA reached €734.6 million and the total of payments reached €780.9 million. For the second year in a row payments exceeded forecasts, confirming that the Commission's efforts to improve the implementation of MEDA are paying off. For all Mediterranean and Middle East budget lines, the ratio of Payments/Commitments has reached 105% (€1 122 million/€1 075 million).

External aid financed on the General Commission Budget managed by EuropeAid 2000-2005						
	2000	2001	2002	2003	2004	2005
Commitments	731	709	762	782	1.003	1.075
Payments	459	488	707	700	1.125	1.122
Bilateral and Multilateral ODA/OA (EuropeAid only). Amount in € million.						

Regional co-operation

In 2005, new commitments amounted to €45.6 million at regional level. The proposed initiatives constitute principally a follow-up of ongoing activities in such priority sectors as MEDA JAI II in the Justice and Home Affairs field, SAFEMED II and EuroMed GNSS in transport, and a further edition of the Tempus Programme for education. Support for Euro-Mediterranean energy market integration has absorbed a significant share of the financial resources available in 2005.

Co-operation with the Maghreb copuntries

In the Maghreb countries (**Algeria, Morocco, Tunisia**), the focus of projects varies according to the priorities of each partner country. In **Tunisia**, the 2005 MEDA programme targets the development of a more friendly investment climate by supporting the Structural Adjustment Facility (SAF IV). The programme, with an EC contribution of €78 million, was developed in close co-operation with the World Bank and the African Development Bank. At the end of 2005, the Commission signed a financing agreement with Tunisia in support of the modernisation of justice. The programme provides concrete support in the areas of administration of justice, the development of professional associations, etc.

The main programme of 2005 assistance to **Morocco** was a €90 million sector support operation in the fight against precarious housing conditions. The programme is complementary to a loan provided by the EIB. The 2005 MEDA programme continued supporting Morocco in developing the Northern Province; an amount of €15 million was set aside to improve rural roads. In addition to an amount of €15 million in support of the implementation of the EU-Morocco Association Agreement, an extra allocation of €5 million was provided to support the development of professional associations and a further €2 million for training in developing a national democracy and Human Rights strategy.

Co-operation with **Algeria** continued to be focused on technical assistance operations. The entry into force, on 1 September 2005, of the Association Agreement will strengthen dialogue at all levels and should enhance support for reforms.

Co-operation with the Mashrek countries

Co-operation with the Mashrek was marked in 2005 by a deepening relationship with most beneficiary countries. This was instrumental in improving the effectiveness of co-operation implementation. The year 2005 also confirmed the evolution towards sector reform-oriented operations.

Support to the Palestinian people remained a major area of EC co-operation during the year. In total the Commission contributed an amount of €280 million to the Palestine in 2005. In response to Israel's disengagement from the Gaza Strip, the Commission decided to make available a €40 million Infrastructure Facility. The project will build and rehabilitate public infrastructure in the Gaza Strip and the West Bank. In addition to continuing its humanitarian and food aid support in favour of the Palestinian population, the Commission continued its support to the World Bank's Public Financial Management Reform Trust Fund with a contribution of €70 million.

Egypt continued to be one of the main beneficiaries of the MEDA programme. In 2005, the allocation was €110 million, which brings total funding under MEDA since

the year 2000 to €463 million. The main beneficiary of the 2005 package was the water sector, which received €80 million. The aim of the programme is to support institutional and legal reform of a sector that is a key to the future development of the country. In addition, €25 million was made available in support of the implementation of the Association Agreement concluded between Egypt and the Union, with a view to upgrading the institutional capacity of the Egyptian administration in dealing with all aspects of the EU-Egypt Association Agreement.

Efforts by **Jordan** to make its private sector more competitive were supported by a MEDA 'sector reform facility' for an amount of €40 million. The programme foresees concrete measures to strengthen the private sector as well as the government's capacity to provide services in support of trade and investment. Jordan also received €15 million in support of the implementation of the EU-Jordan Association Agreement. Lastly, Jordan's reforms in the area of governance were supported with €3 million to promote Human Rights, independent media and the development of civil society.

Following the important June 2005 elections in **Lebanon**, the Commission allocated €14 million to assist the government in defining and implementing its reform priorities. Part of this support will reinforce local democracy. Other components of the 2005 Lebanon programmes were civil society support (€3 million), the strengthening of management of the water sector (€5 million) and vocational training to improve labour market functioning (€5 million).

Creating a national small and medium enterprise (SME) support institution, building on the successful Syrian-European Business Centre Programme, is the next phase in EU-Syria co-operation in this key area. A new MEDA project will support the creation of an association that will work to develop the SME sector (€15 million). Contributing to an environment conducive to an enhanced role of civil society is the main objective of a new EU Civil Society Development Programme (€2 million) in **Syria**.

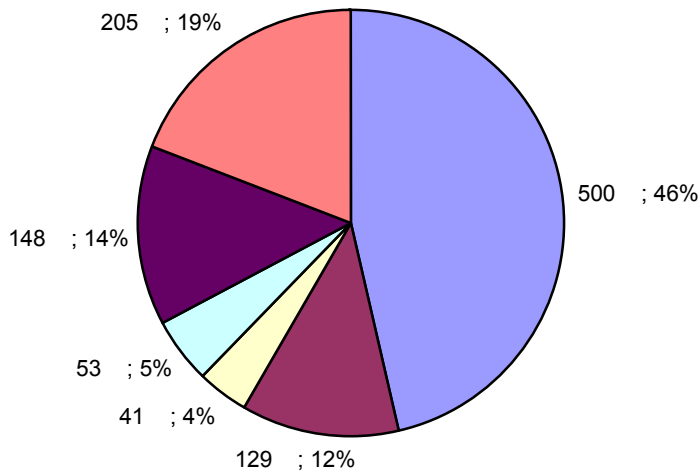
Aid to the reconstruction in Iraq

Since 2003 the EC has contributed a total amount of €418.5 million to **Iraq**, of which €200 million³¹ in 2005. This EC support contributes to the alleviation of day-to-day difficulties in the country, as well as to better governance and the electoral process. So far most EC aid has been channelled through the International Fund Facility for Iraq (IRFFI), as part of the multilateral effort: this approach has facilitated the disbursement of EC support, even in conditions of instability and important security concerns. EC supported actions have focused on education, health, water, sanitation and income-generating activities for the most vulnerable sectors of the population. Support in primary and intermediate-level education has provided teaching materials to over 15 000 schools and furniture for 3 000 primary schools; 150 schools have been rehabilitated. In health, support has boosted immunisation services across the country. Finally, through job creation programmes such as the Iraq Reconstruction and Employment Programme (IREP), the EC has contributed to creating 3.4 million working days for nearly 100 000 Iraqis.

³¹ Including €10 million from the EIDHR, see 3.1.1.

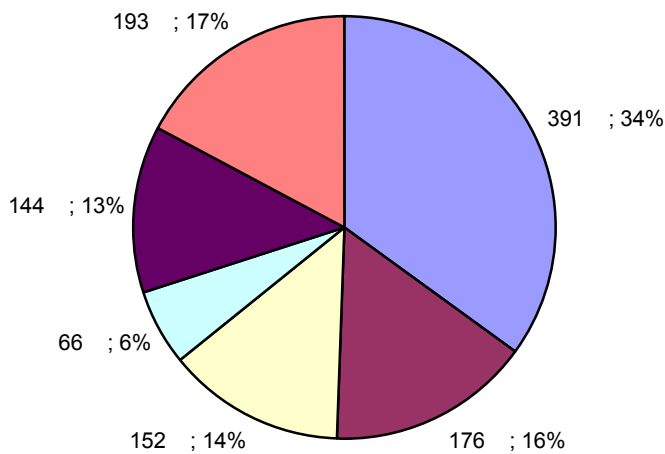
Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2005

Commitments in € million



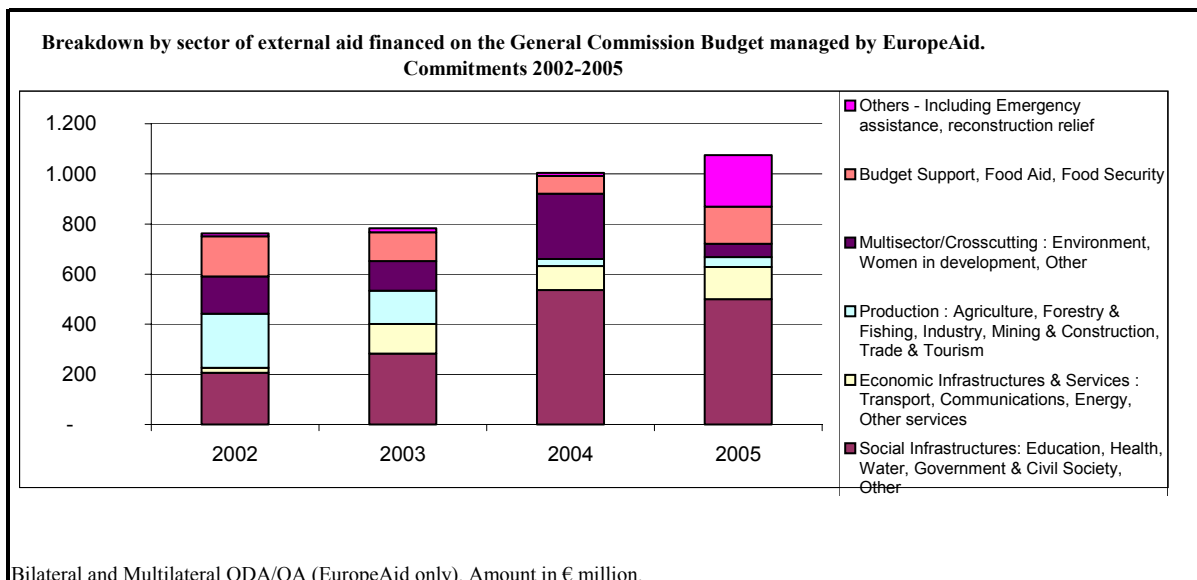
- Social Infrastructures: Education, Health, Water, Government & Civil Society, Other
- Economic Infrastructures & Services : Transport, Communications, Energy, Other services
- Production : Agriculture, Forestry & Fishing, Industry, Mining & Construction, Trade & Tourism
- Multisector/Crosscutting : Environment, Women in development, Other
- Budget Support, Food Aid, Food Security
- Others - Emergency assistance, Including reconstruction relief

Payments in € million



- Social Infrastructures: Education, Health, Water, Government & Civil Society, Other
- Economic Infrastructures & Services : Transport, Communications, Energy, Other services
- Production : Agriculture, Forestry & Fishing, Industry, Mining & Construction, Trade & Tourism
- Multisector/Crosscutting : Environment, Women in development, Other
- Budget Support, Food Aid, Food Security
- Others - Emergency assistance, Including reconstruction relief

Bilateral and Multilateral ODA/OA (EuropeAid only).



2.3.5. *Assessment of the EC's contribution towards poverty reduction and towards the achievement of the MDGs*

The EU's objectives for the Mediterranean and Middle East region (MED) are defined in the context of the Barcelona Process; these objectives are in line with the United Nations' Millennium Development Goals elaborated in 2000 and revised in 2005. In this context, the EU promotes and supports economic transformation, social cohesion, the development of civil society, and regional co-operation. More specifically, due to the geographical proximity of Mediterranean partners and their close ties with Europe, the countries of the region stand to benefit from the internal market: to prepare for access to the internal market, they are invited to bring their legislation closer to the European one. As a result, co-operation with the Mediterranean countries covers an extensive range of areas and sectors.

Achievements towards meeting the MDGs

According to the annual monitoring exercise, 68% of monitored projects in the MED region addressed one or more of the Millennium Goals; this represents a slight increase from 2004. Six Millennium Goals out of eight are directly addressed by these projects: these include eradicating extreme poverty and hunger, achieving universal primary education, promoting gender equality and empowering women, reducing child mortality, ensuring environmental sustainability, and developing a global partnership for development. The problem of maternal health has also been tackled by various EC projects in the past. The only goal which is not directly dealt with in the MED region is sustaining the fight against HIV, malaria and other diseases.

Poverty reduction is addressed in particular through a wide range of economic co-operation activities. The objective is to increase countries' growth capacities, which in turn is a necessary condition for reducing unemployment and poverty. Environmental sustainability – the 7th Millennium Development Goal – is addressed through projects in the areas of solid waste management, the fight against desertification, and integrated local water management. Environmental objectives are targeted by no less than 21 Regional Integration projects, in addition to 16 projects in

the area of food security and rural development which focus on land reclamation, the preservation of natural resources, and the fight against erosion. Overall, environmental sustainability is targeted by activities totalling €260 million.

Finally, major efforts are being made in the area of the 8th Millennium Goal relating to a global partnership for development. In this respect, sustained political dialogue with the Mediterranean countries has allowed the EU to increase the number of good governance projects and to extend EU co-operation to new areas, such as justice and migration. Among the projects monitored, 46 directly serve the partnership for development by encouraging not only good governance (€818.9 million) but also youth employment (€174.8 million) and the development of the information society (€35.6 million).

Strengths and weaknesses

From a general point a view, the assistance provided by the EU in the region provides a significant contribution towards the achievement of the Millennium Development Goals, while addressing countries' special needs. Over the past few years, the EU has rationalised and streamlined its programmes in the Mediterranean region, thus promoting efficiency and establishing the basis for better results. Enhancement of EU visibility has been the subject of considerable effort, yet still needs to be improved upon. Analyses based on performance indicators for 2005 indicate that projects related to the Millennium Goals are performing satisfactorily. They show that the best performing projects are linked to the MDG1: "Eradicate extreme poverty and hunger".

2.3.6. Co-operation with Member States and other donors

In order to increase effectiveness and avoid duplication, co-ordination with other donors continues to be a priority: this concerns in the first place co-ordination with Member States. Since the entry into force of the amended MEDA regulation in 2000, increased emphasis has been placed on co-ordination with Member States in the capitals of the partner countries. Dedicated co-ordination fora have been established to reflect local circumstances. For example, in **Morocco**, co-ordination between the Commission, the Member States and other donors takes place in key sectors such as health, living conditions, water and gender.

In **the West Bank and Gaza Strip**, the Commission has a leading role in co-ordination in the area of governance; co-ordination efforts between the German KfW agency, the EIB, the Commission and the Palestinian authorities resulted in the establishment of a Euro-Palestinian guarantee mechanism for lending to small and medium-size enterprises. In addition, the Commission participates in the *Ad Hoc* Liaison Committee for co-ordination and dialogue with the Palestinian and Israeli authorities.

For **Iraq**, a specific donor co-ordination was put in place to speed up implementation: this resulted in the establishment of a strengthened Iraqi-led Baghdad-based donor co-ordination mechanism, supported by the UN, the World Bank and other major donors, including the Commission.

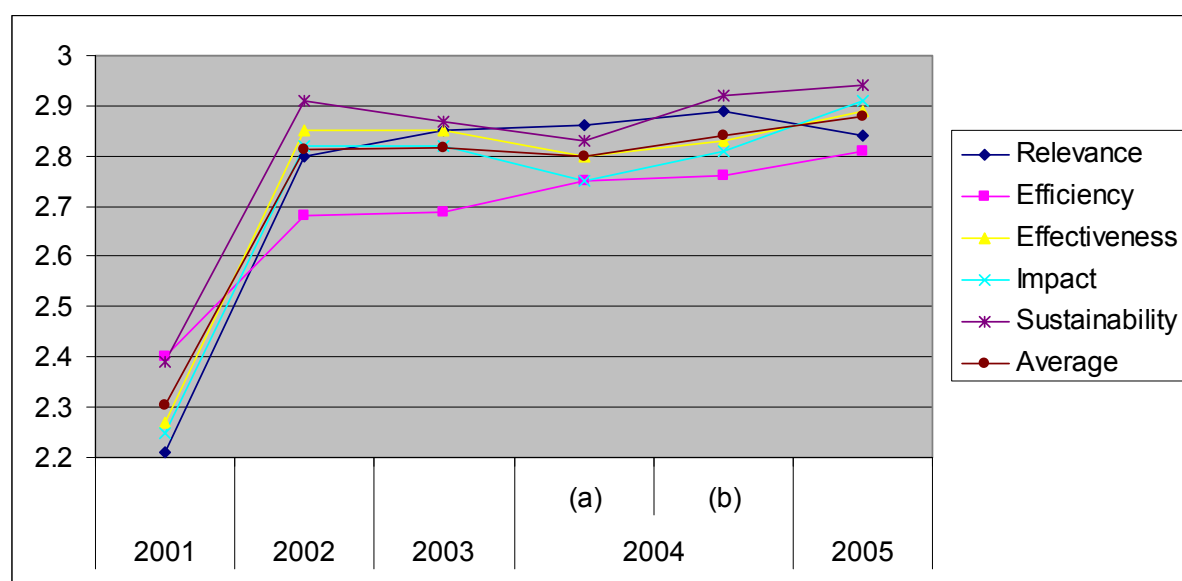
At a more strategic level, the Commission continued regular co-ordination with the EIB, the World Bank and the IMF at senior official level. This resulted not only in a regular dialogue on key policy issues, but also in joint activities such as the organisation of a Euro-Mediterranean Forum on the investment climate, held in Cairo in November 2005.

2.3.7. Overview results-oriented monitoring (ROM)

In 2005, 146 projects for a total budget of €1 802 billion were monitored in this region.

MED	2001	2002	2003	2004		2005
				(a)	(b)	
Relevance	2.21	2.8	2.85	2.86	2.89	2.84
Efficiency	2.4	2.68	2.69	2.75	2.76	2.81
Effectiveness	2.27	2.85	2.85	2.8	2.83	2.89
Impact	2.25	2.82	2.82	2.75	2.81	2.91
Sustainability	2.39	2.91	2.87	2.83	2.92	2.94
Average	2.30	2.81	2.82	2.80	2.84	2.88

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



To ensure consistency of methodology, each of the five criteria comprises individual sub-criteria which the monitor has to consider, comment on and rate: scores for the criteria are then calculated from the ratings for the sub-criteria. This new and more exact method of calculation was introduced end-2004. Consequently, while the original method of calculating from the (rounded) scores for each criterion gives the result 2004 (a), the overall averages for 2004 (b) and 2005 are now calculated from the ratings for each sub-criterion, in order to give a more precise evaluation.

All the sectors performed well during 2005 in the Mediterranean region. High overall scores are especially found in the sectors of regional integration, food security & rural development and institutional capacity & good governance, together accounting for 75% of all projects monitored in this region in 2005.

An analysis of best practice gave the following insights for project success: The project provides a holistic approach, has a very solid operational partnership and is well managed. It also provides ex-post follow up (i.e. for trainees) in order to build sustainability and includes advocacy actions.

2.3.8. *Conclusions and perspectives*

In line with the MEDA regulation, a mid-term external evaluation of the MEDA II programme (2000-2006) was carried out by the ECORYS consulting firm. In their report, the experts underline the marked progress in the implementation of Euro-Mediterranean co-operation since the entry into force of the amended regulation in 2002.

The evaluation stresses the strong link between the co-operation strategy and the political priorities defined in Barcelona – and subsequently adapted in the bilateral Association Agreements. The relevance of the programme and its political consistency are satisfactory, even if improvements could be made to focus more effectively on good governance, equal opportunities, poverty alleviation and the environment.

The entry into force of the future European Neighbourhood Partnership Instrument (ENPI) – which will replace the MEDA and TACIS programmes from 2007 – will not affect the framework set by the Barcelona Process. In order to improve the quality of programming, the Commission will develop the strategic objectives of the European Neighbourhood Policy in the closest possible co-operation with Mediterranean partner countries.

Promoting a growing role for partner countries in the selection of the most appropriate co-operation instruments and activities will therefore be an important concern for the Commission. At implementation level, the Commission will continue and, where possible, accelerate the transition from traditional projects to sector support operations, as well as increase co-operation with civil society.

2.4. **ACP countries and OCTs**

2.4.1. *Introduction*

ACP-EU co-operation achieved several milestones in 2005. EU leaders adopted Commission proposals to increase aid to 0.56% of the EU's Gross National Income (GNI) by 2010 and agreed to devote at least half of this increased aid to Africa. They also agreed to cancel the debts of eighteen of the world's poorest countries – almost all ACP states – and to set a firm date, 2013, by which to scrap export subsidies. And they approved a Commission proposal for a new EU Strategy for Africa.³² In

³² To view the EU Strategy for Africa in full, visit: http://europa.eu.int/comm/development/body/communications/docs/eu_strategy_for_africa_12_10_2005_en.pdf#zoom=100

addition, EU and ACP countries completed negotiations to revise the Cotonou Agreement. The ACP group of countries also celebrated its 30th anniversary and welcomed Timor Leste as its 79th member.

2.4.2. Evolution of EU co-operation

In 2005, the EU remained the biggest donor to ACP countries, consolidating its support by making important political headway on several fronts. First, 25 EU and 78 ACP countries completed negotiations to revise the Cotonou Agreement. New provisions strengthen political dialogue between the two groups, reaffirm their determination to join forces to fight terrorism and the spread of weapons of mass destruction, and underline the role of the International Criminal Court. At year-end, the EU agreed to a 10th European Development Fund (EDF) amounting to €22.7 billion. This will run from 2008 to the end of 2013.

Second, the EU maintained its support for peacekeeping in Africa through the Africa Peace Facility. The Commission financed the African Mission in Sudan (AMIS) to restore peace in Darfur, and continued to support African Union peacekeeping in the Central African Republic.

Third, the Commission helped secure over €450 million in commitments for the ACP-EU Water and Energy Facilities. The ACP-EU Council allocated a second funding round of €250 million for the Water Facility and agreed to consider investing €220 million in the Energy Facility. This will co-fund ACP energy projects designed to alleviate poverty. The Commission will launch calls for proposals for both facilities in mid-2006.

Finally, the Commission put forward a new EU Strategy for Africa, which the European Council adopted in December. This strategy:

- restates the EU's belief that Africans should steer Africa's development;
- integrates EU Member States' and the Commission's approaches to Africa;
- focuses on growth and governance;
- targets the MDGs - education, health and the environment - and the conditions

needed to reach them: peace, security, trade and regional integration.

2.4.3. Regional co-operation and integration

During 2005, the EC continued to implement a series of programmes to promote co-operation and integration between ACP regions. It also strengthened its partnership with the African Union (AU), held talks on new regional trade agreements and announced the EU Strategy for Africa.

EU and AU Commissioners and a joint EU-AU Task Force met to identify key areas for co-operation. The Commission matched words with money, pledging a further €75 million to improve the AU's governance and strengthen its capacity.

The EU also continued to negotiate Economic Partnership Agreements (EPAs), liberalising trade and investment between it and the six ACP regions.³³ It aims to sign the agreements by end-2007. EPAs will also ensure EU-ACP trade is WTO-compatible, while promoting regional integration and development. With financing from EDF regional integration and trade programmes, the Commission helped ACP countries negotiate agreements and implement them more effectively – for example, by cutting red tape to encourage private investment.

In addition, the Commission prioritised regional integration in the new EU Strategy for Africa. This strategy envisages regional and pan-African programmes to boost infrastructure, trade and environment, and promote peace and security. It includes an EU-Africa Infrastructure Partnership and a Governance Initiative to help countries carry out reforms proposed by the African Peer Review Mechanism (APRM).³⁴ Through the APRM, Africans themselves identify ways to improve governance in African countries. The APRM undertook its first reviews in Rwanda and Ghana in 2005.

2.4.4. Implementation

The EC finances most ACP and OCT development programmes from the European Development Fund (EDF). EU Member States contribute jointly to the EDF. The Commission also funds some programmes from the general EU budget. It provides funding in four stages: indicative programmes which identify policy priorities, global commitments for programmes, individual commitments – these are contracts with third parties to deliver projects – and, finally, payments to contractors. The EC now provides increasing amounts of aid directly to ACP governments as budget support. These are linked to clear performance criteria.

The tables below show commitments and payments to ACP countries and OCTs since 2000 and in 2005.

External aid financed on the General Commission Budget and the European Development Fund (EDF) managed by EuropeAid 2000-2005						
m€	2000	2001	2002	2003	2004	2005
Commitments	4 207	2 092	2 278	3 867	2 570	3 693
Payments	1 789	1 913	2 087	2 484	2 528	2 606

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

³³ In negotiating EPAs, ACP countries have divided themselves into six regions: West Africa, Central Africa, Eastern and Southern Africa, the Southern Africa Development Community, the Caribbean and the Pacific

³⁴ For more about the APRM, visit: <http://www.nepad.org/2005/files/aprm.php>

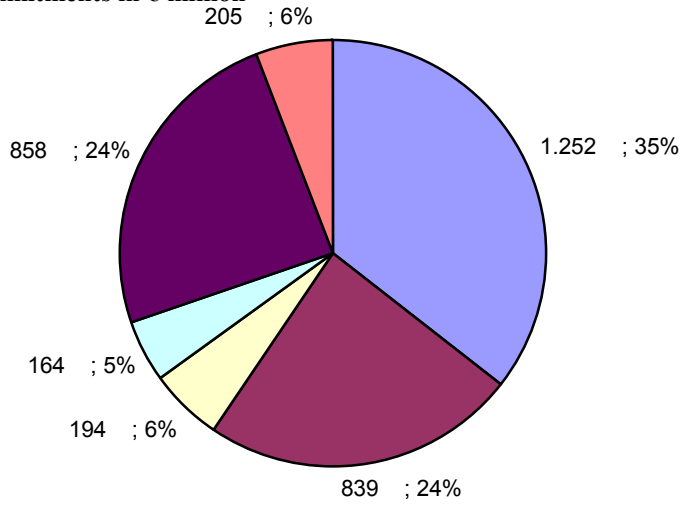
External aid financed on the General Commission Budget and the European Development Fund (EDF) managed by EuropeAid in 2005						
	Commitments			Payments		
	Budget + EDF	EDF	Budget	Budget + EDF	EDF	Budget
Africa	3 243	3 085	158	2 223	2 083	141
Caribbean	214	189	24	136	127	9
Pacific	87	87	-	71	71	-
Overseas Countries & Territories	16	16	-	18	18	-
ACP Unallocated	134	134	0	158	157	0
Total	3 693	3 511	182	2 606	2 456	150

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

The EC concentrated funds on education and health, infrastructure and budget support, as shown by the breakdowns by sector below:

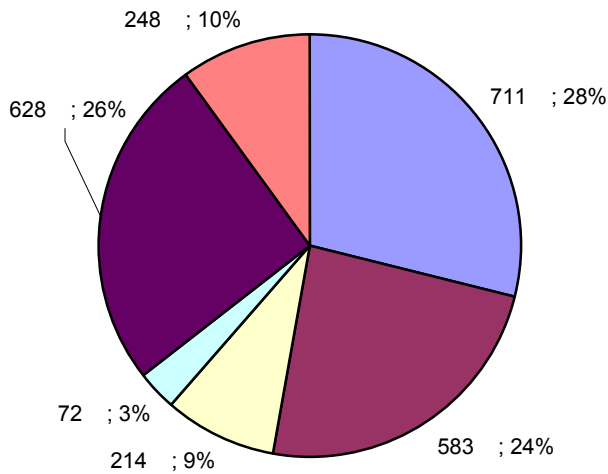
Breakdown by sector of external aid financed on the European Development Fund (EDF) managed by EuropeAid in 2005

Commitments in € million



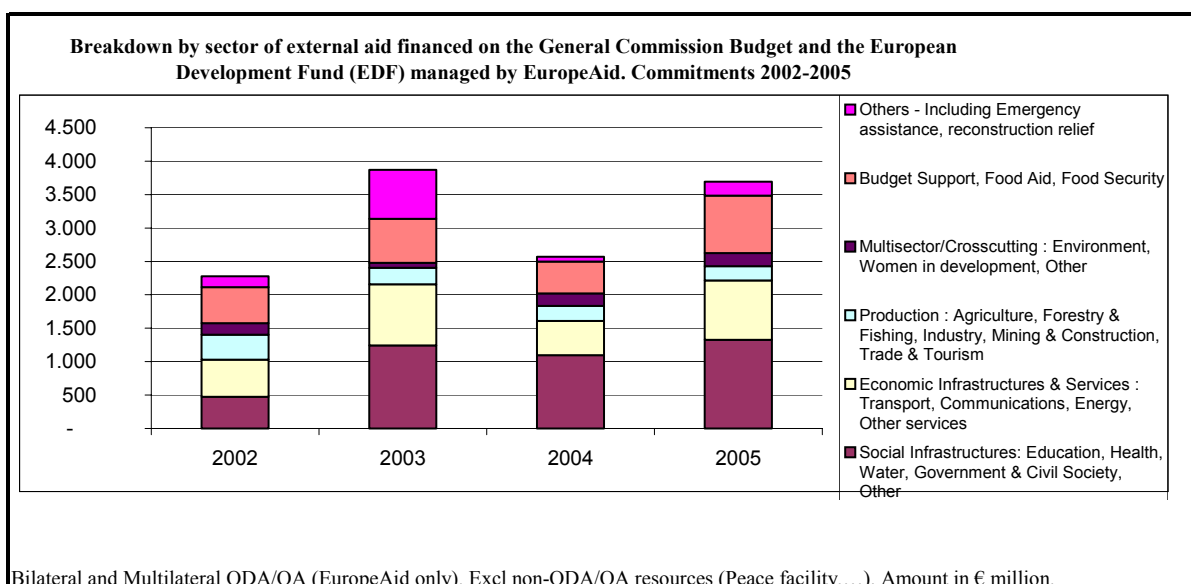
- Social Infrastructures: Education, Health, Water, Government & Civil Society, Other
- Economic Infrastructures & Services : Transport, Communications, Energy, Other services
- Production : Agriculture, Forestry & Fishing, Industry, Mining & Construction, Trade & Tourism
- Multisector/Crosscutting : Environment, Women in development, Other
- Budget Support, Food Aid, Food Security
- Others - Including Emergency assistance, reconstruction relief

Payments in € million



- Social Infrastructures: Education, Health, Water, Government & Civil Society, Other
- Economic Infrastructures & Services : Transport, Communications, Energy, Other services
- Production : Agriculture, Forestry & Fishing, Industry, Mining & Construction, Trade & Tourism
- Multisector/Crosscutting : Environment, Women in development, Other
- Budget Support, Food Aid, Food Security
- Others - Including Emergency assistance, reconstruction relief

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



Some examples:

- 13 new macroeconomic budget support programmes amounting to €703 million;
- 13 new sector policy support programmes (SPSPs) in nine countries, totalling €875 million. The Commission will fund six of these using budget support, and the remaining seven through standard projects.

The Commission also continued to invest in strengthening the conditions necessary for achieving the MDGs – democracy, the rule of law, good governance and economic growth. For example:

- In DR Congo, the EC contributed €60 million towards elections and sent teams of experts (EUPOL and EUSEC) to help reorganise the police and armed forces.
- In Burundi, the EC helped fund a referendum on a new constitution, backed overwhelmingly by voters, and subsequent elections which EU observers judged to be free and fair.
- The EC also reviewed over 800 applications for funds from the ACP-EU Water Facility and secured a second funding round of €250 million.

The Commission also prepared a series of new programmes, including: a €30 million ACP research and development programme; a €25 million facility to insure against the impact of poor weather, natural disasters or sudden falls in prices on commodity earnings; an EU-Africa Cotton Partnership; and programmes to help ACP states produce sugar and bananas more competitively or diversify. These programmes are due to be adopted in 2006/2007.

Investing in infrastructure and expanding trade in Central Africa

Since the ultimate aim of the European Community's development policy is to help ACP economies grow, the Commission is investing heavily in roads, ports and other infrastructure. This facilitates the movement of people and goods within and between countries and, in turn, stimulates regional trade.

In central Africa, the River Ntem winds through the area bordering Gabon, Cameroon and Equatorial Guinea. Until recently, it was a major obstacle to traffic. In response, the Gabonese government and the European Commission agreed to jointly invest €25 million to build:

- a 19 km road linking all three countries;

- a bridge linking Gabon and Cameroon, and another inside Cameroon.

These were officially opened in November 2005 ahead of schedule. As a result, an estimated 75 000 additional tonnes of goods will be transported through the region, and traffic is forecast to increase by as much as 3 000%. The Commission is also helping the three countries simplify their customs procedures and lighten border controls.

2.4.5. Assessment of the EC's contribution towards poverty reduction and the achievement of the MDGs

The Commission works to tackle poverty and help achieve the MDGs in partnership primarily with ACP governments, but also with other donors and civil society. Progress depends on joint effort. For example, the Commission encourages ACP governments to lead and own the development process, and to monitor the results of their activities. One way governments can do this is by devising Poverty Reduction Strategy Papers (or PRSPs), which identify priorities for tackling poverty and guide the Commission and other donors in allocating aid.

Discerning the EC's impact in isolation is difficult. The main way the Commission contributed to tackling poverty and achieving the MDGs in 2005 was by prioritising the most MDG-specific sectors – education and health – in the ACP's poorest states. EC sector support programmes primarily target education and health, and are conditional on governments achieving concrete progress, for example by increasing vaccination rates for children under five, or boosting school enrolment rates. Their share of new projects approved rose from 10% in 2004 to 25% in 2005. In addition, the EC helped lay the foundations for attainment of the MDGs: peace, security, good governance and regional integration.

The EC also contributed to the MDGs in three other ways. First, the Commission focused on progress indicators by participating in Paris 21, a World Bank-led initiative to improve statistics-gathering in developing countries. It also financed UN efforts to gauge results better in education and health, especially in Sub-Saharan Africa. Continuous support for strengthening statistical systems remains important to improve the quality of data on the MDGs.

Second, the Commission overhauled its development policy, scaling up its aid and reaffirming its commitment to achieving the MDGs. This formed part of the European Consensus on Development, a joint policy statement adopted by EU Member States' representatives, the Commission and the European Parliament. The Commission also used other policies – notably external trade – to complement aid.

Third, the Commission focused on effectiveness. It continued to monitor closely the results of individual projects, and to motivate ACP governments to do the same through budget and sector support.

2.4.6. Co-operation with Member States and other donors

The Commission continued to co-ordinate closely in 2005 with other donors to ACP states, particularly EU Member States. Most notably, the Commission signed the Paris Declaration on Aid Effectiveness. This sets out 50 commitments by developing and donor countries, development banks, and UN institutions to harmonise their efforts and align them with recipient countries' strategies. It includes concrete targets to be achieved by 2010 – for example, undertaking jointly with other donors two-thirds of all assessments of recipient countries' progress.³⁵

The Commission agreed to intensify its partnership with the World Bank in Africa. The EC also contributed a further €58 million to the Global Fund to Fight AIDS, TB and Malaria, a multi-donor initiative, taking its total contribution since the Fund's inception to over €430 million. Similarly, the EU Water Initiative (EUWI) enables EU Member States and the EC to co-ordinate more closely, and get more from, the expertise and money devoted to bringing clean water and basic sanitation to the poorest people in the ACP states.

The Commission also continued to devise and implement a series of programmes in conjunction with UN agencies, other donor agencies and NGOs. For example, in 2005, it proposed a €15 million action programme with the International Labour Organisation. This will help to support ACP states in drafting laws and implementing programmes to enable children to go to school rather than have to work.

2.4.7. Overview results-oriented monitoring (ROM)

Independent monitors assessed 369 projects, amounting to over €4.1 billion.

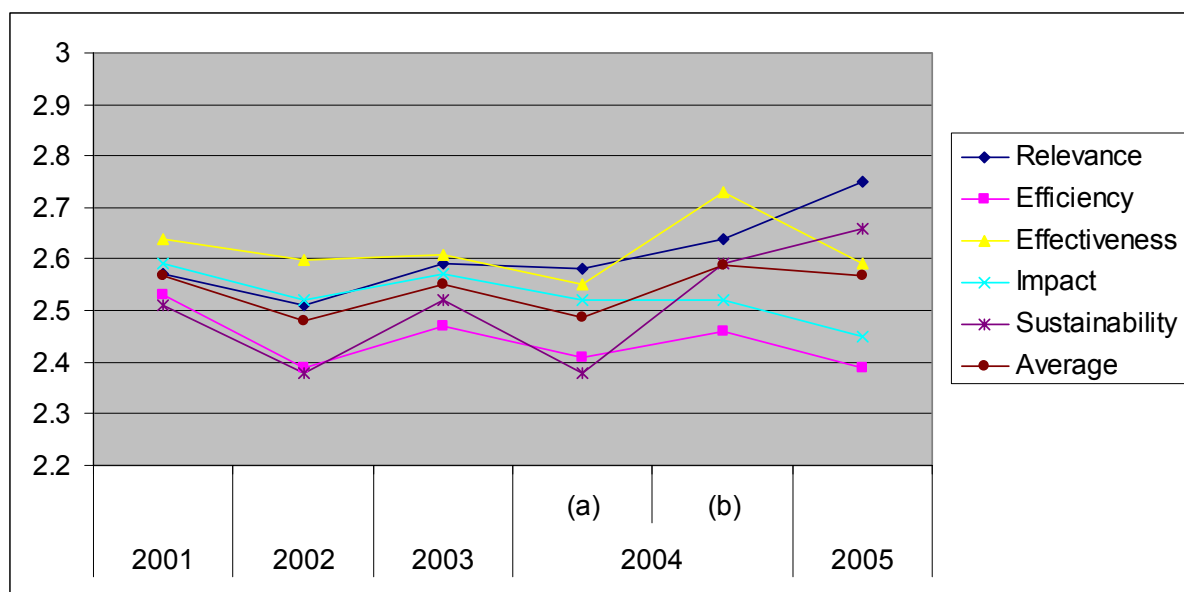
ACP						
	2001	2002	2003	2004		2005
				(a)	(b)	
Relevance	2.57	2.51	2.59	2.58	2.64	2.75
Efficiency	2.53	2.39	2.47	2.41	2.46	2.39
Effectiveness	2.64	2.6	2.61	2.55	2.73	2.59
Impact	2.59	2.52	2.57	2.52	2.52	2.45
Sustainability	2.51	2.38	2.52	2.38	2.59	2.66
Average	2.57	2.48	2.55	2.49	2.59	2.57

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

To ensure consistency of methodology, each of the five criteria comprises individual sub-criteria which the monitor has to consider, comment on and rate: scores for the criteria are then calculated from the ratings for the sub-criteria. This new and more exact method of calculation was introduced end-2004. Consequently, while the original method of calculating from the (rounded) scores for each criterion gives the

³⁵ To read the Paris Declaration on Aid Effectiveness, visit:
<http://www1.worldbank.org/harmonization/Paris/finalparisdeclaration.pdf>

result 2004 (a), the overall averages for 2004 (b) and 2005 are now calculated from the ratings for each sub-criterion, in order to give a more precise evaluation.



Monitors found that overall, programmes in the ACP region were on track: projects and programmes were performing according to plan, and were relevant to the needs of the beneficiary countries. They cited, for example, the flexible way the Commission was implementing a project supporting the Central African Republic's transition to democracy so that the project remained relevant to the country's needs.

However, efficiency in implementing programmes remained below target. In many ACP countries, projects have to contend with more severe constraints than elsewhere in the world: weak economies, limited health and education provision, weak governance, conflicts and/or poor environmental conditions. Regional programmes also faced particular challenges in the Caribbean and the Pacific, where they require close co-ordination between the authorities in many disparate islands.

2.4.8. *Conclusions and perspectives*

The Commission achieved, and in some cases exceeded, its targets in 2005 for delivering aid in ACP countries and Overseas Countries and Territories (OCTs). It showed it is capable of delivering the results that EU taxpayers and ACP states rightly expect.

Yet the EU-ACP partnership faces continuing challenges in 2006 and beyond. To meet these, the Commission will continue consolidating its reform of aid. It will ensure it commits all 9th EDF funds by the end of 2007, and will start to programme 10th EDF funds well ahead of the Fund's launch in 2008. It will continue to expand budget and sector support where appropriate and will implement innovative programmes, including the Peace, Water and Energy Facilities which are already underway, and the Infrastructure and Governance Initiatives set out in the EU Strategy for Africa. It will launch a new trust fund together with the EIB to enable more cross-border infrastructure lending in ACP countries. And the Commission will

further strengthen its partnership with the African Union and other ACP regional entities.

2.5. Asia

2.5.1. Introduction

2005 will be remembered in Asia as the year of two major natural disasters. A tsunami swept across the Indian Ocean on 26 December 2004, causing the death of over 220 000 persons, and an estimated €7 billion economic loss. The powerful earthquake in Pakistan on 8 October 2005 killed over 80 000 people and left an estimated 3.5 million survivors homeless. In addition the spread of avian influenza in South East Asia, and to other regions of the world, is causing considerable economic losses, particularly to poultry farmers, as well as contributing to the fear of a possible human influenza pandemic.

On the economic scene, 2005 was another year of progress in most Asian countries, although high oil prices hampered development in some countries. The average growth rate remained high at 6.6%, with **China** and **India** in the forefront. Recovery of the Japanese economy continued, despite signs of a mild slowdown. Asia, as a whole, generates one-third of world economic output, one-fifth of world exports, and attracts one-third of all foreign direct investments.

Afghanistan gained some stability after the parliamentary elections in September. The reconstruction process continued to progress and to create jobs, even though the country's economy still relies heavily on opium poppy cultivation. In **Indonesia**, the tsunami disaster triggered a wave of international solidarity and provided a new impetus to the stalled Aceh peace negotiations.

Bangladesh was haunted by a level of extremist violence against the state and political figures far exceeding that of previous years. The unstable political situation in **Nepal** and the stalled peace process in **Sri Lanka** limited the EC's co-operation options in those countries. The process of political transition in **Burma/Myanmar** continued to exclude the main stakeholders. While its restrictive measures remained in place, the EU has sought ways to intensify aid to the population of Burma/Myanmar at large.

2.5.2. Evolution of EU co-operation

At the global level, a 'strategic dialogue on Asia' was launched with the US in May 2005 and with **Japan** in September 2005, in view of the growing importance of Asia when addressing issues of global concern.

An EU-China Declaration on Climate Change was agreed at the China-EU Summit in September 2005 which established a "China-EU Partnership on Climate Change". In addition, in the energy sector, two Action Plans were signed during 2005 on future co-operation with **China**, one on clean coal technologies and the second on energy efficiency and renewable energies.

In September 2005, the EU and **India** adopted a wide-ranging action plan detailing the co-operation modalities of the strategic partnership concluded in 2004. The

action plan will reinforce dialogues, consultations and exchanges in political, cultural, educational, economic, social and commercial areas. Terrorism, organised crime, migration and consular issues are also mentioned in the plan.

The EC continued to place emphasis on simplification of its procedures and on ensuring that aid reaches the final beneficiaries more rapidly. This includes better use of evaluation results for the design of new programmes, continued and rigorous quality control during the preparatory phase, and a reduced time-lag between the adoption of an EC decision and the start-up of action in the field. The move from a traditional project approach to sector policy support programmes, already well advanced in previous years, continued in 2005. About half the aid to Asia was delivered in the form of sector policy support programmes or sector budget support.

2.5.3. Regional co-operation and integration

Enhanced regional co-operation in Asia is essential in taking advantage of opportunities (trade, culture) and facing transnational threats (terrorism, diseases). The potential gains of enhanced bilateral, regional, and subregional collaboration are considerable, but largely untapped so far. The EU is actively supporting regional co-operation initiatives through dialogues and funding.

ASEAN (the Association of South East Asian Nations) is the most prominent instrument for regional co-operation and integration in South East Asia. The EC provides support to the ASEAN secretariat and to sub-regional integration endeavours through the Trans-Regional EU-ASEAN trade initiative (TREATI) and the Regional EU-ASEAN dialogue instrument (READI), as well as other specific co-operation projects. These include actions in the field of energy, transport, biodiversity, technical standards, and higher education.

Avian influenza has become endemic in parts of Asia. 2005 saw an increase in the spread of the disease geographically and also a rise in the number of reported human fatalities. The nature of the disease necessitates close co-operation between the countries concerned in order to agree on surveillance, reporting and reactive measures. The EC has taken an active role, together with UN organisations and the World Bank, in including the issue of prevention on the agenda. EC representatives participated in working group meetings at various levels ahead of a donor conference in Beijing, planned for early-2006, where the EC is a co-organiser.

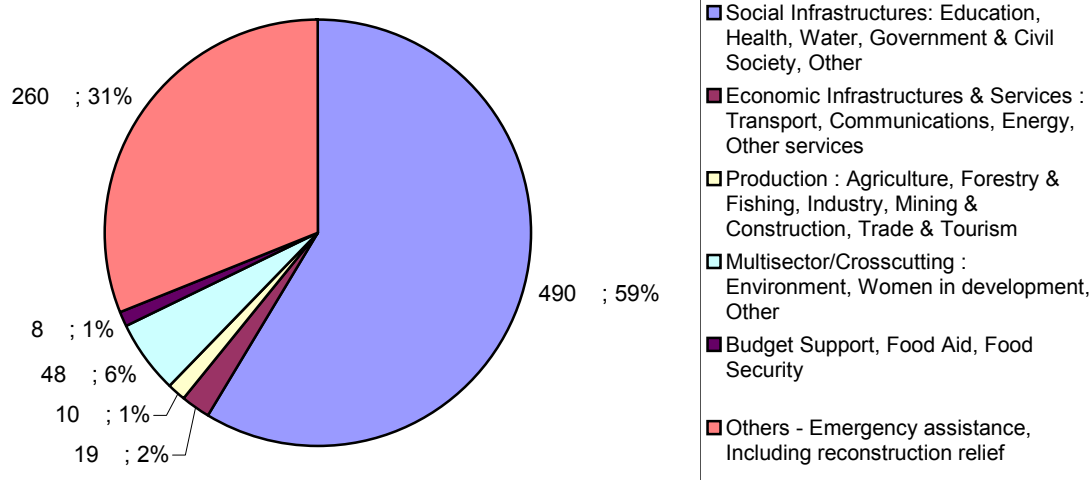
2.5.4. Implementation

EC aid to Asia reached its highest level ever in 2005 as additional funding was made available to help the victims of the tsunami and of the earthquake in Pakistan. Figures for disbursements and commitments in 2005, and in previous years, are shown in the table below.

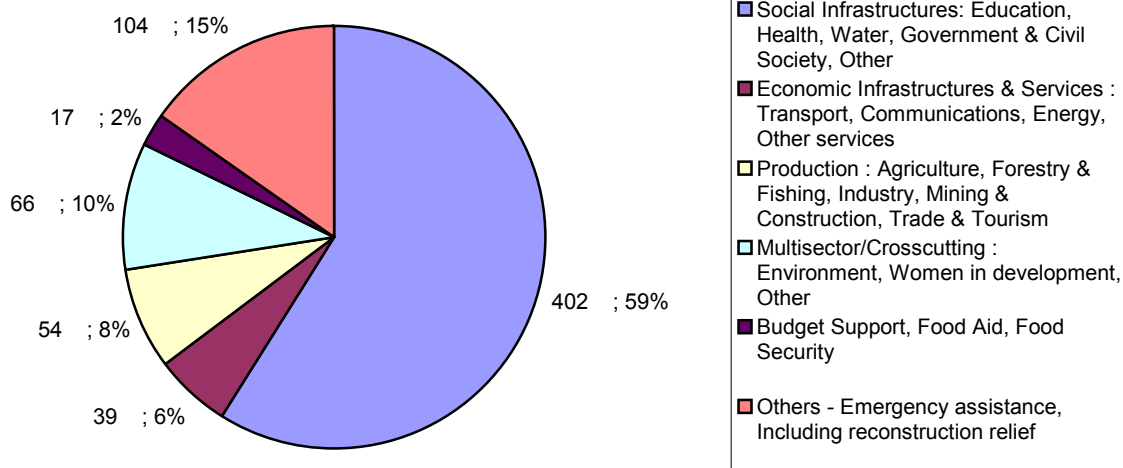
External aid financed on the General Commission Budget managed by EuropeAid 2000-2005						
	2000	2001	2002	2003	2004	2005
Commitments	481	407	575	558	611	834
Payments	322	383	455	470	526	681
Bilateral and Multilateral ODA/OA (EuropeAid only). Amount in € million.						

Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2005

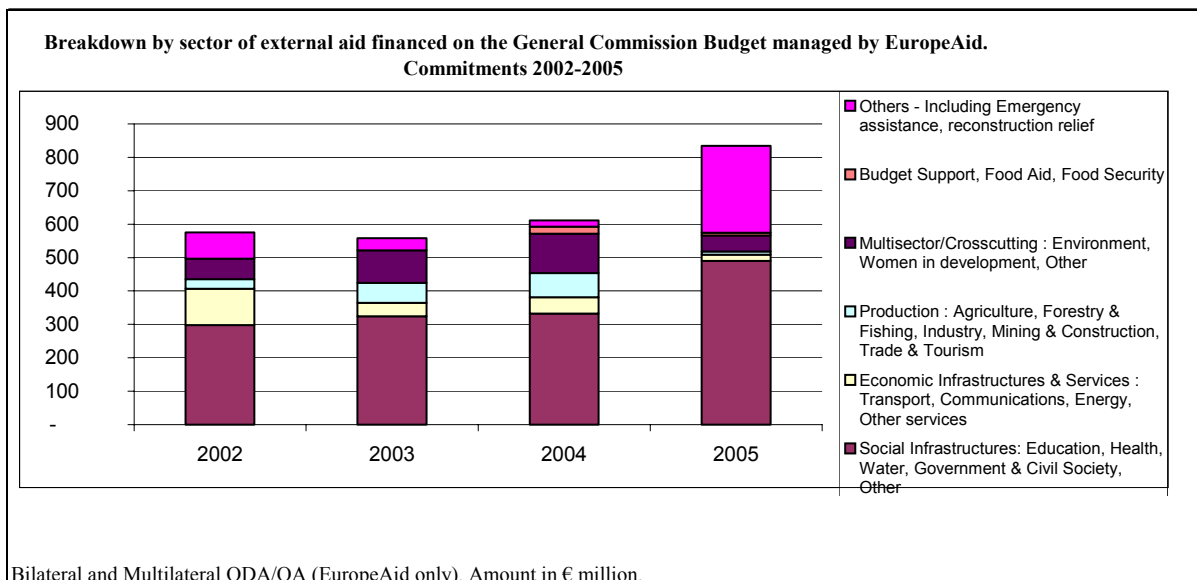
Commitments in € million



Payments in € million



Bilateral and Multilateral ODA/OA (EuropeAid only).



Social sector programmes and poverty alleviation

Well over half the funds disbursed in 2005 were again dedicated to supporting social sector developments and poverty alleviation in the fields of health and basic education.

During the year, the EC disbursed €92 million into a multi-annual programme to achieve universal elementary education in **India** by 2010. The first development objective of the programme – reducing the number of out-of-school children – has been realised earlier than planned, and girls' enrolment has reached near parity with boys at 47.5% at the primary level. Under another sector investment programme in India, the EC paid €86 million during 2004-2005 to support the implementation of health and population policies and to bring about a reform of the health systems. In **Bangladesh** the focal area for EC aid is in the primary health and basic education sectors, which are being addressed through extensive multi-donor programmes.

Aid to Afghanistan

Following the Commission pledge of €1 billion in aid to **Afghanistan** over the period 2002-2006, the country was again, in 2005, the largest Asian beneficiary of EC aid. New commitments of about €200 million (including €15 million for food security actions) focused on four areas: health, infrastructure, rural development and public administrative reform (including support to elections).

The EC has disbursed €575 million in reconstruction aid during the last four years. Concrete results are visible in the form of economic progress and stability. These include:

- training and upkeep of the police, allowing the government formed after the presidential elections in 2004 to restore public order and to consolidate rule in many parts of the country;
- the successful conduct of presidential elections in 2004 and legislative elections in 2005, resulting in a female representation of 27 % in the Afghan parliament;

- upgrading of some 80 km of the road between Kabul and Jalalabad, leading to reduced travel time and costs;

- increased access to social services. Some 400 000 people have now been treated in 120 rehabilitated clinics, over 3 million working days of employment have been generated, and 8 million square metres of land de-mined.

However, the situation is still difficult for much of the Afghan population, who at times express doubts as to the concrete benefits promised by the international donor community. The security situation remains fragile, with some parts of the country not falling within the control of the central government and consequently being non-accessible to foreign aid workers. There has been an increase in attacks by the Taliban and other armed groups in the southern and eastern parts of the country and a new phenomenon of suicide bombings poses a threat to security.

The parliamentary elections, which were successfully carried out with financial support from the EC and other donors, resulted in a seriously fragmented assembly which has yet to prove its credentials. Opium poppy growing and drug production is still prevalent: Afghanistan is the main provider of heroin to European drug markets. The EC supports the government's counter-narcotic programme by creating alternative livelihoods for the rural population and contributing to the law and order trust fund.

Reconstruction aid to Pakistan

The earthquake that struck parts of **Pakistan** and India in October caused the death of over 80 000 people and made more than 3 million homeless. Most of the local infrastructure, including buildings, roads and water supply systems, has been severely damaged. In particular, the education system needs to be reactivated and stabilised in order to allow students to continue their education and avoid dropouts and child labour.

In addition to humanitarian aid, the EC decided swiftly to allocate €50 million to support for reconstruction of the basic socio-economic infrastructure (focusing on reinstating education and health services) and for livelihood measures. These measures encompass the construction of hospitals, including provision of all the essential medical equipment and ambulances, and rehabilitation and reconstruction of damaged government schools. Massive tree plantation will mitigate the environmental effects, as the affected population is likely to harvest forest for reconstruction of its houses.

The EC is concentrating its efforts, working closely with the Asian Development Bank for the reconstruction work and also with UN organisations. Initial disbursements will be made in early 2006.

Aid to uprooted people

Aid disbursed to uprooted people in Asia amounted to €15 million, providing up to half a million persons with basic health, education and other services. Assistance was provided to uprooted people from **Burma/Myanmar**, to refugees from Myanmar in Nepal, and to internally displaced persons in the **Philippines**, **Indonesia** and **Sri**

Lanka. New commitments in 2005 of €26.5 million targeted uprooted people, including those in tsunami-stricken regions of Indonesia and Sri Lanka.

Aid to the victims of the tsunami

Following the 2004 tsunami that left over 220 000 dead and 2 million people displaced along the shores of the Indian Ocean, the European Union (Commission and Member States) pledged more than €2 billion for aid to tsunami-affected countries. About one-fourth was in the form of humanitarian aid, and the balance comprised rehabilitation and reconstruction aid.

The Commission is one of the major donors and has, in addition to its humanitarian aid, pledged €350 million for reconstruction and rehabilitation aid, destined mainly for Indonesia, Sri Lanka and the Maldives. About half of that aid, i.e. €170 million (of which €12 million under the Rapid Reaction Mechanism) was committed in 2005, and the remaining half is planned for 2006.

The Commission worked closely with governments and civil society in the affected countries, as well as with international NGOs and financial institutions. Relevant programmes are focusing not only on regenerating communities and rebuilding infrastructure, but also on encouraging democratisation and improving governance, as well as addressing gender and environmental issues. In helping to co-design delivery mechanisms, such as reconstruction trust funds with governments and the international community, the EC has ensured that the affected communities are also fully involved in proposing and designing reconstruction projects

To enable the EC to address the longer-term EU response, human resources were bolstered at field level. The EC representation in Sri Lanka was upgraded to a fully-fledged Delegation to cover both Sri Lanka and the Maldives. The EC Delegation in Jakarta has been reinforced and a 'Europe House' opened in Aceh, to ensure effective on-the-spot co-ordination of EU assistance in the area, and to raise the EU's presence on the ground.

Reconstruction aid to Indonesia is administered through a World Bank-managed trust fund, in order to facilitate local ownership and co-ordination between the many donors that provide assistance. Reconstruction and rehabilitation will require 5-10 years and the priorities are to restore housing, livelihoods, local infrastructure and public services such as education and health care.

Some of the regions affected by the tsunami were also experiencing long-standing conflicts. While there was a risk that these conflicts could hamper reconstruction efforts, it soon became apparent that the increase in national solidarity after the disaster opened a window of opportunity for an EU contribution to restore peace in Aceh. From the outset, the Commission actively supported the mediation activities which led to the signing of a peace agreement between the Government of Indonesia and the Free Aceh Movement (GAM). The EU presented a holistic approach to reconstruction and conflict resolution through the EU Aceh Monitoring Mission and through the application of a quickly deployed Community instrument (Rapid Reaction Mechanism) and of longer-term EC assistance programmes. This package of measures will underpin the sustainability of the peace process. The result is a major political achievement for the European Union.

In Sri Lanka, despite positive signals immediately following the disaster, efforts at reconstruction did not create the basis for advancing a joint domestic agenda for the North and North East parts of the country. As a co-chair of the 2003 Tokyo Donor Conference, the EU has continued to support Norway's facilitation and intensified its own efforts to contribute to the peace process. The EC committed €45 million towards road reconstruction and a further €6 million for livelihoods.

2.5.5. *Assessment of the EC's contribution towards poverty reduction and towards the achievement of the MDGs*

The Commission has over the last years devoted a major part of its Asia development budget to actions aimed at assisting the countries in the region to attain the Millennium Development Goals (MDG). These actions, which normally span 3-6 years, are still ongoing, thereby making it difficult in the short term to evaluate their overall impact. A further difficulty is that reliable and recent figures for the MDG indicators are not always available.

The conclusions from the 2005 UN intermediate assessment³⁶ of the degree of achievement of the MDG goals are however comparatively favourable with regard to current trends. Many countries are well on track for meeting the overall goals for reduction of extreme poverty and hunger or have already met them, even if there are marked differences between these countries. In East and South East Asia, primary education goals are met or are on track. South Asia, while showing progress in all these areas, is nevertheless lagging behind the timetable. Most of the EC-funded projects in this sub-region have been geared to attaining the MDGs, either as the primary objective or as an important secondary objective. In 2005, the EC disbursed over €230 million to **India, Bangladesh and Pakistan**, in particular targeting the basic education and health sectors, improving basic infrastructure and providing teaching supplies, as well as teacher training and curriculum development.

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

The EC continued its endeavours to step up the co-ordination with Member States and other donors in 2005. Efforts in this respect were particularly intense with regard to the Indian Ocean tsunami, the earthquake in Pakistan, and avian influenza. Mechanisms were put in place to ensure regular co-ordination meetings between the donors on relief and reconstruction issues in the affected countries. In **Indonesia**, monthly co-ordination meetings were held within the framework of the steering committee for the multi-donor trust fund that the EC co-chairs. The steering committee provided a forum to reach consensus on projects to be funded under the trust fund and to aggregate data on project activities.

In **Sri Lanka**, co-ordination took place in the form of bi-weekly reconstruction meetings, as well as in donor sectoral meetings on road reconstruction. The group has also identified the need for closer dialogue and engagement with civil society.

In the wake of the political crisis and growing insurgency in **Nepal**, the group of donors that is signatory to the basic operating guidelines continued to meet frequently and share information, *inter alia* concerning the security risk posed to project staff in different districts. The group aims to promote public recognition by both sides to the conflict of the neutrality of development and humanitarian project staff.

In **Vietnam**, the EC was donor co-chair of the partnership group for aid effectiveness. This group brings together the government and the donor community,

³⁶ The Millennium Development Goals Report 2005, United Nations, New York 2005

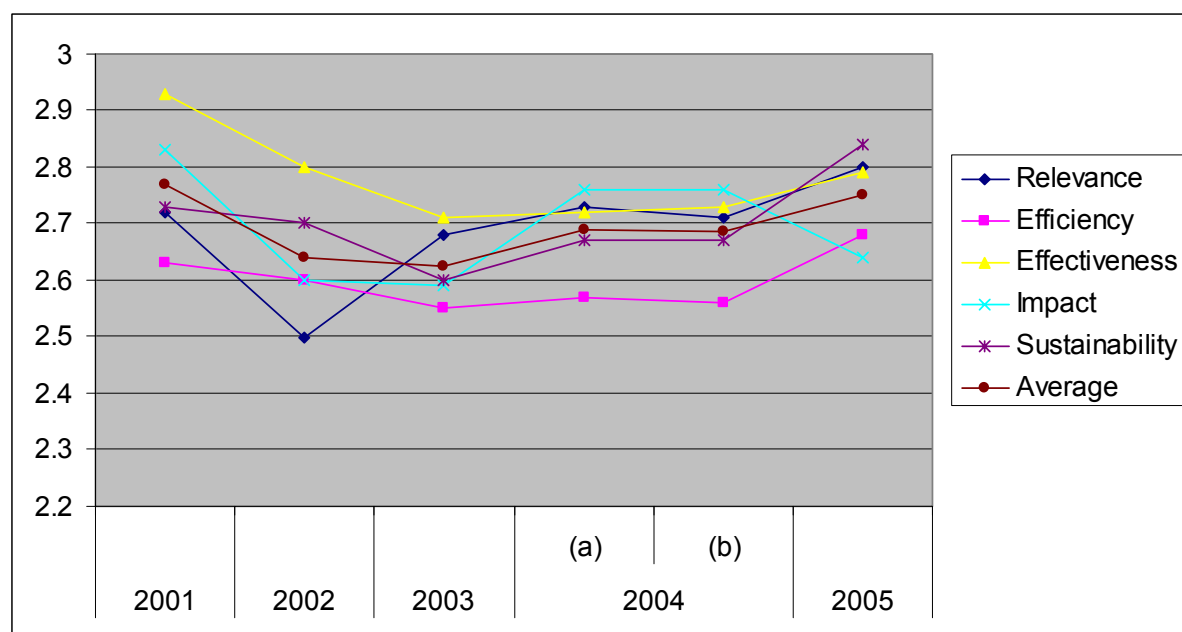
and sets the agenda for harmonisation and co-ordination work. Representatives of the government, supported by the EC, were present at the second high-level forum in Paris in early 2005, where they shared the experiences of Vietnam. Directly after the forum and the publication of the Paris Declaration on Aid Effectiveness³⁷, the partnership group worked to establish a localised version entitled "The Hanoi Core Statement". Vietnam thus became the first partner country in the world to take up the challenge to transpose the Paris Declaration into a local context.

2.5.7. Overview results-oriented monitoring (ROM)

Independent monitors assessed 146 projects covering a total budget of €832.6 million.

ASIA						
	2001	2002	2003	2004		2005
				(a)	(b)	
Relevance	2.72	2.5	2.68	2.73	2.71	2.8
Efficiency	2.63	2.6	2.55	2.57	2.56	2.68
Effectiveness	2.93	2.8	2.71	2.72	2.73	2.79
Impact	2.83	2.6	2.59	2.76	2.76	2.64
Sustainability	2.73	2.7	2.6	2.67	2.67	2.84
Average	2.77	2.64	2.63	2.69	2.69	2.75

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



To ensure consistency of methodology, each of the five criteria comprises individual sub-criteria which the monitor has to consider, comment on and rate: scores for the

³⁷ Paris Declaration on Aid Effectiveness – see <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

criteria are then calculated from the ratings for the sub-criteria. This new and more exact method of calculation was introduced end-2004. Consequently, while the original method of calculating from the (rounded) scores for each criterion gives the result 2004 (a), the overall averages for 2004 (b) and 2005 are now calculated from the ratings for each sub-criterion, in order to give a more precise evaluation.

Food security & rural development, macroeconomic policies & social sectors, and institutional capacity / good governance remain important sectors in Asia.

Monitors report that, for social sector projects, contributing factors to good relevance are sound identification, coherence with and links to beneficiaries' policies and strategies, and adaptability of design.

The overall assessment for sustainability was particularly positive (2.84) in the Asia region. Financial and political support, alongside with a strong ownership by final beneficiaries, were noted as key aspects. Reasons for relatively low impact include the short timeframe and, for some pilot actions, the lack of modelling or integrated strategies.

2.5.8. *Conclusions and perspectives*

Generally, Asian countries fare well as a group in terms of economic growth and the degree of progress toward the Millennium Development Goals. However, there are sub-regional discrepancies which are likely to increase between those countries that have shown substantial progress over recent years, for example **China**, **India** and many **ASEAN** countries, and those that lag behind, or regress, due to civil unrest or weak governance. The situation in **North Korea** is of particular concern, as the regime there has refused or severely limited access for NGOs providing humanitarian aid.

Events over recent years have shown the vulnerability of the Asia region to both natural and man-made catastrophes. The EC, while keeping its long-term objectives of poverty alleviation and global integration, has responded in an effective way to urgent and unforeseeable events such as earthquakes and the tsunami. It has also helped alleviate the effects of unrest and war by providing support to such actions as elections, Human Rights monitoring, and peace agreements. However, the region includes a significant number of existing and potential conflict areas, and continues to be susceptible to natural disasters. The new round of programming of EC aid for the 2007-2013 period will not only continue to focus on the established long-term objectives, but will also be obliged to adopt a degree of flexibility in order to cater for unexpected developments.

2.6. **Latin America**

2.6.1. *Introduction*

In economic terms, the Latin American and Caribbean economy grew by 4.3 % in 2005, achieving the third consecutive year of economic growth. The region's income per capita is estimated to have risen by about 3%, and the unemployment rate fell. However, even if there has been a slight decrease, poverty rates remain too high (40.6%).

Different regions showed varying growth patterns, the Southern Cone and Andean Community countries being the ones that registered higher growth rates³⁸.

On the political front, in voting that attracted international attention, Bolivia elected Evo Morales as the first indigenous president of the country. The EU congratulated Morales for his overwhelming electoral victory and stressed the historic chance for the country to tackle its problems through an inclusive and democratic approach.

As regards EU relations with the region, the year was marked by the adoption of the Communication from the Commission to the Council and the European Parliament entitled *A Stronger Partnership between the European Union and Latin America*.³⁹ The Commission analyses the current challenges and makes practical recommendations for revitalising the partnership. Its proposals include stepping up political dialogue between the two regions, stimulating economic and commercial exchanges, encouraging regional integration, tackling inequality, and tailoring its development and aid policy more closely to real conditions in Latin America.

The Commission has worked throughout the year on the pre-programming exercise that will conclude with the elaboration of the Regional and Country Strategy Papers to be adopted in 2006 for the period 2007-2013.

2.6.2. *Evolution of EU co-operation*

Latin America remains the most inequitable region in the world. At the Guadalajara Summit held in May 2004, the EU and Latin America named social cohesion as a shared goal and priority area of their relations. The EU's past experiences in promoting social cohesion provide an instructive example for co-operation with the Latin American and Caribbean countries and can help them to develop their own ways of tackling inequalities, exclusion and poverty.

Actions approved during 2005 aimed mainly at fostering social cohesion, but also covered institutional capacity building and economic co-operation. The EU funds during 2005 were distributed in the region as follows:

Central America

In **El Salvador** the EC approved for the first time a Budget Support programme, "Poverty relief programme for El Salvador (PAPES)", with a contribution of €37 million. The programme's main objective is to facilitate the implementation of the National Social Programme in favour of Families in Extreme Poverty, known as the Solidarity Network, which aims to extend basic social services – health and nutrition, education, water and sanitation, housing, electrification, roads, production training etc – to the poorest people.

³⁸ The list is headed by Venezuela, (9%), Argentina (9,2%), Uruguay (6%), Chile (6%), Peru (6%) and Panama (6%)

³⁹ "A Stronger Partnership between the European Union and Latin America" Communication from the Commission to the Council and the European Parliament COM(2005) 636 final, 8 December 2005, http://europa.eu.int/comm/external_relations/la/doc/com05_636_en.pdf

Other countries receiving EU funding in 2005 were **Costa Rica**, with a programme devoted to promoting economic development through the environment-friendly application of science and technology, and **Nicaragua** where the EC financed an initiative aimed at enhancing the country's ability to export to the EU, in particular by strengthening quality assurance systems.

As regards **Mexico**, the European Commission signed an Agreement on Scientific and Technological Co-operation, promoting the establishment of long-term institutional alliances between research centres.

– Andean Region

In **Peru** and **Ecuador**, the EU supported regional integration by funding €51 million for bi-national highway construction work between the two countries. This will significantly improve mobility and commercial exchanges, and reduce the vulnerability of the infrastructure to natural disasters.

The EU continued to support the peace process in **Colombia**, encouraging the process of reintegrating uprooted people by, for example, strengthening the social and institutional aid channels, and preventing the recruitment of children by illegal armed groups. In the fight against drugs, the EU will help the **Andean Community** to develop methodologies and tools for the control and prevention of illicit synthetic drugs.

– The Southern Countries

The EU is supporting the modernisation of the Public Administration in the Republic of **Paraguay**. It is also helping to enhance the competitiveness and internationalisation of **Uruguayan** small and medium-size enterprises (SMEs).

Argentina benefited from two initiatives in 2005, one promoting equal education opportunities for children in urban and suburban schools; the other reinforcing the health system.

Brazil received funding through two projects, one supporting the expansion and diversification of exports by Brazilian SMEs, the other contributing to the social, economic and social inclusion of the most vulnerable groups in Sao Paulo.

In **Chile**, the Association Agreement signed with the EU came into force on 1 March 2005.

2.6.3. *Regional co-operation and integration*

Regional integration is an important aspect of relations with Latin America. Drawing on Europe's own recent history, the EU has real 'added value' to offer in promoting integration and is ready to share this unique experience with the Latin American region. Within this framework, the EU supports the sub-regional integration processes aimed at concluding association and free trade agreements with Mercosur and opening negotiations on similar agreements with the Andean Community and Central America. The following initiatives were approved in 2005:

Mercosur: two programmes will foster regional integration, one promoting the development and harmonisation of statistical data, the other enhancing regional co-ordination in the biotechnology sector.

The Andean Community: two trade projects were approved. The first is the EU-CAN Co-operation Facility in Trade Related Technical Assistance, supporting the public and private institutions directly involved in the areas related to Andean regional integration and trade with the EU. The second project is devoted to strengthening the institutional capacity of the CAN member states and the General Secretariat. A third initiative for the region seeks to increase the participation of civil society in the regional integration process.

The Central American Integration System (SICA): this will benefit from two initiatives, one to encourage the application of common policies and rules on the consolidation and evolution of the Central American Customs Union, the other to further regional integration of the water and environment-related risk management institutions.

2.6.4. Implementation

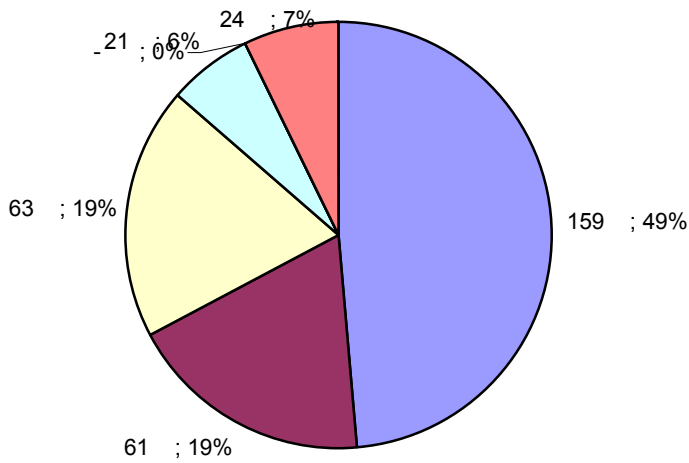
In terms of financial performance 2005 was a record year, with a Payments/Commitments ratio of 114%.

The improving payment trend since 2000 resulted in a record all-time high of €376 million in 2005. Funds committed in the social sector represent half the amount allocated during the year, in line with EC priorities in the region.

External aid financed on the General Commission Budget managed by EuropeAid 2000-2005						
	2000	2001	2002	2003	2004	2005
Commitments	277	301	333	342	312	329
Payments	195	152	182	290	314	376
Bilateral and Multilateral ODA/OA (EuropeAid only). Amount in € million.						

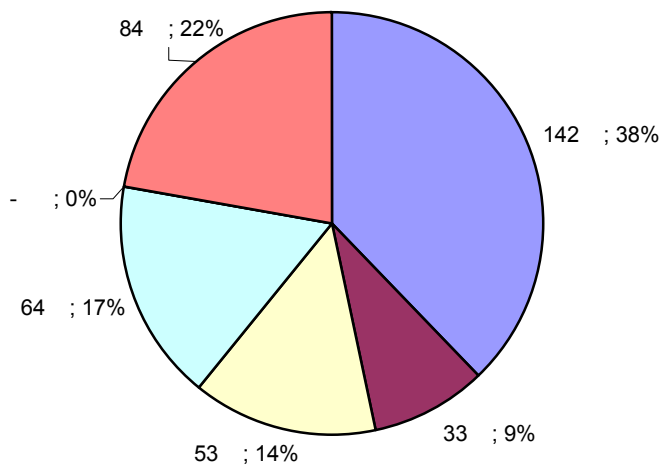
Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2005

Commitments in € million



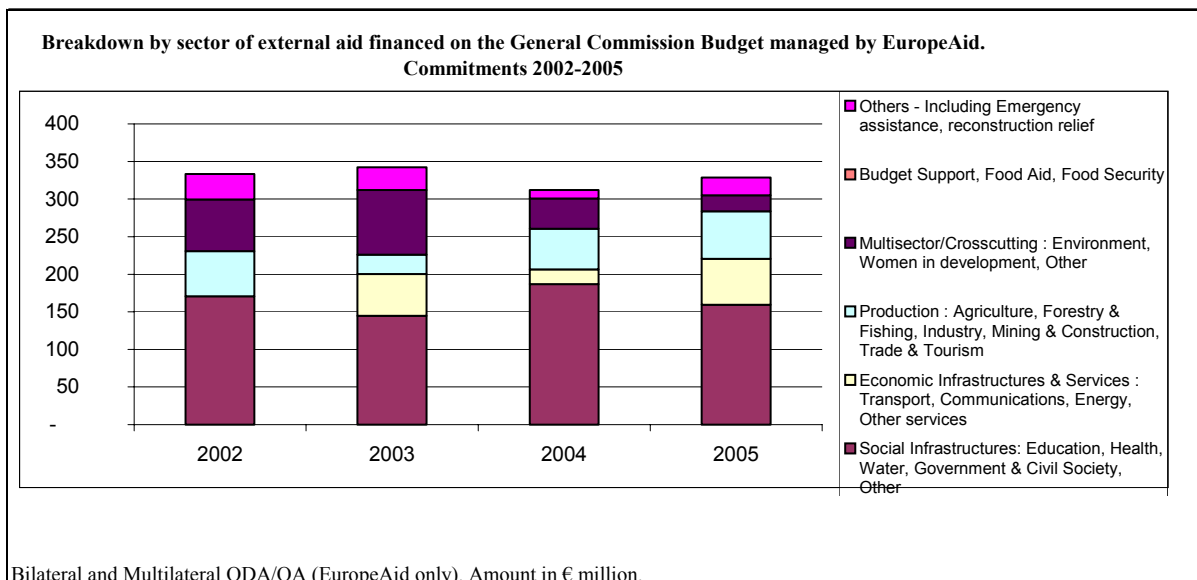
- Social Infrastructures: Education, Health, Water, Government & Civil Society, Other
- Economic Infrastructures & Services : Transport, Communications, Energy, Other services
- Production : Agriculture, Forestry & Fishing, Industry, Mining & Construction, Trade & Tourism
- Multisector/Crosscutting : Environment, Women in development, Other
- Budget Support, Food Aid, Food Security
- Others - Emergency assistance, Including reconstruction relief

Payments in € million



- Social Infrastructures: Education, Health, Water, Government & Civil Society, Other
- Economic Infrastructures & Services : Transport, Communications, Energy, Other services
- Production : Agriculture, Forestry & Fishing, Industry, Mining & Construction, Trade & Tourism
- Multisector/Crosscutting : Environment, Women in development, Other
- Budget Support, Food Aid, Food Security
- Others - Emergency assistance, Including reconstruction relief

Bilateral and Multilateral ODA/OA (EuropeAid only).



Regional Programmes

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

EUROsociAL: (EC contribution €30 million, 2004-2008). The general objective of the programme is to increase the degree of social cohesion in the Latin American countries through education, health, justice, taxation and employment policies that act as authentic vectors of social cohesion. The EUROsociAL joint committee brings together the EC, IDB, ECLAC and UNDP. Issues related to employment policies are implemented in co-operation with the International Labour Organisation (ILO). All five strands of EUROsociAL were active from September 2005.

AlBan⁴⁰: (Programme of High-Level Scholarships for Education/Training in the European Union of Latin American citizens: EC contribution €88.5 million, 2002-2010). The Programme awarded a total of 553 scholarships in 2005 for the education/training of Latin Americans in the EU. The average duration of the bursary is two years.

ALFA⁴¹: (Latin America Academic Training Programme: EC contribution €52 million, 2000-2006). Another 17 projects were agreed on in 2005, giving a total of 214 projects approved in the period 2000-2005. This co-operation in higher education involves more than 1 750 institutions from the EU and Latin America.

@LIS⁴²: (Alliance for the Information Society Programme: EC contribution €63.5 million, 2002-2006). The year saw a reinforcement of the networks and dialogues between regulators, researchers and policy makers involved in Information Society

⁴⁰ For more information: http://europa.eu.int/comm/europeaid/projects/alban/index_fr.htm

⁴¹ For more information: http://europa.eu.int/comm/europeaid/projects/alfa/index_fr.htm

⁴² For more information: http://europa.eu.int/comm/europeaid/projects/alis/index_en.htm

issues. The 19 ongoing demonstration projects delivered their first results in the priority fields of e-education, e-health, e-government and e-inclusion.

SILAE: Local Initiative Basic Services in the Ecuadorian Amazon

SILAE is a project promoted by the European Union as part of the @LIS Alliance for Information Society programme, the main objective of which is to increase basic services coverage in rural areas of the Amazon region through the use of new technologies.

SILAE has been working with the six provinces of the Ecuadorian Amazon since October 2003. At that time, the project aimed to promote the direct involvement of local governments, indigenous and peasant communities (10 nationalities). It also prioritised decentralised rural electrification and access to communication and information technologies.

The main aim of SILAE is the creation by 2007 of 20 community rural electrification and electricity generation enterprises to supply 20 000 families, and the establishment of a regional Internet network that will permit direct access to Europe and the rest of the world.

With 50 Internet points already operating across the six Amazon provinces, the plan is to create an Internet database with details of rural services projects developed by local communities. The network will reinforce the role of these communities in the decision-making processes, and the preparation and execution of small rural infrastructural projects such as electrification, telephony and access to water resources.

The native Amazon communities and peasants are the most poorly served segment of the population. SILAE is encouraging the active participation of these communities in developing power supplies and access to the Internet.

AL-INVEST⁴³: (EU-Latin America Trade and Investment Promotion Programme: EC contribution €38.5 million, 2003-2007). During the year, a total of 229 projects were approved for local SMEs and for trade promotion organisations from the EU and Latin American region. Activities included the organisation of sectoral business meetings and capacity building projects to promote business contacts and opportunities as well as management and business skills. In 2005 alone, over 11 000 SMEs received support and, since its inception 11 years ago, the Programme has generated over €400 million worth of business.

URB-AL⁴⁴: (Latin American Urban Partnerships: EC contribution €50 million, 2000-2006). In 2005, 28 new projects were approved, of which five focus on the development of results and the exchange of local and urban best practices identified in successful URB-AL initiatives (both projects and thematic networks). The Resource Centre URB-AL and the Observatory of local decentralised co-operation EU-AL initiated the dissemination of results and best practices resulting from the 70 projects approved so far.

OBREAL⁴⁵: (Observatory of EU-AL Relations: EC contribution €1.35 million, 2005-2008). This consortium of universities, led by the University of Barcelona, consolidated activities and networks in the field of policy-oriented studies on relations between the EU and Latin America.

⁴³ For more information http://europa.eu.int/comm/europeaid/projects/al-invest/index_fr.htm

⁴⁴ For more information: http://europa.eu.int/comm/europeaid/projects/urbal/index_fr.htm

⁴⁵ For more information : http://europa.eu.int/comm/europeaid/projects/amlat/oreal_en.htm

2.6.5. *Assessment of the EC's contribution towards poverty reduction and towards the achievement of the MDGs*

A recent UN report⁴⁶ on achievement of the MDGs in Latin America stressed that the commitments set out in the Millennium Declaration should be viewed in the light of the situations of the individual countries. Often, in the Latin-American region, the goals and their associated targets do not imply any substantial improvement in living conditions, or are not adapted adequately to conditions. Bearing this in mind, complementary targets are almost unavoidable if the original spirit of the Millennium Declaration – to foster the development of all peoples – is to be respected.

Taking these considerations into account, the report stresses that some indicators point to insufficient progress on poverty alleviation by the countries of Latin America. It also highlights the existence of serious inequalities within its economies and societies.

Funds committed in the EU in 2005 take these issues into consideration, and various programmes and projects are contributing to poverty reduction and the elimination of inequalities:

Poverty reduction: The Budget Support programme PAPES is designed to accelerate attainment of the MDGs via the Solidarity Network programme by allocating additional financial resources to **El Salvador**'s general budget.

The highway to be funded in **Peru** and **Ecuador** is considered by both governments to be a key contributor to sustainable economic growth. This and redistribution of public expenditures will accelerate poverty reduction in both countries

Education: A time extension was awarded to the PROASE programme in **Guatemala** which supports educational reform in the country by providing teacher training as well as basic goods and infrastructures for primary schools. Another project financed in 2005, "Pedagogical Strengthening of Schools under the Integral Programme for Education Equality", will contribute to MDG achievement in **Argentina**.

Water: A second tranche of a water and sanitation programme for **Bolivia** aims to increase the number of municipalities and houses with appropriate water supplies and sanitation.

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

The Commission organises and participates in regular *ad hoc* meetings with Member States' Embassies and other donors in the Latin-American region, in order to exchange lessons learnt and to ensure coherence of EC policies with other co-operation activities and programmes.

The budget support approach has once again encouraged a more harmonised and effective pooling of development potential in 2005. In **Nicaragua**, a donor co-ordination group for budget support meets regularly and invites other donors as

⁴⁶ For more information : <http://www.eclac.cl/mdg/docs/ObjECLACMillenium.pdf>

observers. This group has finalised a Joint Financing Arrangement (JFA), agreed by the national government, setting out the terms and procedures for harmonised budget support. It features a Performance Matrix Framework containing the main indicators relating to economic, fiscal and social policies.

In **El Salvador**, new impetus was given to donor co-ordination at the beginning of the year when the existing sectoral tables were reorganised on the basis of the MDGs and under the leadership of the government, drawing on the advice of the key donor in each sector. This new dialogue forum is increasing the impact of co-operation through co-ordinated efforts and establishing agreed development strategies to achieve the MDGs as its main objectives.

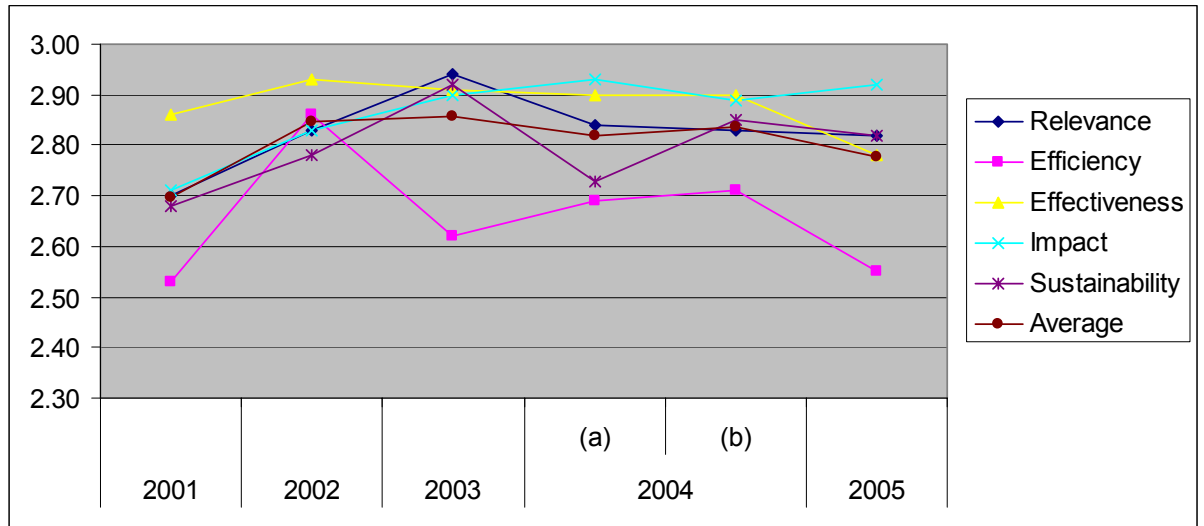
As regards the pre-programming exercise leading to future National and Regional strategies, the Commission has established an effective consultation process based on lessons learnt and taking into account the views of all stakeholders. Particular attention has been paid to involving the Member States and other donors.

2.6.7. *Overview results-oriented monitoring (ROM)*

In 2005, a total of 180 projects in Latin America, covering a total budget of slightly over €1 billion, were assessed. The Andean Pact and Central America sub-regions account for 70% of the monitored sample.

LATIN AMERICA						
	2001	2002	2003	2004		2005
				(a)	(b)	
Relevance	2.7	2.83	2.94	2.84	2.83	2.82
Efficiency	2.53	2.86	2.62	2.69	2.71	2.55
Effectiveness	2.86	2.93	2.91	2.9	2.9	2.78
Impact	2.71	2.83	2.9	2.93	2.89	2.92
Sustainability	2.68	2.78	2.92	2.73	2.85	2.82
Average	2.70	2.85	2.86	2.82	2.84	2.78

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



To ensure consistency of methodology, each of the five criteria comprises individual sub-criteria which the monitor has to consider, comment on and rate: scores for the criteria are then calculated from the ratings for the sub-criteria. This new and more exact method of calculation was introduced end-2004. Consequently, while the original method of calculating from the (rounded) scores for each criterion gives the result 2004 (a), the overall averages for 2004 (b) and 2005 are now calculated from the ratings for each sub-criterion, in order to give a more precise evaluation.

The impact prospect in most sectors is particularly good, a key issue being the participation and involvement of national and local authorities. Most of the projects having good or very good potential impact show good co-ordination and the establishment of effective strategic alliances with other projects and organisations.

On average, efficiency remains the weakest criterion, scoring just above the 'on track' line of 2.5. Overly long start-up periods and further delays due to procedures are recorded as main contributing factors.

2.6.8. Conclusions and perspectives

Relations between the EU and Latin America have been marked by frank and fruitful dialogue and co-operation. The two regions are connected through shared cultural values and long-established economic links. Over recent years, the EU and Latin America have committed themselves to consolidating these links through a strategic partnership.

The year 2006 will be a particularly important one for the partnership as the Heads of State and Government of both regions will meet in Vienna in May. This summit will provide a unique opportunity to advance the converging interests of the two regions and to examine whether negotiations on the EU-Mercosur association and free trade agreements have now reached a stage permitting their conclusion.

The summit will also provide an opportunity to evaluate whether conditions allow the rapid opening of negotiations on association and free trade agreements with Central America and the Andean Community.

The Commission wishes to reaffirm that the EU's association with Latin America is not merely a matter of fact but is vital for the interests of both regions, present and future.

3. THEMATIC PROGRAMMES AND MAINSTREAMING OF CROSS-CUTTING ISSUES

Introduction

Complementary to the main financial instruments that exist for external action, such as the European Development Fund and the budget lines for co-operation with each region or country, a number of thematic budget lines enable the Community to finance activities on specific strategic themes and to fulfil the European Union's commitment to the aims of the Millennium Development Goals and the promotion of cross-cutting issues.

These themes and the EU-funded initiatives applied to them are the following:

- Democracy and Human Rights (EIDHR programme, etc.);
- EU Election Observation Missions to ensure free and fair electoral processes;
- health and the fight against poverty-related diseases, including HIV/AIDS;
- promotion of sustainable development through environmental and tropical forests programmes (MEAs, FLEGT, EUWI, etc.);
- support for food aid and food security (an integral part of Millennium Development Goal 1);
- migration and asylum;
- conflict prevention (including African Peace Facility);
- de-mining and action on small arms and light weapons (SALW);
- the fight against drugs via the Action Plans in Latin America, the Caribbean, Central Asia and the Balkans;
- gender equality and gender mainstreaming;
- education, culture, youth and children;
- promotion of employment and decent work.

At the international level, thematic budget lines provide the Commission with the basis for a highly visible and co-ordinated approach to the multilateral forums dedicated to these sectors. Within these thematic programmes different objectives can be pursued, such as the promotion of democracy and Human Rights through the European Initiative for Democracy and Human Rights, or the effective management

of all aspects of migration flows through programmes on migration and asylum – now a firm part of external aid.

The thematic budget lines represent an important part of the EC's relations with development and Human Rights NGOs, as the vast majority of projects are implemented through them. These NGOs are selected through calls for proposals managed by EuropeAid's Headquarters and EC Delegations. The financial or structural viability of the NGO partners and their experience in the field of intervention are systematically checked during the selection process for calls for proposals. In addition to the thematic budget lines that address specific themes, there are also specific 'actor-based' budget lines devoted to co-financing the operations of European NGOs in developing countries and to decentralised co-operation with non-state actors. These may cover various themes.

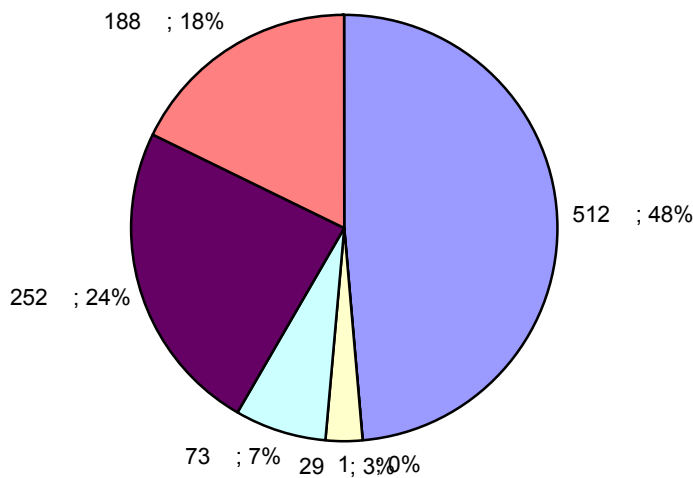
A number of smaller thematic pilot lines complement the above-mentioned budget lines. They are used to test a new approach or initiative, so that it can be confirmed under a specific thematic line with its own legal basis, or integrated into country and regional strategies. Examples include the pilot budget lines devoted to basic education in developing countries, NBC (nuclear, biological and chemical) weapons and small arms, cultural co-operation with developing countries, and information and communication technologies for development.

Thematic programmes/projects

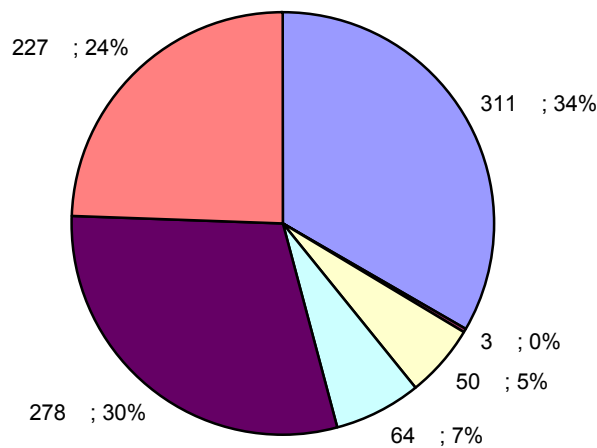
External aid financed on the General Commission Budget managed by EuropeAid 2000-2005						
	2000	2001	2002	2003	2004	2005
Commitments	836	929	949	942	1.001	1.055
Payments	709	771	815	851	789	932
Bilateral and Multilateral ODA/OA (EuropeAid only). Amount in € million.						

Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2005

Commitments in € million



Payments in € million



Bilateral and Multilateral ODA/OA (EuropeAid only).

3.1. Democracy and Human Rights

The promotion of democracy and Human Rights in co-operation with third countries is one of the main priorities of the European Commission. It is reflected in all the Association Agreements concluded by the EU and is expressed in the political dialogue at country and regional level, as well as in concrete co-operation programmes funded under the geographical financial instruments in different regions of the world. The thematic programme entitled “The European Initiative for Democracy and Human Rights” (EIDHR) intervenes as a complementary but independent instrument mainly targeted at countries most in need of support in these areas: its main beneficiaries are civil society organisations engaged in Human Rights activities and in the promotion of democratisation processes.

3.1.1 European Initiative for Democracy and Human Rights (EIDHR)

The EIDHR is uniquely placed to promote the founding values of the European Union and serves as a conduit for those values by channelling financial and moral support to Human Rights defenders through different sectors of intervention: education, health, gender, environment, etc. It ensures a fair measure of political visibility for the Union in the sensitive Human Rights and democratisation policy field.

The annual global amount for 2005 is €126.7 million⁴⁷.

The geographic and thematic scope of the EIDHR is defined in four global campaigns⁴⁸: Campaign 1 (€11 million), “*Promoting Justice and the Rule of Law*”⁴⁹; Campaign 2 (€38.5 million) “*Fostering a culture of Human Rights*”⁵⁰; Campaign 3 (€31.63 million, excluding election observation missions), “*Promoting the democratic process*”⁵¹; and Campaign 4 (€17.5 million) “*Advancing Equality, Tolerance and Peace*”⁵².

The **global calls for proposals** were to be launched by EuropeAid either at end-2005 or early-2006 with an amount drawn from the 2005 budget of €49 million. EC delegations launched the **country specific calls** (€35.5 million) adapted to the needs and priorities of the respective countries. €14 million were also allocated to **grants through direct award**. Projects include support to the work of the Office of the High Commissioner for Human Rights, the Council of Europe, the special courts for former Yugoslavia, Sierra Leone and Cambodia, as well as projects for the promotion of democracy in Belarus⁵³, and other specific projects in support of the rights of indigenous peoples.

With a total amount of €10 million drawn from the four campaigns, specific priority was given to **Iraq** in 2005. Projects were identified within the UN trust funds specifically targeting the constitutional process, training of domestic election observers and civil society organisations.

A study was completed on suitable indicators for the EIDHR. Calls for proposals now include indicators for organisations implementing EIDHR projects to follow.

⁴⁷ In 2005, the commitments credits have been used up to 99.8%. The payments of 89.2% have been disbursed for ongoing projects contracted in the previous years, as most of the EIDHR projects have a duration of three years

⁴⁸ Each campaign of the programming document is implemented through a global call for proposals to select projects and through projects identified for direct award of a grant (normally applicable to co-operation with international organisations)

⁴⁹ Supports the international criminal justice system, international Human Rights mechanisms and the abolition of death penalty

⁵⁰ Supports vulnerable and marginalised groups – focusing on women, children and Human Rights defenders and activities – to reduce the occurrence of torture, the rehabilitation of victims of torture and Human Rights education and awareness raising

⁵¹ Aimed at underpinning and developing democratic electoral processes and strengthening the basis for civil society dialogue and democratic discourse, and includes the EU Election Observation Missions

⁵² Focus on securing equal rights and treatment of persons belonging to minorities and indigenous peoples, intercultural and inter-ethnic understanding as well as conflict prevention and resolution

⁵³ Including the European Humanities University in Vilnius providing higher education in Belarusian on democracy and Human Rights-related issues

These will give a clear indication of the kind of results the EC expects as a result of its support.

During 2005, two evaluation reports specific to the EIDHR were finalised. One of them summarises the results of 48 projects selected in global calls that came to an end in January 2002 and July 2003⁵⁴. The study shows that 70% of the projects score ‘excellent’ or ‘good’⁵⁵. Nevertheless it suggests that beneficiaries and target groups could be more involved in the process and indicates that many organisations implementing projects have a limited understanding of the EIDHR as a global programme.

A second evaluation provided an assessment of the relevance and effectiveness of EIDHR-funded projects dealing with the fight against racism, xenophobia and the promotion of minority rights, and selected through calls for proposals in 2001 and 2002⁵⁶. The report shows that EC support reached some of the most vulnerable communities in very challenging environments.

3.1.2. *Indigenous peoples*

The protection of indigenous peoples’ rights is becoming an increasingly important issue on the Human Rights agenda of the European Commission. Activities in this field have been deployed both under EIDHR and in the context of geographical instruments.

Efforts at EuropeAid to make EIDHR grants more accessible and manageable for organisations representing the target groups paid off in the 2005 call for proposals on support for promoting the rights of indigenous peoples. This call resulted in six contracts, signed directly with indigenous organisations, for projects to build their capacity to protect and promote their rights.

The strategic partnership between the International Labour Organization (ILO) and the Commission was strengthened by including the rights of indigenous peoples in the signing of an EIDHR grant contract of €800 000: the project concerned will promote dialogue and build the capacity of countries in Asia and Africa to implement the most pertinent principles of the ILO Convention no. 169 on Indigenous and Tribal Peoples.

Specific attention was devoted to mainstreaming indigenous peoples under geographic instruments. An example is the contract under the ALA⁵⁷ regulation on Human Rights Monitoring in Nepal, which will take due account of and benefit the indigenous peoples, as well as the Dalits (those affected by caste-based discrimination). Both groups are severely affected by the ongoing conflict in Nepal.

⁵⁴ “Synthesis Report on the Ex-post Assessment of EIDHR projects completed between January 2002 and July 2004” written by Plancenter Ltd and Tea Cegos

⁵⁵ The scale used is: A=Excellent, B=Good, C=Generally adequate with some good and poor aspects, D=Major problems and E=Failure

⁵⁶ EIDHR evaluation: “Fight against racism, xenophobia and discrimination”, Human European Consultancy, October 2005

⁵⁷ Financial and Technical Assistance to, and Economic Cooperation with, the developing countries in Asia and Latin America (ALA), Council regulation n° 443/92

3.1.3. *Children and development co-operation*

The EU is committed to progress on the internationally agreed objectives of the Convention of the Rights of the Child. In 2005, the Union continued to support access to essential social services, primary education and health care; this support targets specific strategies and actions on poverty-related diseases relevant to children and on immunisation. At present, the Commission is developing a strategy which identifies the following priority areas, given their needs and EC potential added value: child labour, child trafficking and sexual violence against girls.

In the field of child labour in ACP countries during 2005, an action programme valued at €15 million was agreed with the ILO IPEC programme (International Programme for the Elimination of Child Labour), focused on capacity building, targeted interventions and the legal framework, and designed to facilitate access into primary education of children released from child labour. The proposal will be submitted to the EDF Committee in 2006.

Guidelines on children's rights have been developed for policy dialogue at Delegation level. The EU Development Policy "Consensus of Brussels" includes children's needs and rights through its reference to the main international frameworks on MDGs and Human Rights. The new EU Strategy for Africa also stresses the priority to be given to children and specifies as key areas of their rights: education, health and all basic services, and child labour, with special attention to the orphaned, disabled children and those affected by conflicts.

The Group of Commissioners on Fundamental Rights, chaired by President Barroso, decided in April 2005 to work towards a "Pact for the Child" to advance the promotion of children's rights in internal and external EU policy. The Communication on the rights of the child will be adopted in 2006. It will relate to a specific Action Plan on children and development where the main priority areas are child labour, child trafficking and violence against children.

The bulk of the estimated amount of €260 million committed for education targeted basic education for children. As regards health, most of the support (€600 million committed) has been gradually applied in the form of a sector-wide approach where child health is a priority. The 9th EDF increased the use of budget support especially for basic children's rights on education (e.g. enrolment and completion of primary education) and health (e.g. immunisation coverage) with attention to gender (sex-disaggregated data).

As regards HIV/AIDS, malaria and tuberculosis, the Programme for Action endorsed by the EU Member States in May 2005 proposes collective Union action to scale up interventions in developing countries during the period 2007-2011, with priority to be given to children. In some country strategies, such as those for South Africa and Lesotho, support to orphans and vulnerable children affected by HIV/AIDS has been selected as a focal point for co-operation. The European Community's commitment to children has also been channelled through specific programmes aimed at

strengthening routine immunisation⁵⁸, eradication programmes⁵⁹, and the immunisation services in the context of complex emergencies⁶⁰.

3.1.4. *Election Observation Missions and assistance*

The thematic programme also provides resources to fund EU electoral observation missions in priority countries embarked on democracy building, notably through “free and fair” electoral processes. EU Elections Observation Missions (EOMs) were deployed for a total of €26.2 million in 2005. These missions took place in Afghanistan (through a Democratic Electoral Support Mission, followed by a European Union Electoral Observation Mission); Burundi (Parliamentary elections); Guinea-Bissau (Presidential election); Lebanon (Parliamentary election); Liberia (Presidential and Parliamentary); Ethiopia (Parliamentary elections; Democratic Republic of Congo (to observe the Constitutional referendum); Venezuela (Legislative election); Sri Lanka (Presidential elections). A total of around 1 000 observers have been deployed during these missions.

Missions were also prepared at end-2005 to be deployed in 2006 to the West Bank and Gaza Strip, Uganda and Haiti.

The new NEEDS⁶¹ contract signed in July 2005 has the objective of continuing the training of European Electoral Experts and Observers, but also to support the Domestic Regional Observers Groups in Latin America, Africa, Asia, and the Middle East and Mediterranean region.

In all the missions, the role of the EU is becoming more and more valuable and visible, depending on the complexity of the countries and the degree of development of the democratic process. In particular, the EU Election Observation Mission to Ethiopia was an extremely visible operation, as the election results were highly contested and the EU EOM played a key role in negotiations between the parties after the election in resolving the crisis.

In addition to electoral observation missions, support to the electoral process was provided through electoral assistance projects in those Asian and ACP countries that were preparing or organising elections in 2005: a total amount of €42 million was committed for this purpose.⁶²

⁵⁸ such as the increased allocations to the PRIME program in Nigeria – €38 million

⁵⁹ such as the EC support to the Global Polio Eradication initiative: €37.9 million – Nigeria and India, ±€61 million – ACP countries

⁶⁰ such as emergency programmes in Sudan and Somalia and the support to GAVI⁶⁰ (€10 million programmed under a thematic budget line on other poverty diseases and agreement with the ACP countries to programme an additional €20 million under the 9th EDF intra-ACP funds)

⁶¹ NEEDS: “Network of Europeans for Electoral and Democracy Support”, a two-year project valued at €1.8 million

⁶² Afghanistan, Bangladesh, Guinea Bissau, Haiti, Côte d’Ivoire, Surinam

3.2. Human and social development

3.2.1. Health

The EC intervenes in the field of health in developing countries through several geographical financial instruments, mainly at country or regional level, but also through specific thematic budget lines (poverty-related diseases including HIV/AIDS, and sexual and reproductive health and rights).

3.2.1.1. Country and regional co-operation

This constitutes the bulk of EC development assistance in the health sector. Based on agreed country strategies, the EC assists many low-income countries, either through global budget support linked to performance targets in the health sector, or through specific health programmes and projects covering overall sector policy development as well as more specific problems (e.g. HIV/AIDS control, polio eradication, basic health services provision). The recommended mode of implementation, in line with international policy declarations, is increasingly through budget support in the context of sector programmes, and the EC supports efforts to increase the quality of the monitoring data needed to estimate the targets and results of these programmes (e.g. Health Metrics Network). The EC also supports programmes in a number of middle-income countries to improve service provision for the poorer segments of the population (e.g. Morocco, Tunisia, the Philippines).

3.2.1.2. Poverty-related diseases

Concerning Aid for Poverty Related Diseases (HIV/AIDS, tuberculosis and malaria)⁶³, a call for proposals was launched in 2005 to be concluded during the first quarter of 2006 for a total contribution of €39.4 million. Priority is being given to technology transfer and local production of key pharmaceuticals and commodities, heightened prevention directed at the most vulnerable populations, and support to EDCTP⁶⁴ clinical trial sites in disease-endemic countries.

Throughout 2005, in addition to this call for proposals, support was provided to the International Aids Vaccine Initiative (IAVI). A contribution of €58 million was granted to the Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM), on the Board of which the EC is an active and influential constituent.

In the fight against other poverty-related diseases⁶⁵, a commitment was made to support the use of new or under-used vaccines in African countries (€10 million for GAVI⁶⁶).

In the light of increased donor harmonisation and in order to ensure coherence in its policies and the appropriateness of its interventions, in April 2005 the EC adopted

⁶³ Budgetary item 21 02 07 02

⁶⁴ European and Developing Countries Clinical Trials Partnership

⁶⁵ Budgetary item 21 02 07 04: Preparatory action on aid for poverty-related diseases in developing countries, other than HIV/AIDS, malaria and tuberculosis, and closer co-operation and co-ordination between the EU and international public-private partnerships

⁶⁶ Global Alliance for Vaccines and Immunization

the European Programme for Action targeting HIV/AIDS, malaria and tuberculosis through external action (2007-2011)⁶⁷. This proposes collective EU action to scale up interventions in the developing world at country, regional and global level.

Preventing the spread of HIV/AIDS in Uganda

The Commission has been funding HIV/AIDS treatment and prevention programmes in Uganda since 1988. Recent initiatives have included a €3 million programme to help ensure safe blood supplies for all Uganda's major hospitals.

Thanks to EC funding, the Uganda Blood Transfusion Service (UBTS) has been able to:

- refurbish and re-equip its central blood bank in the capital, Kampala, and five regional blood collection and screening centres;

- appoint a board, an advisory committee, and a new finance director;

- adopt a national blood transfusion policy, revise staff pay and conditions, and provide extensive training across the service;

- work with the Ugandan Red Cross and other NGOs on national campaigns.

As a result, the UBTS now supplies patients with safe blood transfusions, free of charge and fully screened for HIV/AIDS and other diseases transmitted by blood. It has exceeded its annual blood collection targets. It has achieved a much lower cost per blood unit (around €30) than similar projects in Africa. And it has developed the expertise it needs to continue its services for years to come.

3.2.1.3. Sexual and reproductive health and rights (SRH)

The EC's high profile on SRH was maintained during 2005. As a follow-up to the 2004 Council conclusions⁶⁸, support was provided for the supply of sexual and reproductive commodities, and €15 million was allocated to the United Nations Population Fund (UNFPA) for emergency commodities⁶⁹.

In 2005 the EC was an active member of the Reproductive Health Supply Coalition, focusing on reproductive health supplies on a long-term basis with a view to increasing European influence on this issue.

As regards aid for population and reproductive health care⁷⁰, in 2005 the EC financed 10 projects identified through a call for proposals for a total value of €17.8 million. These projects are innovative initiatives designed to meet the needs of young men and women (including adolescents) and containing elements of life skills training, improved access to sexual and reproductive health services, and advocacy on SRH problems.

Combating female genital excision (FGE) in southern Ethiopia

The European Union has been funding a five-year project to eradicate the widespread practice of female genital mutilation, or FGE, in the southern Ethiopian districts of Kembatta, Alabe and Tembaro. This is a very sensitive issue because FGE reflects the deeply rooted traditional attitudes of men towards women, whom they tend to regard as their possessions, and because it is also generally thought to be sanctioned by both the Christian and Muslim religions prevailing in the area.

⁶⁷ COM(2005) 179 final, endorsed by Member States in May 2005

⁶⁸ Council conclusions on a renewed EU commitment to ICPD in the context of the MDGs 15157/04 (24/10/2004)

⁶⁹ Additional to €75 million allocated by Member States

⁷⁰ Budgetary item 21 02 07 03

The project, with a budget of €468 000, was implemented in collaboration with a local NGO, the Kembatta Women's Self-Help Centre (KMG). It included training for over 100 community health workers in the area, project activities with nearly 50 women's groups and over 160 secondary schools, and the construction of a mother-child unit in a local health centre. Fortnightly meetings were held with the participating communities where the key principle was inclusiveness. Everyone could take part – women and men, young and old, rich and poor, farmers and politicians – and anything of significance could feature on the agenda: health, sanitation, development needs, gender issues, religious prescriptions, HIV/AIDS awareness and, of course, FGE.

The most eloquent testimony to the success of this five-year project was that 25 000 un mutilated girls participated in the celebrations to mark the culmination of the project in October 2004. This was a low-cost high-impact project and a model of how attitudes towards such sensitive matters can be changed.

3.2.1.4. *Human resources for health crisis in sub-Saharan Africa*

On 12 December 2005, the EC adopted a strategy to fight the shortage of health staff that has reached crisis level in Africa⁷¹. This came fast on the heels of the EU Consensus on Development Policy and on the Strategy for Africa, where the EC proposes co-ordinated action by the European Union to assist developing countries in building up viable health systems.

The EC has contributed to organising consultative meetings on 'Strengthening Political Support for Human Resources for Health Development towards the MDGs' in the African region, and has proposed a set of measures to keep health workers where they are needed most.

3.2.3. *Employment and decent work*

In 2005 employment and decent work were high on the agenda of the EU, in particular in the light of the UN summit of September 2005 on the MDG review and of the preparation of the external co-operation financial perspectives 2007-2013. In this context, the EU strongly reiterated its commitment to strengthen the social dimension of globalisation and to promote employment and decent work for all as global goals.

These issues, as key factors in poverty eradication and equitable development, were at the heart of the conclusions on the social dimension of globalisation at the Employment and Social Affairs Council of March 2005. During the year the EC adopted a number of policy documents proposing stronger future EU commitments to implement the decent work agenda and to contribute to the social dimension of globalisation⁷². Accordingly all EU policies – including trade, development and

⁷¹ COM(2005) 642 final. Communication from the EC to the Council and the European Parliament *EU Strategy for Action on the Crisis in Human Resources for Health in Developing Countries*

⁷² Communications *Policy Coherence for Development* (COM(2005)134 final of 12/04/2005); *Accelerating progress towards achieving the Millennium Development Goals – The European Union's contribution* (COM(2005) 132 of 07/10/2005); and *Financing for Development and Aid Effectiveness* (COM (2005) 133 of 07/10/2005)

external relations policies and instruments – will be mobilised to promote employment and decent work for all, both men and women, as a global goal.

In addition, the so-called “European Consensus” (Joint Statement by the EU institutions on European Union Development Policy of November 2005) identified decent work and investment in human resources as crucial factors in poverty eradication and better social cohesion in the world. In the framework of the strategic partnership between the EC and the ILO, two high-level events have confirmed the efforts of both organisations to promote the social dimension of globalisation and trade liberalisation, as well as the importance of social protection, in external co-operation activities⁷³.

3.3. Environment and sustainable development of natural resources, including energy

An increased emphasis on environment and sustainable management of natural resources including energy is reflected in the major policy documents adopted by the Commission in 2005.

In line with the Communication *External Actions through Thematic Programmes under the Future Financial Perspectives 2007–2013*⁷⁴, the Commission prepared, in consultation with civil society, a proposal for a thematic programme for the environment and for the sustainable management of natural resources, including energy. Its purpose is to address, through a single programme for external action, the environmental dimension of development and other external policies, as well as to help promote the European Union’s environmental and energy policies abroad.

Significant progress was made in 2005 in integrating environmental concerns in country analyses, as part of the external assistance programming process. More precise guidance was given to non-ACP countries on the need to take proper account of the environment in the next generation of Country Support Strategies, by carrying out environmental profiling on a country-by-country and regional basis as part of the overall planning process. The Country Strategy Papers for 2007-2013, in preparation, will systematically include an environment profile of the partner country or region concerned.

The Commission also discussed with Member States how to work together on country environmental profiles. An Environment Helpdesk now provides technical and methodological support to staff of the Directorate-General for External Relations. An ambitious training programme on integrating environmental issues in development co-operation has also been implemented in 2005: this has primarily targeted country desks, programming officers and project managers from the Commission and EC Delegations, as well as staff from relevant institutions in development partner countries.

- Multilateral Environmental Agreements (MEAs)

⁷³ ILO/EC meeting on the “Social and Employment Dimensions in an Open Trading Regime”, 26-27 May 2005, Turin, and the annual high-level meeting between the EC services and the ILO”, Brussels 5 October 2005

⁷⁴ COM(2005) 324

In the context of Multilateral Environmental Agreements – e.g. on climate change, biodiversity, desertification, chemicals – the EC has striven to ensure coherence between environmental and development objectives.

The EC continued the implementation of the EU Action Plan on Climate Change in the Context of Development Co-operation. To this end, a Task Force for Implementation, led by the Commission and including eight Member States, was set up to ensure a co-ordinated and efficient implementation of the plan.

During the year the EC, with other donors, continued to play an active role in reorienting the activities of the Desertification Convention⁷⁵, but with limited success. This emphasises the need to increase effectiveness by mainstreaming sustainable land management into development co-operation frameworks at country level, by reinforcing collaboration on “on the-ground” activities with like-minded partners such as the World Bank (through the TerrAfrica⁷⁶ initiative), the UNDP, civil society and the Global Mechanism, and by developing initiatives with real impact. At the same time, the process of shaping the long-term vision of the Convention will need to continue.

As regards biodiversity, the Commission integrated the recommendations from the “message from Malahide”⁷⁷ in the EC Biodiversity Strategy that was in preparation. The European Commission continued to play a major role in the negotiations regarding the Convention on Biological Diversity (CBD)⁷⁸ and its Cartagena Protocol on Biosafety (CPB)⁷⁹.

– Forest Law Enforcement Governance and Trade - FLEGT

In 2005, G8 ministers for environment and development highlighted the need for concerted action to eliminate illegal logging and the corruption, weak governance and trade that is driving the problem. The European Commission is addressing this important issue through an EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT)⁸⁰.

The main elements of the FLEGT action plan are support aimed at strengthening forest sector governance, and a timber licensing scheme to ensure that only legal timber is traded with the EU from FLEGT partner countries. These two elements will be implemented through partnership agreements between the EU and the countries that are badly affected by illegal logging.

Good progress was made towards implementing this approach in 2005. A Regulation⁸¹ to underpin the licensing scheme and Directives⁸² to guide the negotiation of partnerships were agreed in the Council. Consultations are ongoing

⁷⁵ United Nations Convention to Combat Desertification (<http://www.unccd.int/>)

⁷⁶ TerrAfrica: Regional Sustainable Land Management (<http://www.terrafrica.org/>)

⁷⁷ Biodiversity and the EU – Sustaining lives, sustaining livelihoods, Malahide Ireland, 25-27 May 2004 (www.eu2004.ie/templates/document_file.asap?id=17810)

⁷⁸ United Nations Convention on Biological Diversity (<http://www.biodiv.org/default.shtml>)

⁷⁹ <http://www.biodiv.org/biosafety/default.asp>

⁸⁰ COM(2003) 251

⁸¹ Council Regulation (EC) No 2173/2005 of 20 December 2005 on the establishment of a FLEGT licensing scheme for imports of timber into the European Community

⁸² SEC(2004) 973

with a number of potential partner countries in South East Asia and West and Central Africa, and approximately €50 million has been committed to pilot programmes and technical assistance in countries that are badly affected by illegal logging.

Environment and tropical forests

In 2005 the EC concluded 39 grant contracts for projects identified through a call for proposals launched in 2003, which represented a total EC contribution of €76.4 million (€57.3 million under the programme for forests and €19.1 million under the programme for environment). Projects approved under the environment programme focus on capacity building to ensure implementation by developing countries of Multilateral Environmental Agreements (MEAs). Initiatives under the forests programme build on a long-standing commitment to support local efforts aimed at developing participatory models of resources utilisation, based on the recognition of the value of forests to society and on more equitable forest tenure arrangements. As part of the contribution provided under the forests programme, a significant effort was made to support the development co-operation component of the EU Forest Law Enforcement Governance and Trade (FLEGT) Action Plan, with about €20 million allocated to projects clearly with this policy priority.

Sustainable use of marine and coastal resources

As part of the external fisheries policy, for which the Community has an exclusive competence, the Commission pursued in 2005 its action for the promotion of the sustainable use of marine resources outside Community waters.

At bilateral level, since the Council Conclusion of 2004 on the integrated framework for fisheries partnership agreements with third countries⁸³, the Commission is renegotiating the current agreements in order to be in line with these conclusions. Up to date, the Community has initialled new agreements with Morocco, Solomon Islands and Micronesia. The agreements with Comoros, Seychelles, Cap Verde and Gabon have been renegotiated in 2005. For 2006, the Commission will renegotiate the agreements with Madagascar, Greenland, São Tomé, Senegal, Mauritius, Mauritania, Mozambique and Kiribati.

The partnership approach, for the mutual benefit of both parties, increases the capacities of third countries to implement a sustainable development strategy, with an accent on the fight against illegal fisheries activities and reinforcement of scientific advice to, and management of, fisheries. In this way, the European Community contributes to the implementation of sustainable fisheries activities in the waters of third countries' Exclusive Economic Zones extending up to 200 nautical miles from their coasts.

This approach is based on a permanent political dialogue, whereby both parties agree to devote a large part of the financial contribution under the fisheries agreements to the support of the sectoral fisheries policy of the partner country. The formulation of this sectoral fisheries policy has to be consistent with the development strategy of the

⁸³ Council Conclusions on Fisheries partnership agreements with third countries; Agriculture and Fisheries Council of 19 July 2004

Community. The overall budget devoted to bilateral fisheries agreements amounted to €175 million in 2005.

At multilateral level, in line with the provisions of the WSSD Plan of Implementation⁸⁴, the Commission continued to strive for better governance of high seas fisheries. The Commission plays a leading role in 13 regional fisheries organisations covering different parts of the high seas worldwide, and its involvement was instrumental in the negotiations held in 2005 over the establishment of future regional fisheries organisations in the Southern Indian Ocean and South Pacific. The Commission also has a key role in international negotiations on marine issues in international fora such as the UN General Assembly and the FAO where, in 2005, it supported the fight against illegal fishing and the constitution of marine protected areas in the high seas.

Water and Sanitation

At the World Summit on Sustainable Development in Johannesburg 2002⁸⁵, the EU launched a Water Initiative (EUWI) as a contribution to the achievement of the water and sanitation MDGs, within the context of an integrated approach to water resources management (IWRM).

Three years after its launch, the EUWI has made some progress, but this has been slow and prospects for its future development vary from one region to another. For Africa, the EUWI aims to further develop many of the aspects of the Paris Declaration on aid effectiveness and the European Consensus on Development, but greater Member State commitment to the EUWI is necessary, if progress is to be made.

EUWI action is primarily at country level, where the policy dialogue between the partner country government, concerned stakeholders and the EU is the principal instrument for identifying opportunities, constraints and financial gaps. These dialogues are intended to chart 'road maps' to the MDGs, on the basis of which the EU and other donors may align their support. To date, such dialogue processes have been initiated in five African countries – Ethiopia, Zambia, Mozambique, Ghana and Cape Verde – and are set to begin in another five: Rwanda, the Central African Republic, Congo, Mauritania and the Democratic Republic of Congo. This policy dialogue process is also being developed and adapted to suit the needs of other regional components of the EUWI covering the EECCA, Mediterranean and Latin American regions.

The EUWI is also supporting policy dialogue relating to the management of trans-boundary water resources, involving sub-regional bodies responsible for the promotion of co-operation between countries sharing river basins. Within the Africa-EU Strategic Partnership, preparations have been carried out for a trans-boundary basins project to support the Niger, Volta, Lake Chad, Orange-Senqu and Lake Victoria/Kagera basins, to be financed with €10 million from the 9th EDF. Regional water resource management is also a strong element of the EU-Africa Partnership for

⁸⁴ World Summit on Sustainable Development – Plan of implementation, 2002

⁸⁵ for results see: http://europa.eu.int/comm/environment/wssd/johannes_achievements_en.html

Infrastructure: here key priorities will be integrated water resource management and trans-boundary river basin approaches, aimed at improving the management and use of regional resources and increasing access to basic services, in order to counter the current sub-optimal use of scarce regional resources.

Through the EUWI, the EU has also been able to mobilise funding with potentially a global impact. The €500 million ACP-EU Water Facility, targeted at developing countries in Africa, the Caribbean and the Pacific, is a response to the need to catalyse additional funding and to work directly with those affected by water shortage and the absence of sanitation. A first call for proposals under the Water Facility, worth €180 million, was launched towards end-2004. Evaluation of the preliminary proposals was completed by end-June 2005. Applicants for 290 preliminary proposals were invited to submit detailed proposals to the Commission. Following a thorough and critical selection process, successful projects were expected to be awarded early in 2006. A second call for proposals will be launched in 2006.

Energy

The year 2005 has shown a remarkable increase in the attention to energy issues in EU development policies. Having been practically absent from EU development co-operation policy, energy is now gradually moving into the mainstream. Among key decisions in this process was the approval in June 2005 of the €220 million ACP-EU Energy Facility and the priority given to energy in key policy documents such as the European Consensus on Development, adopted in November 2005, and the EU Strategy for Africa, adopted in December 2005.

This development can be seen as the combined result of different international processes, including the AU/NEPAD focus on infrastructure and access to energy services; the WSSD (World Summit on Sustainable Development) Johannesburg Plan of Implementation⁸⁶, highlighting the role of energy in poverty alleviation; the EU Energy Initiative launched at the WSSD in 2002 to focus attention and resources on energy, poverty alleviation and sustainable development; and the report of the Millennium Project stressing the important role of infrastructure, including energy, in achieving the MDGs. The current high oil prices and their serious negative impact on the economies of oil-importing poor countries have added to this momentum.

The EU Energy Initiative (EUEI) has proved to be a productive framework for co-operation and synergies within the European Union (Commission and Member States) and for dialogue with developing countries.

Energy has now also been recognised as one of the priority areas in the EU Consensus on Development, as well as in the EU Strategy for Africa. Energy is also a key sector in the development of the EU-Africa Partnership for Infrastructure.

In 2005, special attention was given to the establishment of a community of COOPENER⁸⁷ contractors to facilitate networking between the EU and its southern partners, providing them with better support as well as featuring energy in poverty

⁸⁶ <http://www.un.org/esa/sustdev/index.html>

⁸⁷ <http://www.euei.org>

reduction strategies and creating a more favourable environment for energy services access and sustainable energy options.

Community co-operation with developing countries (COOPENER), as a component of the Intelligent Energy-Europe Programme (IEE), supports the implementation of the EU Energy Initiative for Poverty Reduction and Sustainable Development (EUEI). It addresses the role of sustainable energy in poverty alleviation. A second package of COOPENER projects was signed in 2005 and a third call for proposals published: this gave priority to projects in Sub-Saharan Africa, Latin America and Asia aimed at reinforcing local capacities, institutional capacity building, assistance with the definition of energy policies and regulations, and the creation of better market conditions.

As an example, the APPLES programme in South Africa aims to improve planning capacity, establish energy-related priorities for poor urban, peri-urban and rural communities, and facilitate access to energy services for rural communities while promoting best energy practices for the poor. Similarly the BEPITA programme in Burkina Faso and Cameroon seeks to establish perennial training platforms for biomass technologies in dry and wetland zones to overcome non-technical barriers. On another scale, the Development and Energy programme (DEA) targets countries' potential to improve their national energy programmes and contribute to real development needs. Meanwhile, at a very concrete level, COOPENER funding will support the creation of a Peru-Ecuador Andean energy hub (assessing energy chains, development of scenarios with technical measures) and even the establishment of micro-grids with a high content of Renewable Energy Sources (RES) for the electrification of outlying villages in Senegal.

3.4. Non-state actors in development

The broad participation of a wide range of non-state actors (NSAs) in the development co-operation process through dialogue and financial support is a well established principle of EC development policy. Dialogue between partners and stakeholders is the main tool for implementation of this principle, integrating the priorities and concerns of the different actors in development strategies and programmes.

Throughout 2005, the Commission continued its efforts to promote participatory approaches: these are reflected in a number of conclusions, resolutions, opinions and Commission policy documents, including The European Consensus on Development⁸⁸. The revision of the Cotonou Agreement was concluded in early-2005 and provided the opportunity to further strengthen this approach. First, provisions were introduced to facilitate NSA access to indicative programme resources, on the basis of a strategy to be approved by the Commission and the ACP State concerned: henceforth these actors may benefit directly from financing via grant contracts drawn up between the Commission and the entity in question. A pre-condition is that the types of NSA and types of activities to be supported are

⁸⁸ *The European Consensus on Development* (Council, Parliament, Commission, 20.12.2005); *Participation of Non-State Actors in EC Development Policy* (COM (2002) 598 final, 7.11.2002); Council conclusions of 19 May 2003, European Parliament resolution of 4 September 2003, European Economic and Social Committee opinion of 16 July 2003

identified in the Country Strategy Paper⁸⁹. Second, following the revision process, local authorities are now explicitly recognised as actors in the ACP-EU partnership.⁹⁰

With a view to achieving concrete results, the Commission twice made use of the innovative Interactive Policy Making (IPM) tool to carry out in-depth external consultations in 2005.

The first public consultation was held in early 2005 with the objective of feeding conclusions into the discussions on the revision of the Development Policy Statement of 2000. The consultation process was based on an issues paper prepared by Commission staff and an internet questionnaire. The Commission received 529 contributions from various stakeholders and organised a series of seminars which were duly taken into account in the European Consensus on Development.⁹¹

A second consultation was organised by the Commission in September 2005 in order to define the main features of the future thematic programme for Non-State Actors and Local Authorities in Development. The Commission received 108 responses to the online questionnaire and a number of written contributions from members of the EU institutions (European Economic and Social Committee/EESC, Committee of the Regions), NSA representatives (NGOs, political foundations, universities etc.) and European local authorities. The selection of projects will be made in 2006. In addition, separate meetings and workshops were held with key stakeholders culminating in a general seminar jointly organised by the Commission and the EESC. EC Delegations in partner countries involved national and international NSAs, civil society organisations, local authorities and other donors through several public consultations.

In the framework of the “Palermo Process”, the Commission systematically involves key stakeholders such as Member States’ representatives, Members of the European Parliament, and NSAs in a structured dialogue on co-financing at the implementation level. Together with the financial support granted to the Confederation of European Development NGOs (CONCORD)⁹², this forms the essential “deliberative space” wherein, on one side, the Commission strives to create predictable and workable conditions for the aid delivery mechanisms to be implemented with the help of NSAs in development and, on the other side, seeks their input in various policy formation processes.

This process facilitated the successful outcome of the Conference on Public Awareness Raising and Development Education for North-South Solidarity⁹³ which took place in Brussels in May 2005, strengthening the Commission’s resolve to support such approaches and incorporating them as priorities in the policy

⁸⁹ Revised Cotonou Agreement, Articles 4, 58 and Annex IV, Articles 4 and 15

⁹⁰ Revised Cotonou Agreement, Articles 4, 6, 58 and Annex IV, Articles 4 and 15

⁹¹ Link to report on the public consultation on the future of EU Development Policy

http://europa.eu.int/comm/development/body/tmp_docs/consultation_report_en.pdf#zoom=100

⁹² CONCORD, the confederation of the humanitarian and development European NGOs, which is made up of national platforms of 19 Member States, 18 networks and the consortia of humanitarian and development NGOs regrouping over 1 500 European development NGOs as envisioned by Regulation 1658/98

⁹³ <http://www.euforic.org/awareness-sensibilisation/>

documents. This ongoing dialogue has also fed into the revision of the modalities of aid delivery. During 2005, two reports⁹⁴ concerning the rules and conditions applicable to NGOs in development were published. As part of an ongoing process, the Commission and CONCORD assessed the criticisms and proposed responses which have been incorporated as part of the review of the practical guide⁹⁵ to operations, due to be published in February 2006.

In 2005, the Commission selected 314 such projects⁹⁶ for co-financing all over the world, for a total EU contribution of €197.5 million (2004 commitment), and 43 development awareness-raising projects inside the European Union.

3.5. Food security

Despite progress in reducing hunger at the global level, the MDG1 target remains elusive in Sub-Saharan Africa where persistent food insecurity is compounded by recurrent political instability.

Recent years have shown that crisis situations, particularly those of a complex and protracted nature, as well as political instability and countries in transition, are the greatest challenge to food security. The issue of global food insecurity points to a number of vulnerable and fragile states with neither the capacity nor the institutional framework to implement long-term strategies in unfolding crises. The EU Consensus recognises the need for a new comprehensive Community approach to state fragility.

In line with the EU Consensus, a focus⁹⁷ on food security is considered important in order to i) respond to the recurrent food crises in many parts of the world, ii) maintain a highly visible EC commitment to hunger eradication, and iii) link relief and rehabilitation activities with longer-term development support (LRRD), increasing the impact by complementing the resources from geographic instruments, particularly in situations of state failure and state fragility.

In 2005, 43 countries faced serious food shortages, 23 of them in Africa. The response of donors, and the EC in particular, in the field of food security has been substantial: €412 million through the Food Security budget line, plus food aid through the EC Directorate for Humanitarian Aid (ECHO), and long-term assistance through geographic instruments. Yet the scale and recurrence of the problem calls for a new thrust in tackling the root causes of food insecurity, namely a long-term structural approach based on strategies and programmes owned by developing partners and coherently supported by humanitarian, thematic and geographic aid instruments.

Overview of the 2005 hunger hot spots

⁹⁴ “Striking a balance – the impact of the EU financial Regulation on the relationship between the European Commission and NGOs”, April 2005, F.M. Partners Limited, and “The Commission could do better”, May 2005, Paul Soto Grupo Alba

⁹⁵ http://europa.eu.int/comm/europeaid/tender/practical_guide_2006/documents/new_prag_en_final.pdf

⁹⁶ http://europa.eu.int/comm/europeaid/projects/ong_cd/index_en.htm

⁹⁷ In the Framework of 2007-2013 Financial Perspectives, in August 2005 the Commission adopted COM(2005) 324, which simplifies and rationalises the external assistance legal framework. The reform thematic instruments envisage seven Thematic Programmes including Food Security

The year 2005 was characterised by a serious food security situation in nearly all regions of Africa, i.e. in the Horn, in the Sahel and in Southern Africa. More specifically, the Food Security budget line has contributed significantly, in close co-ordination with ECHO, to the alleviation of some of the worst aspects of the food crises in Niger, Malawi and Sudan.

2005 FAO (Food and Agriculture Organization) figures show that, in Southern Africa, the percentage of undernourished people in the population is 40% and higher than the African average. The EC gave particular support to Malawi, Mozambique and Zambia, with around €36.55 million in food aid/food security programmes. In addition to these funds, €26.72 million were mobilised from the respective B envelopes. ECHO made €5 million available.

A sizeable financial contribution was allocated to two countries in the Horn of Africa in 2005: Ethiopia (€103 million) and the Sudan (€145 million, of which €53 million in Darfur) to cope with acute and chronic food security problems. The Commission is supporting food security strategies and the establishment of safety nets as well as information systems, in order to address the structural causes of hunger in the region.

Widespread poverty is the main cause of food insecurity in the Sahel region. Prices increased to unaffordable levels due to dysfunctional markets in the region. Response to the Niger crisis mobilised more than €6 million, which were made available through the food security budget line and ECHO.

The EC has been an active development partner in these regions over the last decade and intends to continue addressing food insecurity within the framework of poverty reduction and rural development in the long term, while supporting governments in the short term in improving their policies, food security information systems and crisis prevention mechanisms.

Policy debate on food aid

In the Doha negotiations on agriculture, the debate on new disciplines to be applied to food aid is particularly intense. Under the overall commitment to eliminate all forms of export subsidies under the negotiating pillar of “export competition”, WTO members agreed to prohibit “commercial displacement caused by non-genuine food aid practices”. To this end the EC put forward a negotiating proposal designed to fulfil this mandate effectively (move towards untied and cash-based food aid). On 18 December 2005, at the WTO Conference in Hong Kong, the Ministerial Declaration agreed to end export subsidies in agriculture by 2013.

3.6. Migration and asylum

Migration remains one of the most debated issues at international, national and EU level. In order to capitalise on the opportunities migration can bring and to address the problems it can give rise to, policies and external aid have to be comprehensive. To this end the European Council has repeatedly underlined the need for a comprehensive approach to migration focusing on political, Human Rights and development issues in third countries and regions.

At the policy level, in the follow-up to the so-called ‘Hague programme’ of 2004, the EU has shaped its migration policy further with regard to third countries. During 2005 particular emphasis was put on migration and development⁹⁸ from a thematic point of view and the Mediterranean and Africa from a geographic one.

At the international level the Commission has contributed to the work of the Global Commission on International Migration (GCIM), set up by the UN Secretary-General, which published its recommendations in 2005. The Commission will also contribute actively to the work of the High Level Dialogue on Migration and Development that will take place in the framework of the General Assembly of the United Nations in September 2006.

With regard to asylum, the Commission adopted a Communication on Regional Protection Programmes on 1 September 2005⁹⁹. The first pilot programmes are to be developed in Tanzania and in the western Newly Independent States (NIS), building upon ongoing assistance to refugees and asylum-seekers and in close partnership with the third countries involved and the UNHCR, so that refugees who require protection are able to access it as quickly as possible and as closely as possible to their needs. The Council adopted Conclusions supporting the Commission’s approach¹⁰⁰.

With the political framework in place, initiatives on migration and asylum issues have become an integral part of external aid. The Commission promotes a balanced approach towards migration and asylum, underlining the complexity of the issues and the need for comprehensive solutions. This means that law enforcement questions have to be addressed as much as the question of rights of migrants and especially the right to international protection for persons in need of it. It goes without saying that this balance is not easy to achieve and priorities partly depend on the political agenda of the partner countries.

The Commission has various instruments at hand to implement its external aid in the area of migration and asylum. National and regional programmes such as MEDA or TACIS provide the core funding for migration and asylum projects (including border management). At the beginning of 2005 a €4 million project was launched in Ukraine addressing *inter alia* the precarious humanitarian situation of detained illegal migrants, the legislative framework with regard to immigration and stay of foreigners, and the setting up of information centres for potential migrants. At regional level the migration part (€2 million) of the MEDA JAI I project has, with the publication of the first ‘Mediterranean migration’ report, produced an important tangible result reflecting the objectives of monitoring, analysing and forecasting the migration phenomenon in the Euro-Mediterranean region.

As one of the thematic programmes, the so-called AENEAS programme is complementary to the geographic ones. Established in 2004¹⁰¹, the AENEAS programme provides financial and technical assistance to third countries in support

⁹⁸ EC Communication on Migration and Development: *Some concrete suggestions* COM(2005) 390; Council conclusions on Migrations and External Relations, 21 November 2005

⁹⁹ COM (2005) 388 final

¹⁰⁰ Council Conclusions on *Regional Protection programmes*, 7 November 2005

¹⁰¹ Regulation (EC) No. 491/2004

of their efforts to ensure more effective management of all aspects of migration flows. The first round of projects was selected during 2005 for a total amount of €30 million (committed in 2004) of which approximately €16 million were earmarked for the Mediterranean region. Projects selected include the issue of remittances, to be further researched by the World Bank through *inter alia* household surveys; co-operation between the Maghreb countries and sub-Saharan countries, promoted via the International Organisation for Migration; and maritime border management in Morocco and Mauritania, to be conducted through the Spanish Ministry of the Interior. Libya will be included in various projects, thereby underpinning the *ad hoc* political dialogue which started in 2005. The second call for proposals was published in December 2005 for a total budget of €40.3 million (committed in 2005). Geographic emphasis will be on the CIS countries, the Mediterranean and Sub-Saharan Africa.

3.7. Conflict prevention, crisis management and mine actions, including the Peace Facility

The Commission continues its work on implementing the Commission Communication on Conflict Prevention¹⁰² by mainstreaming EC policies and programmes through information sharing, training, programming tools and policy development. Further specific steps in 2005 included the elaboration of a joint paper with the Policy Unit of the Council Secretariat on ‘Fragile States’¹⁰³ and the integration of conflict prevention in the EU Consensus on Development and the new EU Africa Strategy. The Commission contributed also to the EU early warning mechanism¹⁰⁴, provided analytical updates to the Watchlist¹⁰⁵ exercise, and to Göteborg EU conflict prevention programme¹⁰⁶ follow-up.

Through the Conflict Prevention Partnership, launched in 2005, the Commission is supporting a network of NGOs that is providing the EU institutions, Member States and civil society with analyses and policy recommendations to strengthen the conflict prevention capacity and efforts of the EU. In addition the Commission launched an inter-service exercise on mapping EC involvement with Security Sector Reform (SSR), drafting a paper on a comprehensive EC concept. Input was also provided on the OECD/DAC work in the areas of SSR and the Environment and Conflict linkages. The EC has also continued to play a leading role in the Kimberley Process Certification Scheme (KPCS)¹⁰⁷, the multilateral initiative to eradicate conflict diamonds. In line with an increasing focus within the KPCS on capacity building for countries affected by conflict diamonds, the Commission is currently examining how targeted technical assistance could be mobilised to selected partner countries in support of KPCS implementation.

¹⁰² COM(2001) 211 final

¹⁰³ ‘Fragile or failed states’ refers to countries where institutions and policies are weak, thus making it difficult for the state to function as it should and perform its tasks in relation to the population

¹⁰⁴ Mechanism to provide early warning in the event of a natural or man-made disaster

¹⁰⁵ The Watchlist is a confidential list of countries where there is an enhanced risk of violent conflict

¹⁰⁶ EU Programme for the Prevention of Violent Conflicts, adopted by the General Affairs Council on 11-12 June 2001 and endorsed by the European Council at Göteborg

¹⁰⁷ The EC will be chairing the KPCS in 2005 and has been Chair of the KPCS Monitoring Group since 2003

The Democratic Republic of Congo and the Great Lakes

In the Democratic Republic of Congo (DRC) and the surrounding Great Lakes region, the Commission is helping to prevent conflict and consolidate democracy and the rule of law in several ways:

Demobilising and reintegrating soldiers: the EC provided €20 million for a World Bank programme (MDRP) which has so far helped demobilise over 30 000 soldiers and militia. Two-thirds of these have chosen to resume civilian life – not always an easy task.

Retraining the police: the Commission also recognises that effective policing is vital to prevent conflict in fragile states. So it provided €9 million for an Integrated Police Unit, which has trained over 1 000 police officers to date. It also helped the Ministry of Interior examine ways of improving police accountability and management.

Facilitating elections: the Commission also provided expertise and €149 million in funds for a referendum in December 2005 overseen by EU monitors, in which voters strongly endorsed a new constitution, and for elections in June 2006.

Strengthening security: the Commission is committed to strengthening security in fragile states such as the DRC. In 2005 a minority of foreign rebels in eastern DRC continued to inflict violence on local communities. So the EC continued to support reform of the DRC's military, providing €1.5 million for two army reform centres. These aim to create at least twelve integrated army brigades before the elections. Six were in place by end-2005.

Crisis management

Further to its proposal for the Financial Perspectives 2007-13, in 2005 the Commission was actively involved in the debate on the future Stability Instrument.

Following the tsunami of 26 December 2004 and other major natural disasters of 2005, the Commission has put forward a Communication on *Reinforcing EU Disaster and Crisis Response in third countries*¹⁰⁸ which builds on the Commission's assessment of the post-tsunami reconstruction efforts. The Communication addresses the need to reinforce the response capacities of the EU; to improve planning, co-ordination and coherence; and to reinforce preventive measures, early warning and disaster preparedness. This Communication has also emphasised that "Linking Relief, Rehabilitation and Development (LRRD) is a cornerstone of the EU's emergency response".

Within the framework of the common foreign and security policy (CFSP) and the European security and defence policy (ESDP), the Commission has followed up the civilian ESDP missions in Georgia (rule of law), DR Congo (police) and Iraq (rule of law), and has launched new EC missions in Albania (rule of law), Moldova and Ukraine (border management).

¹⁰⁸ COM(2005) 153

In the Ivory Coast, the Commission continued in 2005 to support national reconciliation efforts through its participation in the *Comité de Suivi des accords de Marcoussis* and, later, thorough participation in the International Working Groups established by the African Union.

Peace Facility

The EU remains strongly committed to support for the creation of a system where African states and organisations can assume leadership for the prevention, management and resolution of African conflicts. In 2004, the EU responded to a request made at the 2003 African Union (AU) Maputo Summit by creating a €250 million development instrument to finance African peace support operations (PSO) and capacity building in the area of peace and security: the African Peace Facility (APF).

In 2005 the Commission continued, with the African Union, to use the Peace Facility to fund the efforts of the *Force Multinationale en Centrafrique* (FOMUC) of the *Communauté économique et monétaire de l'Afrique centrale* (CEMAC) in the Central African Republic and the African Mission In Sudan (AMIS) in Darfur, as well as provide capacity building support for the AU Peace and Security Directorate. The Commission – through the Peace Facility – is by far the biggest donor to the AMIS operation and, in December 2005, a third contribution agreement was signed with the AU.

In autumn 2005, a Mid-Term Evaluation was carried out by a team of independent consultants. The evaluation report unambiguously concluded that the Peace Facility has contributed significantly to improvements in the security situation in Darfur and the Central African Republic. In addition, the Peace Facility has been instrumental in reinforcing the ownership and leadership of the AU, as well as in strengthening the partnership between the EU and the AU.

Mine action

EC mine action is a response to humanitarian, development and political concerns, in line with the objectives defined in the Mine Ban Treaty¹⁰⁹ already ratified by 147 states. In addition to the relief of suffering of populations and the contribution to their daily security, mine action aims at stabilising post-conflict regions, recreating an environment in which people can live, work and move safely and in which economic, health and social development can occur free from the constraints imposed by the hidden threat of mines and unexploded ordnance.

2005 saw the launch of the second EC Multi-annual Strategy covering the years 2005-2007. In line with the spirit and outcome of the Nairobi Summit and the First Review Conference of the Mine Ban Treaty¹¹⁰, the strategic objective for EC mine action in 2005-2007 is “to drastically reduce the lingering threat and impact of landmines in the context of increased local security and regional confidence.”

¹⁰⁹ Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Antipersonnel Mines and on their Destruction (Ottawa Convention)

¹¹⁰ Nairobi 29 November-3 December 2004

The road map defined to steer EC mine action towards this goal operates on the basis of three thematic objectives:

- to reduce the anti-personnel landmine threat;
- to alleviate mine victim suffering and aid socio-economic reintegration;
- to enhance the local and regional impacts of effective mine action capacity.

Compared to previous strategy, the EC strategy for mine action 2005-2007 has a stronger focus on victim assistance and on mine education activities, with a consequent increase in related financial support. In 2005 the European Commission supported a number of projects along these lines. Under the thematic programme and related thematic budget line¹¹¹, the EC supported the following projects awarded through calls for proposals: a mine clearance project (€2.0 million) in Bosnia-Herzegovina; a mine awareness project in Kyrgyzstan (€0.3 million); and mine clearance operations in Mozambique (€0.9 million) and Sudan (€1.5 million).

The EC also funded nine initiatives through direct grants to so-called “targeted projects” in seven heavily mine-affected areas: Albania, Azerbaijan, Chile, Jordan, Peru/Ecuador, Somalia and Sri Lanka. The two other direct grants covered standardisation activities in the field of Humanitarian Mine Action, aiming to ensure improved quality assurance, and a project setting out the guidelines and methodology for enhancing the evaluation capacity in mine action.

Beside the thematic programme, the EC also supports mine action-related projects through geographical external aid programmes and instruments, for an average annual total of €50 million. The thematic programme covers one-third of the total EC contribution to mine action and is the policy instrument through which overall EC mine action strategy is elaborated and co-ordinated.

Small Arms and Light Weapons

The European Programme for Conflict Prevention recognises that removing the illegal spread and accumulation of small arms, as a source of destabilisation and conflict, can make a great contribution to the future prevention of violence. The EU seeks to achieve this through international co-operation, financial and technical assistance programmes, and effective arms control.

The EU provides financial and technical assistance through the Joint Action on Small Arms and Light Weapons (SALW) to countries, groups of countries, international organisations and NGOs that request support. Programme activities include weapons collection, security sector reform, demobilisation and reintegration work. Since 1999, through the Joint Action programme, the Council has initiated 18 projects, including work in Eastern Europe, Latin America, South East Asia and West Africa.

Under the European Development Fund (EDF), the Commission finances a number of actions for the demobilisation and reintegration of former soldiers into society, and for the collection and destruction of weapons. In many cases these activities are implemented through specific Demobilisation, Disarmament and Reintegration (DDR) programmes. However, in other cases, the reintegration of ex-combatants has

¹¹¹ Budget line 19 02 04 "Community participation to actions relating to antipersonnel mines"

been mainstreamed within wider development/rehabilitation programmes in post-conflict areas, with the aim of improving the general economic and social structures of the countries affected.

The EC also funds SALW-related programmes and activities through external assistance and co-operation programmes, such as CARDS in the Western Balkans. Furthermore, the European Commission is implementing two pilot projects under SALW (total budget: €3 million). The first pilot project, "European Action on small arms, light weapons and explosive remnants of war", financed by the EC and partially by the UK (total budget: €1.5 million), aims to enhance European action on small arms, light weapons (SALW), and explosive remnants of war (ERW) by optimising the instruments available to the EU for SALW and ERW action, as well as by improving the coherence and co-ordination of related policies and activities.

The project consists of a comprehensive analysis of the instruments available to the EU to address effectively the problems and consequences of the proliferation and illicit spread of conventional arms and their delivery systems. Findings from this analysis will be tested in northern Africa in the course of 2006. The second pilot project, "EU Western Balkans SALW Support Plan" (budget: €1.5 million), will address capacity building for the control of small arms and light weapons in South East Europe.

The aim of these initiatives is to implement all the aspects of a comprehensive EU strategy, dedicated to tackling the impact of small arms and light weapons on humanitarian assistance, governance and security activities in areas of conflict, and to exploit the synergies of existing individual 'stove-piped' projects.

3.8. Drugs

3.8.1. North/South co-operation in the fight against drugs

The co-operation provided by the Commission in this field is part of a broader package of efforts, undertaken both multilaterally and bilaterally, that also includes trade policy initiatives, and political and technical dialogue on drug matters.

While most development assistance in this field continues to be grounded on national and to a lesser extent regional programmes, the most significant development in 2005 was a set of inter-regional and global projects that were launched under the budget line for North-South co-operation in the fight against drugs which the budgetary authority decided to fund for the first time since 2002.

Three of these projects support the Action Plans on Drugs that the EU has established with Latin America, the Caribbean, Central Asia and the Balkans. These projects seek, respectively, to promote judicial and police co-operation in the Latin America and Caribbean region; to promote regional co-operation against chemical precursors between Afghanistan and its neighbours; and to strengthen EU and mutual co-operation between the Western Balkans and the Mediterranean partners.

Two other projects are of a more global nature and seek to strengthen harm reduction and alternative development efforts in developing countries. The last of these projects, the only one that is neither inter-regional nor global, is focused on Iran, a

country heavily affected by drug addiction and which does not currently have access to other sources of EC funding.

Notwithstanding the above, Afghanistan – followed by the Andean region and, to a lesser extent, Central Asia – remained the areas of main concern for the European Community's international co-operation against drugs in 2005. This is not surprising since Afghanistan is still estimated to be the source of about 90% of the world's output of illegal opiates, and Central Asia is a key area along the heroin route, while all cocaine produced worldwide is manufactured from coca leaves cultivated in the Andes.

3.8.2. *The fight against heroin*

The Commission's efforts in Afghanistan have continued to support the country's National Drug Control Strategy adopted in 2003. In line with this strategy, the EC committed over €150 million in 2003-2005 to enhance rural development and food security, thereby improving the living conditions of the rural poor and developing alternatives to poppy growing in many parts of the country. This was complemented with a contribution (€15 million) to the newly established Counter-Narcotics Trust Fund.

In Central Asia, the Commission continues to fund the "Border Management Programme for Central Asia" (BOMCA), and the "Central Asia Drugs Action Programme" (CADAP), both programmes aiming at reducing trafficking and preventing drug abuse along heroin's Northern route. A parallel anti-drugs programme for Eastern Europe – and particularly Belarus, Ukraine and Moldova (BUMAD) – continues to be implemented as well. Efforts against heroin also feature prominently in a justice and home affairs regional MEDA programme which has just been concluded, and in the general capacity building initiatives, also in the area of justice and home affairs, being undertaken in the Balkans.

Other parts of Asia have also benefited, including through demand and harm reduction projects in Burma/Myanmar.

3.8.3. *The fight against cocaine*

As regards the Andean region, a number of alternative development projects in Peru, Colombia and Bolivia (including one launched in mid-2004 in the Yungas), as well as a precursors control regional project and a project establishing a Drugs Monitoring Centre in Venezuela, are continuing to be implemented. A regional programme against synthetic drugs in the Andes has been drawn up and a third Peace Laboratory in Colombia remains under study. With broad encouragement from key international partners, the Commission agreed in 2005 to finance a politically sensitive, yet potentially fruitful, study to determine the level of demand for coca for traditional use in Bolivia.

Other Commission efforts in the area of drugs are in the Caribbean, where the Commission has financed a three-year programme to help national institutions in the Eastern Caribbean countries plan and co-ordinate demand and supply reduction efforts.

3.8.4. *Other efforts against drugs*

The SADC (Southern Africa Development Community) Secretariat is being supported in its efforts against drugs.

Additionally, some innovative cross-regional initiatives involving the sharing of best practices in demand and harm reduction among NGOs of Asia, the Caribbean and Latin America, and covering heroin as well as cocaine use, have just been taken or are due to be completed in 2006.

3.9. Equality between men and women

3.9.1. *Global events*

In 2005 the European Commission organised a conference together with the UN Development Fund for Women (UNIFEM) entitled "Owning Development: Promoting Gender Equality in New Aid Modalities and Partnerships", to examine the effects the changing pattern of development co-operation is having on efforts to promote gender equality, especially as this intersects with efforts to eradicate poverty. Though there is now overall support for the goal of gender equality in both developed and developing countries, there is very little real progress at a country level. The consultation was very successful and will facilitate progress in this area.

3.9.2. *Gender-specific operations and mainstreaming*

Four projects were selected for funding in 2005 under the call for proposals focusing on enhancing the access of women to paid employment in the non-agricultural sectors. A project in Peru focuses on the improvement of the working conditions of women working in the informal sector. A second project in China promotes employment and rights protection for migrant women workers in Beijing, and a third in Costa Rica addresses the issues of female employment in a global economy. Finally a fourth regional project focusing on exchange of experience in the promotion of female employment has been selected for financing in Argentina, Colombia, Paraguay and Peru.

Efforts to combat violence against women need to move beyond addressing the symptoms and effects of violence to tackling the root causes and to recognise that the achievement of gender equality is not only an issue for women. There is a particular need to focus on men and boys, and on what drives them to violence. Only by actively involving men will it be possible to change social norms that still make it acceptable for men to use violence against women. Within the gender budget line, the Commission launched a competitive call in 2005 to support projects focusing on innovative education and awareness-raising interventions: these will aim to engage both adolescent boys and girls in programmes that contribute to a change in attitudes on gender responsibilities in relation to violence against women, whatever their age may be.

In addition to the above gender-specific initiatives, gender equality is mainstreamed throughout projects and programmes under geographical instruments in the areas of education, health (including reproductive health), Human Rights, good governance and food security, all of which have a significant impact in promoting gender

equality. For example, in Bangladesh, three projects adopted in 2005 have a direct and positive impact on gender equality: support for non-formal primary education, a project for the empowerment of adolescent girls, and a birth registration project. Birth registration can have a significant impact on gender equality. As a legal age verification document, this will be a key tool in combating the early marriage of adolescent girls and other forms of abuses, such as sexual exploitation.

The total amount of commitments where the 'Gender Marker' has been activated with "1" or "2" following OECD/DAC directives, represents €3 223 million or almost 35% of the total amount of ODA (bilateral + multilateral) commitments in 2005 (€9 287 million). If the important increase in the total amount reflects the 'gender mainstreaming' of EC co-operation, that does not mean that the total amount of €3 223 million is dedicated to gender equality but that, in these projects/programmes, gender equality is one of the objectives, with different amounts dedicated to that issue.

Mainstreaming gender equality in the general budget support and sector approaches is particularly relevant in the light of the increasing application of these aid delivery modalities. Part of this aid is linked to performance indicators¹¹² that signal the extent to which women have access to and use key health and education services.

The Commission has continuously striven to improve staff capacity on gender issues: this effort has included training for some 800 EC staff and the publication of a quarterly newsletter on gender equality in EC development co-operation. National counterparts, national institutions for the promotion of gender equality, NGOs, other donors and international agencies have been trained in 24 gender workshops at EC Delegations. An innovative online course offering the opportunity to learn about mainstreaming gender equality in development co-operation was launched in 2005. In addition to general training, specific thematic training courses have been organised in the areas of gender and trade, Human Rights, indigenous peoples and gender budgeting¹¹³.

December 2005 saw the adoption of the European Consensus on Development. This features a strengthened commitment to promoting gender equality in all EU policies and practices in the Union's relations with developing countries.

4. FEATURE ARTICLE

4.1. Trade and development

4.1.1. Introduction

Trade is integral to growth and poverty eradication: its role in the development of several countries, particularly in South East Asia and Latin America, testifies to this.

¹¹² The gross or net enrolment rate of girls in primary education; the primary completion rate for girls, the drop-out rate for girls, antenatal care coverage, the rate of assisted birth delivery

¹¹³ Training courses are based on practical tools (Toolkit on how to mainstream gender equality in development co-operation) which are now available in four languages: English, French, Spanish and Portuguese

But capturing the gains from trade is not an automatic process, as situations vary widely across developing countries. A lot depends on how the opportunities arising from trade reform are supported by the general investment climate, as well as by complementary social measures.

Enabling developing countries to take advantage of trade liberalisation involves strengthening their competitiveness and trade capacity to help them engage in world trade as a means to combat poverty. Least Developed Countries and other vulnerable economies will need assistance to cope with adjustment as a result of trade liberalisation. For such countries, building trade capacity facilitates the restructuring process, while enhancing the poverty alleviation effects. It requires a comprehensive approach and a sustained effort.

With the launch in 2001 of the current WTO Round – the Doha Development Agenda – the industrial countries committed themselves to strengthening trade capacity support to the developing countries. The EC has responded positively to this challenge by increasing the volume of its external trade-related assistance (TRA) and widening the scope. Between 2001 and 2005, global commitments reached more than €4 billion, giving an annual average of more than €800 million. This makes the EC the single largest provider worldwide of trade-related assistance, covering more than one-third of the overall commitments for that period. If the activities of the EU Member States are included, the European Union accounts for more than 50% of all commitments. Future commitments foresee an even stronger role for trade-related assistance.

4.1.2. *Policy context*

The EC strategy in this area is described in the 2002 Communication from the Commission to the Council and the European Parliament, entitled *Trade and Development: Assisting Developing Countries to Benefit from Trade*. It builds on an earlier document adopted in 2000 on *The European Community's Development Policy*, which recognised trade as one of the priority areas of EU development policy. Trade and development was designated a priority area in view of EC value-added in the trade field.

The European Consensus on Development provides a solid policy basis for trade-related assistance by stating that “drawing on its own experiences, and exclusive competence in trade, the Community has a comparative advantage in providing support to partner countries to integrate trade into national development strategies and to support regional co-operation whenever possible.” It further clarifies that the Community will assist developing countries on trade and regional integration, fostering equitable and environmentally sustainable growth, and smooth and gradual integration into the world economy, by linking trade with poverty reduction or equivalent strategies. The priorities in this area are institutional and general capacity building with the aim of designing and effectively implementing sound trade and integration policies, as well as support to help the private sector take advantage of new trading opportunities.

Regional integration and the multilateral trading system can be mutually reinforcing. The trade policies of developing countries are increasingly shaped in a regional context. The EU promotes regional integration as a valuable strategy for the

progressive insertion of the developing countries into the world economy, and particularly for the ACP countries in the framework of the Economic Partnership Agreements (EPAs). As a result, a sizeable part of the EC's aid for trade takes place in the context of regional (integration) programmes. Despite the EPAs' different institutional situations, the EU outermost regions show a growing interest in participating in the benefits of the agreement as partners in these regions.

The basic policy documents stress that particular attention should be paid to trade-related activities like trade facilitation, services, compliance with sanitary and phytosanitary measures, technical and quality standards, and intellectual property. Another area for support is the restructuring of fiscal systems. The policy documents also underline the importance of trade-related infrastructure such as transport corridors to connect landlocked countries to seaports, testing laboratories and border posts.

In addition to the policy statements, there have been several initiatives within the European Commission to increase the effectiveness of its aid to trade. These include: the establishment of an inter-service Task Force on trade and development, a staff training programme for trade-related assistance, the preparation of detailed guidelines and thematic notes, and the completion of an external evaluation on all EC trade-related assistance.

4.1.3. *What is trade-related assistance? The main categories*

In order to illustrate the EU's aid to trade efforts in more detail, it is necessary to clarify some fundamental categories.

Trade-related assistance (TRA) can be grouped under two basic headings: support for **trade policy** and regulatory issues, and support for **trade development**. Trade policy and regulations support covers subjects such as: effective participation in multilateral trade negotiations, analysis and implementation of multilateral and regional trade agreements, trade-related legislation and regulatory reforms, trade facilitation including tariff structures and customs regimes, and sanitary and phytosanitary measures. Trade development covers mostly business development and activities aimed at improving the business climate, access to trade finance, and trade promotion and market development in the productive and services sectors, including at the institutional and enterprise level. Trade development is often implemented through private-sector support operations.

In addition to trade policy and trade development, it is also possible to distinguish wider categories of aid for trade such as support for fiscal restructuring and long-term supply-side support, particularly for infrastructure. Fiscal restructuring is often needed when regional or multilateral trade liberalisation leads to lower customs revenue. It is important to replace customs revenue by more efficient taxation measures such as a value added tax. Fiscal restructuring should be addressed within the context of the need to ensure sound macroeconomic policy.

Limited access to transport, communication, water, sanitation and energy services constrains economic growth as well as trade. These limitations, together with missing links in regional networks, imply that exports from some landlocked countries may become uncompetitive. Transport and related service costs in landlocked countries can equal up to three-quarters of the export value of a product. In addition,

potentially lucrative natural resource exploitation becomes unprofitable through insufficient or unsuitable infrastructure.

While recognising the importance of infrastructure and fiscal restructuring, it is also important to focus on the ‘core’ categories of trade policy and trade development which are also included in the Doha Database managed by WTO/DAC.

4.1.4. *Programming of trade-related assistance*

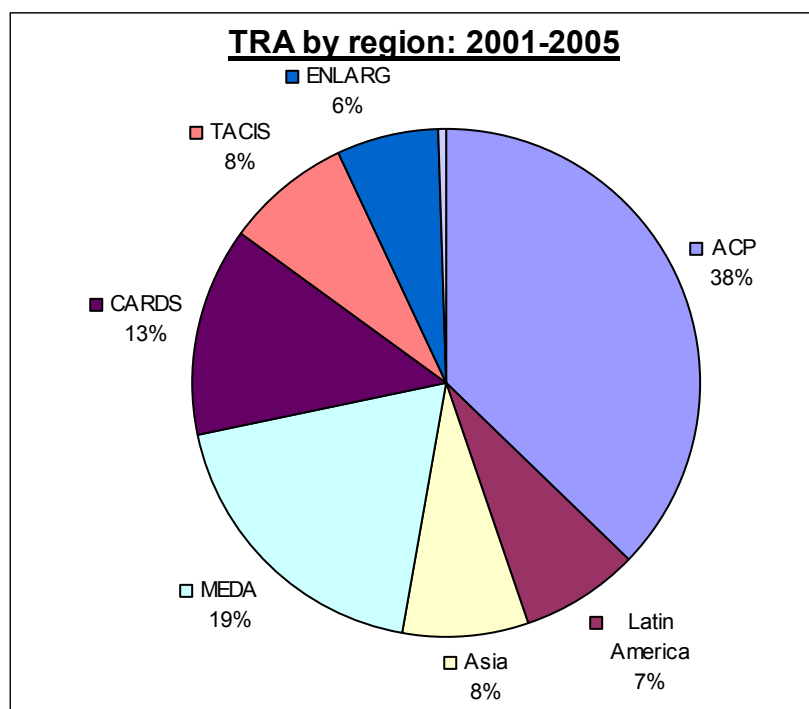
The Commission cannot simply increase the allocations for trade-related assistance. This can only be done through a programming dialogue with beneficiary countries and regions, involving a regular assessment of the policy context, the performance of past programmes and the needs. Country ownership is crucial in this context. In line with the policy statements mentioned above, an increasing effort is being made to ensure that Trade-Related Assistance (TRA) is mainstreamed into the wider development strategy.

Programming of TRA is thus based on a careful assessment of the country’s needs in the trade area. This takes into account initiatives at the multilateral level such as the Integrated Framework (IF) for the Least Developed Countries (LDCs). The IF is a joint undertaking of six international agencies – the WTO, World Bank, IMF, UNCTAD, UNDP and ITC – to mainstream trade in the development strategies of these countries. This is done on the basis of a Diagnostic Trade Integration Study (DTIS), resulting in the identification of TRA needs.

For the ACP countries, there are not only TRA activities at the national and regional (integration) level, but also programmes for the whole ACP group. These all-ACP programmes include for example: support for participation in the multilateral trading system, preparation of Economic Partnership Agreements, and programmes to facilitate compliance with sanitary and phytosanitary (SPS) rules in fisheries and horticulture.

4.1.5. Trade-related assistance by beneficiary region

The figures for TRA by region for the period 2001-2005 are shown in the table below. The overall total TRA for the period 2001-2005 is more than €4.3 billion. This leads to an average of €867 million per year. For the total period, as shown in the graph, the ACP group is the largest beneficiary with about 38% of the total.



Looking more closely at the figures in this table, there are sizeable fluctuations from one year to the next, e.g. ACP between 2001 (€557 million) and 2002 (€166 million). The main explanation is that, in 2001, trade development commitments for ACP countries were unusually high due to the approval of some very large operations such as PRO€INVEST (€110 million), Caribbean Rum (€70 million), assistance for bananas (€44 million) and the Pesticides Initiative Programme (€30 million). These large projects affect the trend, even if their implementation is running over several years. Another reason for fluctuations is the fact that decisions on TRA are the result of the programming dialogue mentioned above.

Trade-Related Assistance by beneficiary region

	2001	2002	2003	2004	2005	Total 2001-2005 for Each Region
	€ million	€ million	€ million	€ million	€ million	€ million
ACP	557.5	166.5	318.6	283.4	293.9	1619.9
LATIN AMERICA	45.1	36.2	107.2	52.0	83.4	323.9
ASIA	44.2	138.6	71.0	43.5	46.2	343.5
MEDA	91.0	198.0	160.0	180.3	195.5	824.8
Western Balkans (CARDS)	39.8	100.2	107.4	224.5	106.7	578.6
TACIS	42.4	48.8	65.6	118.1	75.3	350.2
Enlargement Countries	---	---	55.4	45.0	171.2	271.6
Unspecified Dev. Countries	5.8	---	---	2.0	15.8	23.6
Global Total	825.8	688.3	885.2	948.8	988.0	4336.1

4.1.6. Overview by main categories of TRA

The following two tables summarise the types of TRA support for the years 2001 to 2005 under the two main categories introduced above¹¹⁴. As can be seen in the first table, the most important programmes are under the headings of trade facilitation and regional trade agreements. As regards trade facilitation, which covers improvement of customs services in particular, the most important programmes are in the Mediterranean and Western Balkans regions. These programmes are typically set up in support of the Association and Trade Agreements with the EU. The regional trade agreements are the dominant TRA intervention in the ACP zone. These programmes are in support of regional integration initiatives and in preparation for Economic Partnership Agreements.

¹¹⁴ The figures in Tables 1-3 should be interpreted cautiously. It is difficult to determine the exact amounts of TRA decided and to put these amounts into specific categories. Some programmes deal explicitly with trade capacity building, but in many cases TRA is a component of a wider sector programme such as economic infrastructure or rural development. Moreover the line between the two categories of trade policy and trade development is not always clear. Another point that must be stressed is that the amounts given cover commitments during a given year. Disbursements generally take place over more than one year

Trade-Related Assistance for Trade Policy and Regulations

The second table shows that the largest share of trade development programmes is

	2001	2002	2003	2004	2005	Total 2001-2005
	€(m)	€(m)	€(m)	€(m)	€(m)	€(m)
Trade mainstreaming in PRSPs/development plans	0.0	8.6	22.7	24.1	36.4	91.8
Technical and sanitary standards (including technical barriers to trade and sanitary/phytosanitary measures)	83.3	14.5	44.7	22.54	52.81	217.85
Trade facilitation (including trade facilitation procedures, customs valuation and tariff reforms)	60.0	59.1	179.4	117.7	90.68	506.88
Regional trade agreements	56.4	122.5	92.8	42.7	171.57	485.97
Multilateral trade negotiations and agreements (including WTO accession, training in trade negotiation techniques, trade-related intellectual property rights, agriculture, services, rules, trade and environment, trade and competition, trade and investment, transparency and government procurement)	71.0	54.4	8.6	28.3	8.74	171.04
Trade education/training	0.0	0.0	10.9	0.4	1.02	12.32
TRADE POLICY/REG. TOTAL	270.7	259.1	359.1	235.74	361.22	1485.86

for business support services, and banking and financial services. Programmes in this area are designed to improve the business environment so that private companies can more easily take advantage of new opportunities that result from trade policy measures. As for the trade facilitation category, the Mediterranean and Western Balkans regions account for the largest part of this category. Trade promotion and market development, often with a sector focus, are particularly important in the ACP region.

Trade-Related Assistance for Trade Development and Promotion

	2001	2002	2003	2004	2005	Total 2001-2005
	€(m)	€(m)	€(m)	€(m)	€(m)	€(m)
Business support services and institutions (including business support services and institutions, public-private sector networking, e-commerce)	296.4	231.9	205.1	182.6	83.55	999.55
Banking and financial services (including trade finance)	157.5	125.0	135.4	134.8	161.33	714.13
Trade promotion and market development:						
- agriculture	59.2	48.3	47.8	31.6	45.4	232.3
- fishing	32.3	0.0	19.0	3.6	10.59	65.49
- mineral resources and forestry	3.0	0.0	0.0	1.0	16.24	20.24
- industry	0.0	0.0	49.4	103.5	158.68	311.58
- tourism	6.0	8.9	0.4	0.0	3.61	18.91
- services	0.7	15.0	8.0	31.0	0.0	54.7
- general/multisector	0.0	0.0	61.0	225.0	147.4	433.4
TRADE DEVELOPMENT TOTAL	555.1	429.1	526.1	713.1	626.8	2850.2

– Future prospects on Aid for Trade

At the G8 Summit in Gleneagles in July 2005, Commission President Barroso pledged that the EC will increase its aid for trade to €1 billion per year. In the run-up to the WTO Ministerial Meeting in Hong Kong in December 2005, the Council and the EU Member States adopted “*Conclusions on Aid for Trade*”. These Conclusions stress that additional support is needed if the poorer developing countries are to take advantage of the opportunities that will result from the Doha Development Agenda. The Member States will strive to increase their collective spending on TRA with a view to reaching a target of €1 billion per year in 2010. In other words, the overall trade-related assistance of the EU, including the EC contribution, should reach €2 billion by 2010.

The Council Conclusions also confirm the importance of improving infrastructure that is complementary to trade-related assistance in stimulating export-led growth. The EU will work to increase infrastructure activity, particularly in Africa. Finally the conclusions highlight the need to assure credible assistance in meeting adjustment difficulties arising out of developments such as a reduction in government revenue because of lower tariffs.

The Safe Framework of Standards of the World Customs Organisation should also be a component of trade-related assistance in order to contribute to a secure international end-to-end supply chain.

In summary, trade-related assistance will not only remain a key area for EC support, but will gain further momentum in the years to come.

4.2. Education as a priority sector in the European Commission's external assistance

4.2.1. Education as the engine of development at all levels

Education is the surest guarantee of social inclusion, and economic and political participation. An educated population is an important precondition for a democratic society, governed by the rule of law and respect for Human Rights and offering equal opportunities to all. An educated workforce in particular is essential to a well-functioning economy, which also has an important part to play in maintaining democracy and stability.

Education can, moreover, contribute to the mitigation of some of the negative influences on common concerns like health and the environment. It plays a crucial role in combating the spread of pandemics like AIDS, and in raising awareness of global issues linked to sustainable development, including protection of the environment.

The European Commission acknowledges the overarching relevance of education for the prosperity of all countries, irrespective of their degree of development, and also for peaceful relations, including harmonious economic and political co-operation. Education is therefore a priority in EC external policy, in recognition of its paramount contribution to the welfare of both individual countries and the global community.

4.2.2. Characteristics of the European Commission's external assistance for education

The holistic and coherent sectoral approach adopted in the EC's external assistance and development policy for education recognises the importance of all levels and types of education in line with the concept of lifelong learning: pre-school, primary, secondary and higher education, vocational education and training, and the promotion of adult literacy; encompassing the spectrum of formal, non-formal and informal types of education.

Honouring international commitments to the "Education for All" initiative¹¹⁵ and the Millennium Development Goals (MDGs) on education¹¹⁶, one of the priorities of the EC's external educational policy is children's basic (primary and lower secondary)

¹¹⁵ Education for All (EFA) is an international commitment, launched in 1990 and reaffirmed in Dakar, Senegal, in 2000. The commitment embraces six objectives: ensuring universal primary education for all children by 2015 (an MDG), eliminating gender disparities in primary and secondary education (also an MDG), improving early childhood care and education, ensuring equitable access to 'life skills' programmes, achieving a 50% increase in adult literacy by 2015, and improving all aspects of the quality of education

¹¹⁶ See footnote 1

education. Such fundamental knowledge and skills as the literacy and numeracy provided through basic education are indispensable if future generations are to pursue their educational paths at a higher level or obtain specific, labour market-oriented vocational training. Against this background – and despite the growing importance of the educational infrastructure internationally – over 100 million children worldwide, or one out of every three children, are still out of school.

A wide gender disparity also exists in many countries, resulting in a situation where 59 million girls of school age are not receiving education. Specific attention has to be paid to the needs of those children whose access to education is particularly hampered: girls, orphans, children belonging to indigenous populations, children in conflict/post-conflict zones, children in remote hard-to-reach regions, etc.

According to educational statistics available on adults, 777 million are illiterate. Hence the EC's educational policy for adults aims at enhancing, on the one hand, adult literacy through support for formal and non-formal basic adult education and, on the other, promoting vocational training.

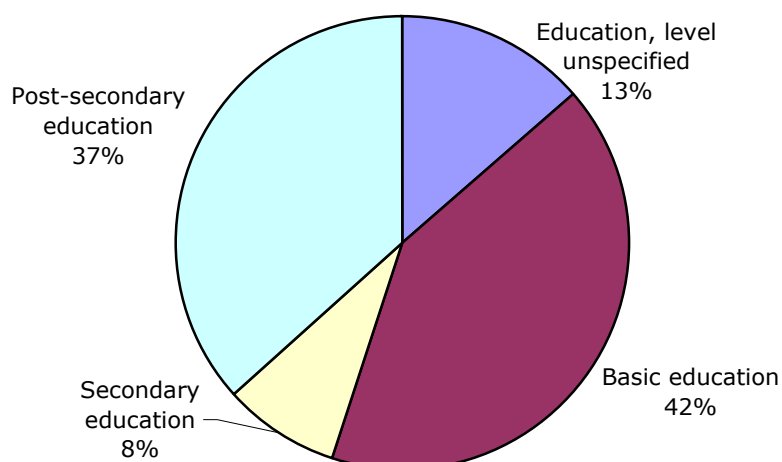
The new European development policy statement¹¹⁷, the European Consensus on Development, reiterates the most important principles that have governed the external assistance and development policy of the European Union, including support for education in third countries. In the spirit of partnership, the EC's involvement in each educational sub-sector varies by country and region, depending on the level of development and the needs of the partners. External assistance, which is high on the agenda of international politics, has to be aligned with the recipient countries' social and economic systems, cultures and educational traditions. Extensive policy dialogue helps ensure consensus and ownership.

4.2.3. *Overall figures, modalities and tendencies of external educational assistance*

The European Commission currently supports third countries' efforts in the field of education with a budget of €4 500 million, disbursed in almost 100 countries and financing over 400 bilateral and regional projects. In 2005, the EC allocated €599.28 million for the education component of its development policy and external assistance: 42% to basic education, 37% to higher education, almost 13% to vocational education, and nearly 8% to secondary education (support for lower secondary school is also included in funding for basic education).

¹¹⁷ A joint statement by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission. It was signed by the Presidents of the three institutions on 20 December 2005

Aid to Education financed by European Commission - Commitments 2005 (in € million)



Sector of Destination	Total	Managed by EuropeAid	Managed by Other DG's
Education, level unspecified	80.81	80.81	-
Basic education	249.30	249.30	-
Secondary education	49.37	43.87	5.50
Post-secondary education	219.80	158.60	61.20
Education Commitment Total	599.28	532.59	66.70

The allocation of funds can take various forms, from classical project support through technical assistance and ‘twinning’ arrangements to budget support. Over the past few years the EC’s preference has been to allot general or sector budget support, where the conditions for these have been met, and this tendency continued during 2005. The increased evolution of EC aid in the direction of sector support is also prompted by the EC’s international commitments on donor co-ordination and harmonisation.

Educational sector support, which is always provided on a multi-annual basis, presupposes the existence of a coherent and credible educational sector/sub-sector strategy. This typically foresees comprehensive sector reforms, ranging from strictly policy-related initiatives to overarching administrative and financial issues. The sector reform strategies of partner countries and the sector budget support provided by the EC are mutually reinforcing. Lessons learnt so far have shown that EC aid is more effective and has more significant impact on the sector when it promotes the overall national reforms of the educational and training systems. The effectiveness of sector support is determined by its very nature, being strongly results-oriented and involving performance-related payments. From the perspective of the true ownership of recipient countries, budget support is also the most favoured form of funding – it offers flexibility in implementation and encourages responsibility for the desired outcome of educational reforms.

Currently the EC is involved in 19 sector support programmes, either in the form of ongoing funding or as commitments made during the year 2005. These are planning or implementing educational sector reforms in Bangladesh, Botswana, Burkina Faso, Cambodia, the Dominican Republic, India, Morocco, Namibia, Niger, Nicaragua, Swaziland, Tanzania, Tunisia, Uganda and Vietnam. Their total value exceeds €792 million.

Support for Non-Formal Primary Education in Bangladesh

The government of Bangladesh is committed to achieving the MDGs on education by 2015. Though enrolment statistics concerning state-run schools have steadily improved over the past one and a half decades, since the adoption in 1990 of the Compulsory Primary Education Act, the low quality of education and such external factors as child labour and early marriage still result in high drop-out rates and inadequate levels of numeracy and literacy skills. Approximately 3-4 million children of school age are out of reach of the formal educational sector. Around 1.7 million of them currently receive education in non-formal school settings. The full coverage of children by formal primary education, including expansion to difficult-to-reach areas, is unrealisable by the 2015 target for attainment of the MDGs unless the government continues to rely on the indispensable gap-filling mission of NGOs.

The three-year EC programme, committing €30 million in 2005 for the purpose of funding non-formal primary education, has two main objectives. On the one hand, it aims to promote the continuation and quality upgrading of education services provided by NGOs. On the other, it encourages the process of establishing and strengthening linkages between the formal and non-formal systems of education. The result expected from the project is that at least 250 000 out-of-school children from disadvantaged groups will successfully complete their primary education.

This new programme is complementary to the Primary Education Development Programme in Bangladesh (PEDP-II) which focuses on infrastructure and quality improvements in the existing government school system and to which the EC already provides €105 million.

4.2.4. Some representative areas of EC intervention

Without wishing to be exhaustive, this section briefly introduces the areas of intervention, with examples of actual projects that are most representative of EC external assistance in education.

4.2.4.1. Efforts towards the world-wide realisation of the Millennium Development Goals for education

To reinforce the international commitments of the EU, the respective provisions of the European Consensus on Development also state that the “Community aims to contribute to ‘Education for All’. Priorities in education are quality primary education and vocational training and addressing inequalities. Particular attention will be devoted to promoting girls’ education and safety at school. Support will be provided to the development and implementation of nationally anchored sector plans as well as the participation in regional and global thematic initiatives on education.”

Intervention through an international mechanism – the Fast-Track Initiative

The Fast-Track Initiative (FTI) is an international initiative which was launched in April 2002 to help low-income countries with sound policies but insufficient resources in reaching the Millennium Development Goal (MDG) of universal primary completion by 2015. The FTI commits donors and developing countries through a set of reciprocal obligations. Developing countries undertake to develop

and implement a sound and sustainable education sector plan and to increase domestic resources for primary education. As for donors, they commit themselves to supporting the partner country's education sector plan with increased financing and greater donor harmonisation.

The FTI is not centralised at international level, but implemented at country level through existing mechanisms and increased harmonisation between partner countries and donors. Two complementary mechanisms have been established at international level. The first is the Education Programme Development Fund (EPDF), which helps countries become eligible for FTI support by providing technical assistance for the development of a credible education sector plan. The second is the FTI Catalytic Fund, which aims to close financing gaps in FTI countries that cannot mobilise enough resources through donors at the local level.

In 2005, the European Community allocated €15 million to Burkina Faso and €20 million to Niger in additional FTI support, channelled as a specific tranche in the global budget support operation. In addition, a €63 million contribution was allocated to the FTI Catalytic Fund. The EC joins Belgium, Ireland, Italy, the Netherlands, Norway, Spain, Sweden and the United Kingdom in contributing to the Catalytic Fund, bringing its funding capacity to €370 million for the period 2003-2007. Thus, the EC makes full use of the two legs of the FTI, combining both bilateral support at country level and a contribution to the Catalytic Fund. This dual-track approach highlights the added value of the FTI mechanisms.

In spite of its achievements, the FTI is still a long way from giving low-income countries the boost they need to reach the education MDGs. Today, 100 million children are still out of school, including 59 million girls, and some 70 countries are at risk of not achieving universal primary education by 2015. Some 20 countries are currently eligible for FTI support, namely Burkina Faso, Djibouti, Ethiopia, Gambia, Ghana, Guinea, Guyana, Honduras, Kenya, Lesotho, Madagascar, Mauritania, Moldova, Mozambique, Nicaragua, Niger, Tajikistan, Timor Leste, Vietnam and Yemen. An additional 40 countries could fulfil the eligibility criteria within the next two to three years. This likely expansion of the FTI will put donors' commitment to funding credible and sustainable education sector plans to the test.

4.2.4.2. Interventions in vocational education and training for the overarching objective of increasing employability

Vocational education and training (VET) seeks most of all to provide qualifications and skills that respond to the demands of the labour market and therefore provide people with a greater opportunity of employment. The EC's support in this educational sub-sector is growing overall but shows geographical variations. The Southern participants in the European Neighbourhood Policy are implementing VET projects in almost all of their countries. As low-income countries start making progress towards universal primary education, it becomes increasingly important to anticipate the resulting bottleneck in secondary education. Intensive attention needs to be paid to VET, which is instrumental in ensuring employability but can also provide an avenue for continuing education.

With a view to the prospective establishment of the Euro-Med Free Trade Area, Tunisia has embarked on the task of enhancing the competitiveness of its national enterprises. This is coupled with an ambitious initiative to upgrade the vocational training system.

The EC supports this effort through a sector-wide programme of €48 million for 1997-2006. An additional €30 million is foreseen for a second phase starting in 2007. The MANFORM programme aims to establish systematic synergies between the skills needs of Tunisian enterprises and vocational training resources by reinforcing the demand-led quality, efficiency and capacity of both public and private vocational training systems.

From the point of view of the enterprises, the demand side, the project has delivered the following results: an analysis has been carried out in 160 companies, representing 16 economic sectors, to assess their specific skills and training needs. To help them with the identification of these needs, 42 external training consultants have received focused, capacity-upgrading training. Finally, 830 company managers have been trained in human resources management.

The results from the perspective of the supply side, the training centres themselves, are no less impressive. The assessment of 48 vocational training centres and seven tourism centres has been carried out to determine the degree of modernisation required to respond better to company needs. Three new vocational training centres have been set up in direct collaboration with local enterprises. The programme has also contributed to the development of 32 new curricula and the introduction of distance learning in seven training centres. Forward studies have also been prepared focusing on increased access of women to training and on development of private vocational training.

4.2.4.3. Promoting people-to-people contacts and institutional exchange programmes in higher education

Besides promoting structural reforms in the educational sector which only affect people indirectly, the European Commission provides mobility opportunities for the direct benefit of higher education institutions and university graduates. The main scholarship programmes are Erasmus Mundus¹¹⁸ and also AlBan¹¹⁹, which is a specific initiative for Latin-America. The exchange programmes also have a well-defined geographical scope: the TEMPUS¹²⁰ programme applies to the CARDS, TACIS and MEDA countries, ALFA¹²¹ operates in Latin America, Asia-Link¹²² in

¹¹⁸ The Erasmus Mundus programme is a co-operation and mobility programme in the field of higher education that promotes the European Union around the world as a centre of excellence in learning. It supports European top quality Masters Courses and enhances the visibility and attractiveness of European Higher Education in third countries. It also provides EU-funded scholarships for third country nationals participating in these Masters Courses, as well as scholarships for EU nationals studying in third countries

¹¹⁹ The AlBan programme aims at the reinforcement of European Union-Latin America co-operation in the area of higher education and covers studies for postgraduates (in the context of Master and Doctorate degrees) as well as higher training for Latin American professionals/future decision-makers in institutions or centres of the European Union

¹²⁰ The Trans-European mobility scheme for university studies enables universities from EU Member States to co-operate with those in Western Balkans, Eastern Europe and Central Asia and in the Mediterranean partner countries in higher education modernisation projects. Established in 1990, following the fall of the Berlin Wall, Tempus has been renewed three times (TempusII, Tempus Ibis and Tempus III – 2000 to 2006)

¹²¹ The ALFA programme focuses on promotion of co-operation in higher education between the two regions

¹²² The Asia-Link Programme is an initiative by the European Commission to promote regional and multilateral networking between higher education institutions in EU Member States and eligible countries in Asia. The programme aims to promote the creation of new partnerships and new

Asia and Edulink¹²³ in ACP countries. Such exchange and mobility activities provide for direct encounters among people of diverse cultural, historical and linguistic backgrounds. They contribute to a better understanding of other educational realities and promote the appreciation of and mutual respect for cultural diversity.

During the year 2005, the EC allocated €147.5 million within its external assistance for the purposes of exchange and mobility programmes in higher education.

There is still potential to broaden these already high-profile programmes further: the TEMPUS programme will be renewed. Another potential and major development for the programme is the launch, for the financial period 2007-2013, of an undergraduate mobility scheme leading to the award of a double degree, while the Erasmus Mundus programme would still remain available for ENP-based post-graduate students.

Development co-operation funds (€57.3 million) have been injected into Erasmus Mundus to finance additional scholarships for students coming from Asian countries: €9 million for China, €33 million for India, €3.2 million for Thailand, €2.1 million for Malaysia, and €10 million for a regional ‘window’ covering 16 Asian developing countries. The possibility of creating new ‘windows’ covering other world regions – Western Balkans, Russia, ACP countries, Latin America, etc – is at present being discussed.

4.2.5. Dynamism and continuity in the EC’s support for education

For external assistance in education to remain effective, it has to be responsive to the needs of the partner countries, the challenges of the present, and expected prospects for the future. This is well illustrated by the wide range of activities in this sector: they reflect variations country by country, either in terms of the sub-sectors concerned or the modalities of EC aid.

The initiatives of the EC in these various segments of education should not, however, be seen as isolated activities – they are integral parts of an overarching strategy designed to stimulate the emergence of prosperous knowledge-based societies around the world, ready to engage in dialogue and striving for mutual understanding.

Pertinence to the needs of the generations now growing up has been and will remain the focus of attention. The EC is committed to the principle of life-long learning: this will allow these same generations to remain active members of their societies, capable of shaping their own careers and better armed to face a rapidly evolving political and socio-economic scene.

The recognition that education plays a crucial role in societal development, from the local to the global level, and that the EC together with its partners bear a shared responsibility in this process, has always been the governing principle for external

sustainable links between European and Asian higher education institutions, and to reinforce existing partnerships

¹²³ EDULINK aims at fostering capacity building and regional integration in higher education through institutional networking, and at supporting a higher education system of quality which is relevant to the needs of the labour market and consistent with ACP socio-economic development priorities

assistance in education. In this spirit the EC will continue to be a staunch supporter of the educational reform endeavours of its partners.

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

5.1. 2005 progress on qualitative issues in aid management

5.1.1. Introduction

In 2005 the Commission continued to shift its focus from input to outcome and impact issues that arise in the process of delivering assistance. This quality focus is a continuation of the reforms of development aid management that have been implemented over the preceding four years (2001-2004). Qualitative progress was charted in a public report *Qualitative assessment of the reforms in the management of external assistance*¹²⁴ published in July 2005. This report reviews operational, organisational and methodological reforms in assistance delivery, and assesses the qualitative effects in terms of impact and outcome.

The effect of the reforms has been a constant improvement in the speed of aid delivery, in terms of higher payment levels every year and faster implementation of assistance.

In terms of delivering better aid, the Commission made progress in 2005 in four areas: i) improved co-ordination and harmonisation with other donors and EU Member States; ii) more study and training in aid delivery modalities leading to, for instance, an increase in budget support and sector approaches; iii) more quality checks and more coherent feedback at the design and implementation phase of assistance; and iv) a concentration of thematic and sectoral expertise in support of the Delegations in the field that are implementing assistance.

5.1.2. Ensuring the quality of development assistance

2005 was a year of renewed determination to make co-operation work better. The proof of success will lie partly in more effective co-ordination on the ground when assistance is implemented. The Commission has started tracking how this co-ordination works in practice, and more systemic feedback on this is expected in 2006.

The Commission continued, in 2005, to promote budget support and sector approaches as the way forward in development assistance. In its view, too much assistance is still delivered through traditional projects (technical assistance for instance) which entail substantial management and administrative costs for the donors and often lead to limited impact in the beneficiary countries. Constant study of aid delivery modalities is required to ensure the most effective assistance is provided and to assess how best to mitigate the risks involved in budget support. Overall budget support went up from 17% of commitments in 2004 to 20% in 2005, although this statistic hides a fluctuation in the different regions concerned.

¹²⁴ SEC(2005) 963

The Commission checks the quality of assistance at three points in the implementation process: at the design phase (quality at entry), at the implementation phase (monitoring), and after closure (evaluation).

Quality at entry checks, which are now established for all programmes, are carried out through peer review in the Delegations and through a formal consultation process involving Delegations, thematic expertise and Directorates-General other than EuropeAid. These checks are carried out at the identification phase of the project or programme and at the feasibility phase. The results of these checks are fed back into the process to ensure that proposals are improved or corrected where necessary, before they proceed through the formal comitology and approval procedures. In 2006 the monitoring function will also be extended to cover the impact of development assistance at closure of projects. This will then leave the evaluation phase with essentially the role of providing feedback on how assistance can be improved.

The fourth quality issue highlighted for 2005 is the concentration of thematic and sectoral expertise. EuropeAid consolidated its organisation in early-2005 following the completion of the devolution exercise of the preceding four years (2001-2004): the latter resulted in 77 Delegations in the field becoming responsible for the implementation of assistance. This reorganisation resulted in a specific Directorate being established inside EuropeAid (Operations Quality Support) to provide thematic support and methodological expertise to Delegations, assist in the quality checks at the design phase of projects and programmes, and ensure coherence through the application of best practise.

5.1.3. The importance of performance indicators

The increasing quality focus in 2005 has also resulted in the Commission refining and developing its key performance indicators: financial management, quality and speed. These indicators have been expanded to cover, in particular, qualitative aspects of implementation rating on-going projects in terms of relevance, efficiency, effectiveness, impact and sustainability. Other indicators monitor the percentage of projects performing without major problems, the percentage of assistance spent on budget support and sector approaches, and the Commission's internal coverage of quality support assistance in the design phase. More traditional indicators on, for example, financial management have been refined to include contracting levels after commitments, but before payment.

For 2006 the Commission plans to integrate the indicators more in its internal planning and reporting cycles between headquarters and the 77 Delegations. Quality and impact indicators will most likely be refined as well, since the Commission will be extending the independent monitoring function for on-going projects and programmes to their completion phase. During 2006, indicators covering thematic issues will be developed as well, and indicators for workload will be developed to assist the Commission in adapting better to changing assistance profiles in the different regions in the world.

5.2. Developments in aid delivery modalities

Aid delivery modalities

European external assistance is implemented through three main delivery modalities, the choices depending on a joint EC/government analysis of the country and sector environment.

- The classical project approach is used in situations such as support to non-state actors and regional programmes, or where conditions do not allow for complete use of government systems (for example in conflict or immediate post-conflict situations). Projects are implemented using the EC's procurement and grant award procedures.
- Within the sector approach, the sector policy support programmes (SPSPs) underpin an agreed sector policy and a realistic strategic framework monitored through results indicators. The SPSPs may be financed by i) using sector budget support by transfer of funds to the national treasury of the beneficiary countries, ii) pooling funds with beneficiary governments and other donors, or iii) through project procedures as financing of last resort.
- The third approach is to support the national or macro level goals expressed in the poverty reduction strategy documentation (or similar) and the national reform process. This is implemented through general budget support (GBS), with funds transferred to the national treasury of the beneficiary country. It is usually accompanied by capacity development activities, generally in the area of public financial management.

Focus on Budget Support

The 2000 policy shift increasing the use of the sectoral approach and budget support was confirmed in 2005 with the adoption by the Council and the European Parliament of the European Consensus on Development. This new development policy states clearly that “where circumstances permit, the use of general or sectoral budget support should increase as a means to strengthen ownership, support partner's national accountability and procedures, to finance national poverty reduction strategies (PRS) and to promote sound and transparent management of public finances”.

The Paris Declaration of March 2005, signed by all donors and a broad representation of partner countries, has also contributed to creating a positive momentum for budget and sector support focusing on local capacity building¹²⁵.

In 2005 the total amount of budget support commitments, around €1.55 billion, represented nearly 20% of total commitments. This demonstrates a slow but positive trend in the use of the new aid modalities, including use in the regions where the project approach has been traditionally dominant, such as Latin America and Asia. European assistance is playing a key role in launching new types of partnership and encouraging a shift toward budget support. Nevertheless, overall targets fixed for budget support commitments were not reached in 2005, largely due to political and specific in-country issues.

¹²⁵ For the EDF, budget support represents about 25% and, for the budget, about 17%

During 2005 the Commission worked in accordance with these policy orientations and demonstrated, at the international level, its effective implementation of the budget support approach. The Commission took the lead in drafting the OECD/DAC Good Practice Guidelines on budget support and co-chairs the Joint Venture on Public Finances of the OECD/DAC, a group established following the Paris Declaration. The Commission has also participated actively in discussions on innovative sources of finance and on aid predictability, and has contributed in international fora to the issue of public finance management. The improvement of public finance management (PFM) is an explicit goal of the budget support approach, as well as a condition for eligibility. It has been long recognised that it is important to streamline the different donor diagnostic tools used in PFM work, as well as improve capacity building support. During 2005 the Commission continued its support to the joint-donor Public Expenditure and Financial Accountability Programme (PEFA) which in 2005 led to the successful adoption by the donor community of a common PFM performance measurement framework that is now being widely applied.

The importance of budget support as an instrument for delivering aid naturally draws the attention of many commentators. In 2005, this attention was given a sharp focus by the work of the Court of Auditors, as set out in its Special Report no.2/2005 on *EDF budget aid to ACP countries: the Commission's management of the public finance reform aspect*. Recalling the potential advantages, as well as the risks, of budget support, the report noted that the Commission has developed tools with the aim of evaluating the quality of public finance management before and during a budget support operation – one of these tools being the PFM Performance Measurement Framework mentioned earlier. The Court also suggests ways to improve these tools and improve co-ordination with other donors and partner country institutions. The Commission is taking steps for their implementation.

Capacity development and training on aid delivery methods

Working more with sector and budget support and promoting effective implementation of the Paris Declaration requires new capacities, knowledge and skills in areas such as policy and institutional analysis, public finance management, macro-economics, assessment of performance and monitoring systems. An increasing demand for capacity building comes from all partners directly involved in the design and implementation of programmes from both the EC and the partner government side.

During the period 2002-2005, training and support for the development of general guidelines was provided through the Helpdesk and Training Programmes on Project Cycle Management, Sector and Budget Support. Considerable effort was devoted to developing guidance and support tools to promote understanding and correct use of the different approaches and financing modalities. Guidelines on EC support to Sector Programmes¹²⁶ and on Project Cycle Management (PCM)¹²⁷ were issued in 2003 and 2004. These are fundamental to the process of promoting quality improvement and enhancing understanding of aid delivery. In parallel a massive

¹²⁶ http://ec.europa.eu/comm/europeaid/reports/ec_support_sector_programmes_guidelines_ataglance_en.pdf

¹²⁷ http://ec.europa.eu/comm/europeaid/reports/pcm_guidelines_2004_en.pdf

training programme was organised for all personnel intervening in the full cycle of operations.

Methodological Training organized from June 2002 to June 2005

	Sector / Budget support and related areas		PCM, EcoFin and related areas	
	Number of Sessions	Participants	Number of Sessions	Participants
At Headquarters	57	1 026	178	2 492
At country level	62	1 240	123	1 722
Total	120	2 266	301	4 214

Building on this experience and to accelerate the movement towards more sector and budget support, a broader and more diversified Methodological Support and Training Programme on Aid Delivery Methods was launched in July 2005, with two axes:

- working on the sector approach and budget support and key related topics. This includes the development of a revised basic Sector Programme and Budget Support course, which will be further developed into an online course; new training programmes on Public Financial Management and on Macroeconomics, Policy Assessment, Performance Monitoring, Institutional Analysis and Capacity Assessment; and Delegation and Regional courses supporting the sector approach to be applied in key sectors such as education, health, transport, water and rural development.
- working on the project approach, with a view to promoting ownership and sustainability, and developing revised PCM and EcoFin conventional and online training, as well as new courses on project implementation and institutional/capacity development.

Responding to the Paris Declaration invitation to share training in the area of programme-based approaches, a Joint Learning Programme on Sector Support has been launched: this is co-ordinated by EuropeAid and co-financed by various donors. This new generation of joint training programmes is a promising tool for building common skills and co-ordinating new sector programmes.

5.3. Relations and partnerships with international organisations and other donors

As a major player in the international development effort, the Commission maintains close relationships at all levels with key international organisations such as the United Nations and the World Bank. It is essential that policies and operations are fully discussed and co-ordinated for aid to be effective. In some cases these organisations can provide better co-ordination and country-tailored financial instruments, particularly in the areas of: a) resource mobilisation and aid delivery, especially if many international donors are involved; b) pooling public and private resources to address global challenges; and c) providing technical expertise and knowledge of local environments, especially in the case of countries ‘under stress’ or in reconstruction situations.

In 2005, the Commission explored ways of improving the visibility of the EU's work with the UN and the World Bank, with a view to finding practical ways of achieving greater awareness inside these two major institutions, as well as with other donors, aid recipients and the EU Member States.

The World Bank

Relations with the World Bank are mainly at three levels:

- policy dialogue on development strategies and policy issues at country, regional or global level,
- dialogue on operations (focusing on the periodical review of the existing EU co-financing arrangements with the World Bank), and
- contacts and co-ordination meetings at Delegations and the World Bank Country Offices.
- Policy dialogue: the EC-World Bank dialogue focuses on general development policy issues, and sectoral (or other thematic) issues such as infrastructure developments in Africa, water and energy, development finance, poverty alleviation strategies, support to SMEs, and external debt

Dialogue on operations (financial co-operation): this focuses on the periodical monitoring of project co-financing with the Bank, as well as the use of contributions to its Trust Funds, the implementation of technical and financial clauses of the joint Framework Agreement (which was amended in 2005), and other bilateral technical and financial matters (evaluation, audit, etc). In 2005 the dialogue also focused on monitoring and reporting on the implementation of the Millennium Development Goals (MDGs) by the developing countries, the evolution of socio-economic indicators in the Middle Income Countries (MICs), preparation of post-HIPC and debt 'exit' strategies, and preparations to monitor (jointly with DAC) aid 'scaling up' plans by donor countries in the next few years (as a follow-up to the UN Summit on MDGs in September 2005).

Aid delivered through the Trust Funds managed by the World Bank has, for the third consecutive year, reached a volume of about €512 million. Four co-operation programmes with the Bank deserve particular mention:

- Trust Funds for post-tsunami rehabilitation and reconstruction: In 2005 the Commission pledged €123 million in humanitarian support and €350 million over two years for reconstruction support. Of this latter amount, €96 million were entrusted to a WB managed trust fund in 2005.
- Trust Fund for reconstruction of Iraq: some €40 million granted for 2005.
- Trust Fund for reconstruction of Afghanistan: €60 million granted for 2005.
- Trust Fund for Public Administration reform in West Bank and Gaza Strip: €40 million granted in 2005.

The United Nations

In 2005, the value of grants awarded by the Commission to organisations of the UN family was €921.58 million, of which €434.63 million was granted to UNDP including continuing support to Afghanistan (€57.50 million) and Iraq (€156.65 million). The remaining amount of €486.63 million was distributed between a number of UN agencies including WFP (€180.58 million), WHO (€14.62 million), UNRWA (€88.76 million) and FAO (€3.28 million).

Throughout 2005 the Community continued regular dialogue with the UN on promoting closer co-operation, complementarity and synergies. This dialogue resulted in the signature, in 2005, of two Memoranda for Strategic Partnership with the United Nations High Commissioner for Refugees (UNHCR) and the World Food Programme (WFP), in addition to the ones already existing¹²⁸.

The European Investment Bank

Inter-institutional co-ordination and synergies between the Commission and the European Investment Bank (EIB) further improved in 2005, particularly in the context of the European Neighbourhood Policy (ENP), as the EIB has been mandated to work in Eastern Europe and is already operating in Ukraine.

In the Mediterranean region, the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) addresses a wide range of developmental needs by combining EIB loans with grant resources for technical assistance. Beyond the EIB's traditional focus on infrastructure, mainly in transport and energy, loans were extended to social sectors and the environment. FEMIP's main objective, however, is the development of the private sector in Mediterranean partner countries, and operations have increased accordingly. The EIB's adoption of a more policy-driven approach is of particular importance in the context of the ENP and the existing institutional dialogue.

In the ACP region, the disbursement rate of the ACP Investment Facility (€2.4 billion) is slower than envisaged.

In Asia and Latin America regular meetings were held to discuss and co-ordinate the implementation programmes. Following the tsunami disaster, the EIB mandate was extended to the Maldives, to allow the Bank to provide support for the tourism sector in that country.

A Joint Working Group of the Commission and the EIB was created in 2005 to review the EIB external mandates for 2007-2013: this group is chaired by the ECFIN Directorate. The work of this group is expected to continue in 2006 and new proposals for EIB external mandates are expected to be finalised by the end of that year.

¹²⁸

With the United Nations Development Programme (UNDP), the World Health Organization (WHO), the International Labour Organization (ILO) and the Food and Agriculture Organization (FAO)

The African Development Bank

A Memorandum of Understanding for an enhanced co-operation in Africa was signed in July 2005 by the Commission, the European Investment Bank and the African Development Bank. The EIB has also been associated with this new regional co-operation instrument.

The signatory parties have decided to strengthen their co-operation during the planning and programming stages of projects, share with each other relevant information on their country strategies, sector policies and programmes, and establish appropriate co-ordination mechanisms.

The Asian Development Bank

The standard framework agreement with the Asian Development Bank (ADB) is not yet signed, and this has hampered EU co-operation with this institution. However, dialogue progressed significantly in 2005, and the Commission channelled some of its funding for tsunami reconstruction in Sri Lanka through ADB financing instruments. A similar agreement for €30 million funding to the reconstruction after the earthquake in Pakistan is envisaged.

The Inter-American Development Bank

A Memorandum of Understanding (MoU) was signed between the parties in 2002. In 2005 several co-ordination meetings were organised within this framework. Co-operation with the Bank focuses mainly on two sectors, social cohesion and regional integration in Latin America. In 2005, the Commission invited the Bank to co-organise a high-level conference on social cohesion which will take place in Brussels in March 2006.

The European Bank for Reconstruction and Development

In 2005 co-operation with the European Bank for Reconstruction and Development (EBRD) was strengthened in all countries where the bank operates¹²⁹, with regular exchanges on strategic and policy documents, particularly in the context of the European Neighbourhood Policy (ENP).

The EC has been a major supporter of EBRD operations in Russia, Ukraine and other countries in Eastern Europe and Central Asia. The TACIS co-operation programme continued to provide support a) for banking reform and municipal infrastructure in Russia, b) for SME development and district heating in Ukraine, and c) for the development of transport and energy networks and infrastructures in Eastern Europe (including Russia and Ukraine) in the framework of TRACECA¹³⁰ and INOGATE¹³¹. The EC's support continued to decommissioning funds, the Chernobyl shelter and the Northern Dimension Environmental Partnership support fund. Support was also provided to the Bank's "Turn Around Management" programme

¹²⁹ Eastern Europe, Russia, Central Asia and Western Balkans

¹³⁰ Transport Corridor Europe-Caucasus-Asia

¹³¹ Interstate oil and gas transport to Europe

(TAM), which funds EU advisers in restructuring medium-size firms in less developed countries in the region. A lending facility also provided managerial advice and training to local SMEs in the Western Balkans. The total amount committed in 2005 by the EC budget for technical co-operation programmes implemented in co-operation with the EBRD reached €240 million, including contributions from PHARE (€ 153 million), CARDS (€30.5 million) and TACIS (€56.5 million).

5.4. Enlargement and special Task Force on Capacity Building

Following a meeting of this special Task Force in October 2004, the Commission noted the need to step up co-ordination of activities supporting the new Member States' implementation of their development policies and the institutional reorganisation process, beyond the date of accession.

As a consequence there was also a general consensus on the need to improve co-ordination of activities by the EU Member States and the European Commission, in order to encourage capacity building and public awareness in the new Member States. Members of the Task Force agreed to continue support activities to the new Member States and to refocus the Task Force's priorities and modalities.

In order to achieve the objectives of the Task Force, it was agreed to move towards a more results-oriented approach. The continued priority of the Task Force is to strengthen informal co-ordination of activities of the 10 new Member States, as EU donors, as well as the new accession countries: support will primarily take the form of training courses and workshops tailored to specific needs. Emphasis was given to improving the exchange of good practises, for which the members of the Task Force provided examples.

Drawing from the lessons of the recent enlargement, it was agreed that the countries with a tentative date for accession should be included in the Task Force at an early stage, with the aim of reinforcing their administrative capacity and preparing them to contribute effectively to EU development policy on the date of accession.

On the basis of the principle of complementarity, the following activities were organised by the Commission in 2005:

Training activities

The capacity building activities of the training courses organised by EuropeAid focused mainly on maintaining a limited number of places for the new Member States and candidate countries, reinforced by technical assistance and training courses in the countries as part of a matching grant system:

- The Commission responded to specific requests from some future Member States to provide technical assistance on the drafting of national laws on development policy. The first contract focused on development policy formulation and guidelines on EC procedures.
- The Commission also launched a project on a demand-driven matching grant system to help the new Member States' public administrations and NGOs build

capacity on a 'just-in-time, just-enough' basis. Several countries benefited from this mechanism. The amount committed is over €200 000.

Public Awareness

- A conference on enhancing public awareness in the new Member States was organised jointly by the Belgium Ministry of Foreign Affairs, the Commission and other organisations. As part of an ongoing debate, participants from national, European and international administrations, non-governmental organisations and other sectors of civil society, together with media representatives, participated in this conference on public awareness and development education for North-South solidarity in Brussels in May 2005. This was a further step in the process initiated by the Commission to support the new Member States (Task Force, 'road show' and public awareness initiatives) and part of the discussion on development education (Palermo seminar). The participants, meeting in both plenary and specific working group sessions, agreed on a set of recommendations to be implemented in 2006.
- The Commission-led series of seminars to raise awareness of development issues terminated in 2005 with events in Malta, Cyprus, Czech Republic, Poland, Hungary and the Baltic countries.

Enhancing awareness of development policy and solidarity, particularly among young people and in the new Member States, is one of the priorities for the Commission. Visits to the capitals of some of the new Member States – Czech Republic, Poland, Hungary, Slovakia and Estonia – took place during the year to explain to policy makers and public opinion in general the role of development policy in a globalised world and the role played by the EU in this area.

5.5. Simplification of EC procedures

Like other donors, the Commission is faced with the challenge of ensuring maximum results from available resources. It is essential to improve procedures, with the aim of reducing the administrative load and having more time for core operational tasks. The process of simplifying EC procedures has again been a priority for 2005. EuropeAid intensified its efforts to make procedures more efficient and transparent and to speed up delivery of aid.

EuropeAid took a very active role in the preparation of the Commission's proposal for a review of the Financial Regulation and its implementing rules, due to take effect in 2006 and 2007, by identifying difficulties posed by the current rules for the implementation of external actions.

EuropeAid also contributed actively to a joint department working party set up by the Commission. EC Delegations and External Relations services submitted some 500 proposals for simplification of procedures. The working group is now examining these proposals and will present its conclusions by March 2006, so that changes can come into effect by 2007.

Work is proceeding on the preparation of a revision of the Cotonou Agreement in terms of procedures. This will entail further harmonisation between the EDF and projects financed from the EC general budget.

The tender procedure was finalised for the new framework contract for short-term expertise concerning all operations for external aid below €200 000. More than 70 contracts covering 12 different sectors were concluded and are operational.

A thorough revision of the Practical Guide to contract procedures has been made and this is due to enter into force in February 2006. The revision was prompted by the entry into force of the amended Implementing Rules of the Financial Regulation applicable to the EC general budget and the revised Cotonou Agreement applicable to the European Development Fund. At the same time, other improvements were introduced such as the merging of the two Practical Guides – one for projects financed from the EC general budget and one for procedures financed from the 9th EDF – into a single guide.

The objective of these reviews was to simplify procedures while respecting the need for a balance between expected results and the cost of achieving them, on one hand, and the risks involved and the control requirements over public funds on the other. Changes include for example an improved presentation of procedures, a simplification of the language used, and harmonisation of the terminology to ensure coherent interpretation of the rules.

As regards grants, following a constructive dialogue with the NGO community on the procedures applicable to grant management, EuropeAid has redesigned the call for proposals process. The technical quality of proposals will be assessed at a first stage and a full verification of the administrative and eligibility requirements will only be carried out with the provisionally accepted applicants. This simplification will allow EuropeAid to focus its resources on technical aspects rather than administrative ones, and will lighten the administrative burden placed on applicants.

5.6. RAL (*reste à liquider*)

An important aim of the reform process is to speed up implementation. Although commitments and payments have been steadily increasing for several years, the volume of commitments still to be disbursed under the budget (RAL) stabilised with €10 465 million at the start of the year, €10 428 million at year-end. The RAL under the EDF increased considerably from €9 779 million to €10 324 million, but this should be seen as normal as the 9th EDF (Cotonou agreement) is still in its take-up phase. However, the time needed to implement the commitments (ratio RAL/payments of the year) has continued to decrease for both the budget and the EDF. This positive trend, which started in 2000 (4.94 years needed on average), has extended without interruption into 2005 (3.33 years).

The strategy pursued on RAL since 2000, in addition to other criteria and activities, has concentrated on the reduction of 'potentially abnormal RAL' (liquidation of old and dormant commitments). For the budget and the EDF together, old RAL (i.e. on commitments decided before the year 2000) dropped from €3 192 million at the start of the year to €1 978 million (-39%). As regards dormant commitments, an increase

in financial volume was observed from €852 million at the start of the year to €953 million at year-end.

6. MONITORING AND EVALUATION

The results-oriented monitoring (ROM) system is based on regular onsite assessments by independent experts of ongoing projects and programmes, providing a global overview of the portfolio on progress towards results. The projects and programmes monitored are assessed against the criteria of relevance, efficiency, effectiveness, impact and sustainability.

Evaluation of the results of regional and sector policies, programmes and programming performance is crucial to the reform of external aid management and to the success of aid policies as a whole. The process culminates in a judgement based on the evaluation criteria, plus EC added value and coherence, and the results are fed back into the programming cycle.

6.1. Project results: Results-Oriented Monitoring

In ROM, projects and programmes are given simple scores against internationally agreed criteria, using a well structured and consistent methodology.

Scores are: a (4 points) = very good; b (3 points) = good; c (2 points) = minor problems and d (1 point) = major problems. The baseline parameter for the scoring scale, 2.5 points, has been defined as 'implementation according to plan'. Thus, a project with a score of 2.5 is fully on track and expected to deliver the benefits and impact planned.

In 2005, a more accurate calculation method for reporting was introduced: the averages are not calculated on the rounded final scores, but on the basis of the points given for each sub-criterion.

For each project, short explanations and recommendations on quality improvement are addressed to all stakeholders, providing important complementary information to internal monitoring by project stakeholders.

6.1.1 Achievements in 2005

In 2005, the system covered 1 244 projects with a total value of approximately €8.4 billion.

Monitoring missions completed in 2005

Overview per region ¹³²	TACIS	CARDS	MED	ACP	Asia	Latin America	Total 2005	Compared to 2004
N° countries visited	13	5	20	62	16	17	133	+ 14%
N° projects monitored	303	100	146	369	146	180	1 244	+ 13 %
N° reports produced	451	136	163	365	185	170 ¹³³	1 470	+ 14 %
€ million covered	518	93	1 802	4 109	833	1 047	8 402	+ 11 %

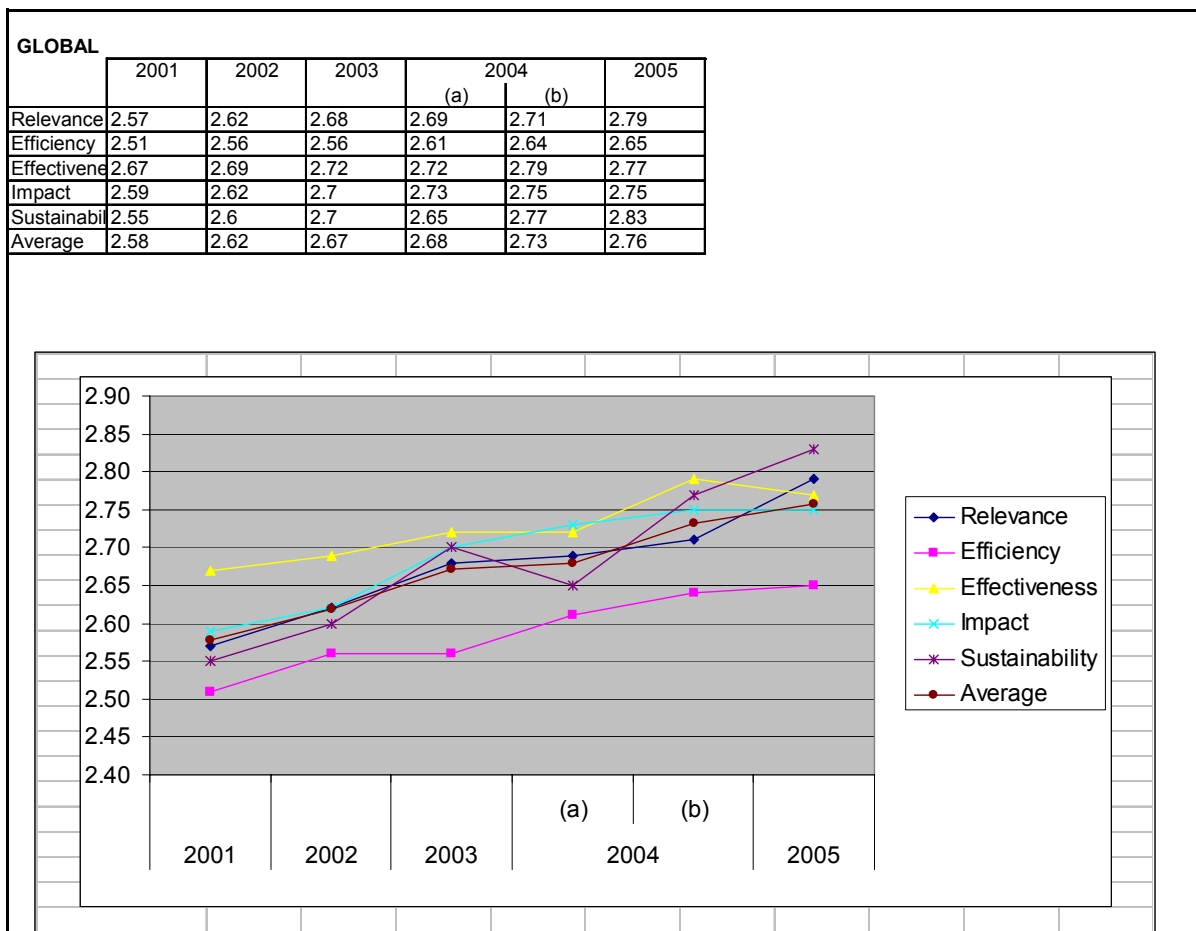
The findings show that projects and programmes monitored in 2005 performed on average better than ‘according to plan’. The best results achieved are on quality of design/relevance and potential sustainability.

Projects showing problems were closely followed up by Commission services and improvements have been recorded, particularly in the Mediterranean region. Projects requiring urgent attention – “major problems” (d) for at least three of the five criteria, demanding a thorough reformulation or even project closure – were considerably less in 2005. The percentage fell from just below 2% of all monitored projects in 2004 to slightly over 1%.

A second group of projects which have “major problems” on at least one of the criteria also decreased from 10.2% in 2004 to 9.3% of all monitored projects. This indicates that over 90% of the projects and programmes monitored have good prospects now of delivering what has been promised, notwithstanding some adjustments. Timelines

¹³² The statistical significance of monitoring improves over time, due in part to the steady increase of monitored samples. However size and nature of samples may still impede overall conclusions on external co-operation in a region, considering that fully fledged SWAPs and budgetary aid are not covered, and also only 10% of projects with a budget less than €1 million are monitored. Further information on performance in the regions is given in the chapters on regional activities (Chapter 2)

¹³³ 10 projects were the subject of shorter monitoring notes



To ensure consistency of methodology, each of the five criteria comprises individual sub-criteria which the monitor has to consider, comment on and rate: scores for the criteria are then calculated from the ratings for the sub-criteria. This new and more exact method of calculation was introduced end-2004. Consequently, while the original method of calculating from the (rounded) scores for each criterion gives the result 2004 (a), the overall averages for 2004 (b) and 2005 are now calculated from the ratings for each sub-criterion, in order to give a more precise evaluation.

Over the last four years, the overall ratings in ROM show a steady and statistically significant improvement: from 2.62 in 2002 to 2.67 in 2003, and from 2.68(a) and 2.73(b) in 2004 to 2.76 in 2005.

This steady improvement in project quality is evident when considering the performance of projects that were monitored on more than one occasion, for example in 2004 and 2005. The average rating for this group of projects has increased by around 4%, not only indicating good progress in project performance over time but also demonstrating the value of the ROM system. This is supported by the fact that efficiency of implementation, together with effectiveness and potential sustainability, improved most of all (about 5% each).

6.1.2 Results by Sector

Results per Sector

Results per Sector 2005 by priority area	Trade & development	Regional integration	Macroeconomic & social sectors	Transport	Food security & rural development	Institutional capacity / Good governance	Other	Total / Average
N° projects	199	88	205	49	325	380	57	1 244
N° reports	212	148	226	55	347	430	46	1 470¹³⁴
Million €	1 333	1 756	1 748	1 413	1 783	1 533	460	8 402¹³⁵
Relevance	2.84	2.82	2.83	2.75	2.74	2.78	2.64	2.79
Efficiency	2.67	2.74	2.65	2.58	2.58	2.70	2.37	2.65
Effectiveness	2.74	2.83	2.70	2.75	2.72	2.82	2.67	2.77
Impact	2.79	2.74	2.66	2.69	2.73	2.80	2.48	2.75
Sustainability	2.87	2.91	2.77	2.76	2.78	2.82	2.72	2.83
Average	2.78	2.81	2.72	2.71	2.71	2.78	2.57	2.76

Food security and rural development (of which environment is a part; see below for specific analysis) shows a significant advance on 2004 (2.61) and previous years, notably improving in the areas of relevance, effectiveness and impact. The scores on these three key criteria in the macro-economic and social sector also remained good, though effectiveness weakened slightly. These positive results all have implications for an assessment of the contribution of these projects towards achieving the MDGs.

Specific Analysis: Environment

For this year's report, a brief analysis of performance in the context of environmental concerns was initiated. On the one hand, environment is the object of specific projects or programmes and, on the other, environmental adequacy is evaluated, as one of the sub-criteria, for all projects assessed through the ROM.

In 2005, 122 projects with a special emphasis on environment were monitored, 83 of which can be considered as 'general environmental protection'. These general

¹³⁴ Of the total number of 1 470 monitoring reports produced in 2005, six reports were not assigned to a priority area, hence a small difference with the sum of the reports in the combined priority areas

¹³⁵ The overall 'number of projects' and the total budget covered differs from the sum of the sectors because the totals have been cleared of double counting. Monitoring several components in one regional programme (counting as one project) can cause double counting because components of the same project can be assigned to different priority areas. The total given of €8 402 million and of 1 244 projects is correct

projects perform even better than originally planned (2.71), although slightly lower than the average of 2.76 (all projects), notably in efficiency (2.56 vs. 2.65) and effectiveness (2.69 vs. 2.77). Reasons behind this seem to be the challenge of achieving environmental objectives within the limited timeframe of most projects. In some cases frequent delays in established timetables were reported, as well as a weak contribution by outputs to the project objectives.

On the other hand, environmental adequacy shows exceptionally good performance for all projects: in all regions, above 3 (“good”) and, in one region only, just below.

6.1.3 *Conclusions 2005*

When comparing the performance scores of EC-financed projects and programmes over time, as published in the annual reports, a steady improvement in quality is evident. As the preceding graph depicting timelines shows, efficiency has gone up from 2.51 in 2001 to 2.65 in 2005 and potential sustainability from 2.53 to 2.83. The ROM mechanism shows the improvements since the creation of EuropeAid. Further analysis would be necessary to identify the main contributing factors.

6.1.4 *Outlook into 2006*

The Commission is committed to using the ROM data more effectively in the years ahead. Work on methodological and technical issues will continue, in order to strengthen the system and broaden the use of the information collected. In 2006, the ROM system will also be applied to assessing a selected group of completed projects in all regions, monitored ideally between one and two years after project closure. The Commission foresees that, applying the uniform ROM system *ex-post*, a clearer picture will emerge as to whether projects succeed in making a lasting impact and really achieve sustainability of results.

6.2. **Evaluation: Review of the 2005 work programme**

6.2.1 *Organisation of the evaluation function*

The Evaluation Unit in the EuropeAid Co-operation Office is a joint evaluation unit for three Directorates-General: Development, External Relations and EuropeAid. A multi-annual strategy for the period 2002-2006 was validated by the Commissioners in November 2001: this indicates the main axes of evaluations for the five-year period, the thematic and sectoral evaluations to be undertaken, and the strategy to be followed for geographical evaluations. It was also decided to elaborate a methodological approach for these different types of evaluation.

Evaluation of individual projects is not the responsibility of the joint evaluation unit, which is in charge of regional and sectoral policies, programmes and programming cycles, and only provides methodological support. Two examples of project evaluations in Tanzania are featured in the box below.

Project evaluation: Two examples of project evaluations undertaken at the initiative of the EC Delegation in Tanzania

1. An example of mid-term reporting was the evaluation of a project for sustainable development of rural water supplies and sanitation. This evaluation commended the relevance,

effectiveness and efficiency of the project, while making specific recommendations on ways of enhancing the sustainability of results obtained. Recommendations were divided between local community level and project management level, in order to ensure a clear division of responsibilities. These recommendations include actions which can be taken by local populations, such as setting up water user groups where several villages share a single source.

2. The final evaluation report of Institutional and Policy Support to the Tanzanian Road Sector (8th EDF) gave an initial assessment of two major reforms: the establishment of the Roads Fund Board and the creation of the national roads agency (TANROADS). The report focused in particular on capacity and technical assistance issues. It illustrated the transition in thinking from a project-based support for infrastructure to a wider sectoral approach; essentially the project covered the roads sector, but it also took into account the overall needs and objectives of the whole transport system.

6.2.2 *Work accomplished in 2005*

Five evaluations were completed in the year: two Country-Level Evaluations (Benin and Ghana); two Regional-Level Evaluations (Caribbean and Latin America); and one sector evaluation (Private Sector Development).

Full texts of the reports will be found on the evaluation website: <http://europa.eu.int/comm/europeaid/evaluation/index.htm>.

Because of major problems with some parties concerned in the process, certain evaluations foreseen for publication by end-2005 had to be postponed to early-2006: these were for TACIS, Tanzania, Armenia, the water sector, Governance and Trade Capacity Building. The evaluation of Microprojects programmes raised methodological problems, delaying the launch of the field phase.

In addition, 11 evaluations were initiated in 2005: Mali, Rwanda, India, Mauritius (including Seychelles and Comores), China, Central Africa, SADC, Pacific (including 13 small islands), Rural Development, Energy and Statistical Support.

Two joint evaluations are also underway with other donors:

1) General Budget Support, under the auspices of the OECD, is the largest joint evaluation ever undertaken (21 donors and seven beneficiaries). The European Commission is part of the core group managing the evaluation, final results from which are expected by Summer 2006.

2) The 3Cs (Co-ordination, Complementarity and Coherence). Six specific evaluations are being conducted by the European Commission and the Member States. The European Commission is leading two of them (one under the responsibility of EuropeAid and the other under ECHO), and is actively participating in two others. The global synthesis of the six studies should be available by end-2006.

The programme to improve evaluation methodology was nearly complete by end-2005. It includes the finalisation of guidelines for geographical and sectoral evaluations, guidelines for project and programme evaluations, and guidelines for *ex-ante* evaluations for projects and for Country and Regional Strategy Papers.

Three evaluation tools have been finalised: logic diagrams of effects, context indicators and socio-anthropological analysis.

The guides and associated tools are published on the evaluation website. This document is for the general public and will be completed by paper versions, to be published in 2006.

An analysis of three sectors – health, rural development and transport – has also been finalised. The purpose of the development programme is to provide professional methodology tools for evaluation managers and for external evaluation teams dealing with geographical, thematic and project evaluations.

Dissemination and feedback mechanisms: two seminars have been organised, one in Ghana and one in Brussels on the Latin America evaluation. The evaluations have been widely distributed and are all featured on the website with a two-page summary, a quality grid and a *fiche contradictoire*. In 2005, the evaluation website was totally reviewed to show, for example, the main areas of evaluation (geographical, sectoral and thematic, instruments and channels of aid), to highlight the methodology and to incorporate an EU donor database. All the evaluation reports since 2000 and for which the Joint Evaluation unit is responsible can be accessed by year, country/region, theme/sector and instrument/channel. The work programme for the coming year, showing evaluations in the pipeline, will also be found on the website.

The *fiches contradictoires* or follow-up to earlier evaluations have also been published for the following: Honduras, Egypt, Mercosur, Bangladesh, Ukraine, Morocco, Gender and Rehabilitation. Most of the recommendations have been implemented. In particular, gender issues have been tackled in depth, and new Country or Regional Strategy Papers for Bangladesh, Honduras, Ukraine and Mercosur show a positive improvement over the previous generation of assessments. The interservice Quality Support Group (iQSG) exercise concluded that all the new Strategy Papers for the countries/regions mentioned above are superior in quality to other Strategy Papers.

6.2.3 *Lessons learnt from evaluations finalised in 2005*

6.2.3.1 Geographical level evaluations

Benin: The evaluation concluded that there is a strong continuity in the two strategies covering the periods 1996-2002 and 2002-2007, especially in terms of poverty reduction: the European Commission has contributed both to a reinforcement of economic growth and to the development of human resources. The strategy was judged adequate. However, even if considerable progress has been noted in various sectors, the sustainability of the Commission's strategy depends on its capacity to influence the rapid implementation of crucial reforms in order to allow an equitable access to basic social services.

Ghana: The evaluators concluded that the European Commission's support to Ghana during the period 1996-2004 was generally relevant to the development needs of the country, mainly in terms of increased access by the poorest segments of the population to safe water and sanitation and to basic education and health services.

Long delays in implementation have hindered the effectiveness of most of the Commission's initiatives.

Caribbean: The study considered that the European Commission's support to the Caribbean region during the last decade was generally relevant, though the Commission's strategy suffers from the absence of policy dialogue on the long-term goal of regional integration and on its contribution to sustainable development and poverty reduction. The rationale underlying the selection of focal sectors and areas of concentration is insufficiently supported by analytical work. Hindered by a lack of a clear organisational framework and insufficient linkage between individual initiatives and strategic priorities, the EC strategy's impact has so far mainly been in terms of development of a regional identity.

Latin America: The evaluators found that the past strategy of co-operation with Latin America essentially comprised horizontal programmes which have shown their relevance. However, this co-operation has its limitations in contributing to major objectives such as regional integration, poverty reduction and sustainable development. There is a need for strong coherence within the three levels of intervention (regional, sub-regional and bilateral), within the type of intervention, and within the various European policy areas (development, trade, agriculture, etc.). Implementation has only partially given the results expected because of civil society's limited promotion and appreciation of regional integration as an instrument for development, and also because the regional institutions are not strong enough.

6.2.3.2 Sector evaluation

European Community support to Private Sector Development (PSD): The evaluation noted a remarkable evolution through the period covered (1994-2003) and considered the strategy proposed through the Communication *The Commission's approach to future support for the development of the Business sector in third countries (COM(2003)267)*¹³⁶ a milestone. Yet EC efforts are scattered over too many programmes, in different areas of intervention, and in some cases these initiatives do not reflect the spirit of the strategy. Three areas of improvement were identified. First, the message implicit in the strategy needs to be clarified: in particular, the strategy should make clear that preference goes to initiatives at the macro/institutional level, while micro-level interventions, which can crowd out private initiative or introduce market distortions, should be discouraged. Second, the strategy can be better and more actively communicated to operators. Third, more support can be provided for the design of PSD interventions in the field.

6.2.4. Conclusions

Primarily, it seems that efficiency can be enhanced, even if evaluation reports show recent improvements resulting from the devolution process. The complex rules, and rigidity in their application, make EC project delivery very slow compared with that of other donors and do not allow sufficient flexibility in handling problems when

¹³⁶ COM(2003) 267. Communication from the Commission to the Council and the European Parliament, *European Community co-operation with Third countries: the Commission's approach for future support for the development of the Business Sector*. Available under: http://europa.eu.int/eur-lex/en/com/cnc/2003/com2003_0267en.01.pdf

they arise. In addition, regular input/output monitoring needs to be strengthened, where it exists, or should be initiated.

6.2.5. *Outlook into 2006*

The Evaluation Programme for 2006 is the last annual programme under the norms set for the multi-annual Evaluation Strategy for the period 2002-2006. By end-2006, a new multi-annual strategy will be developed to cover the period 2007-2013.

In 2006 the Joint Evaluation unit will be launching four geographical country strategy evaluations, four regional evaluations, three aid delivery evaluations, and a synthesis covering all geographical evaluations published by the unit between 1998 and 2006.

7. ANNEXES

7.1. EC assistance detailed in other reports

7.1.1. Humanitarian aid

The Directorate-General for Humanitarian Aid, DG ECHO, provides financial assistance to the victims of conflicts or natural disasters in third countries, solely on the basis of their humanitarian needs assessments. In 2005, DG ECHO's needs-based response to humanitarian crises was channelled through 91 funding decisions, totalling €652.5 million.

DG ECHO pays particular attention to 'forgotten' crises, situations where major humanitarian needs receive little attention from donors (reflected in the level of official aid received) and the media. In 2005, the following most forgotten crises were identified: Myanmar, Western Sahara (Sahrawi refugees), Tajikistan, Russian Federation (Chechnya), Somalia, Nepal, Indonesia, Thailand and Uganda. The total support allocated to these forgotten crises during the year amounted to €89.1 million, representing 20% of the amounts committed in 2005 for geographical decisions (tsunami excluded).

7.1.1.1. Main interventions in 2005, by region

DG ECHO's response to humanitarian emergencies during the year followed the global evolution of humanitarian needs, as reflected in the regional distribution of its funding patterns. ACP countries were the biggest recipients of aid (€244.2 million), followed by Asia (€239.25 million¹³⁷).

Africa

The peace process initiated in Sudan did not extend to Darfur, where the situation became more volatile and chaotic. Subsequently, DG ECHO requested budgetary reinforcements of respectively €15 million and €8 million and drew up an emergency

¹³⁷ Including funding to the tsunami disaster and the Pakistan earthquake

humanitarian aid decision of €2 million to help deal with a serious outbreak of yellow fever. The total funding for that country amounts to €45 million.

In the Democratic Republic of Congo (€38 million), the eastern regions (Ituri, Kivu and Katanga) continued to suffer from insecurity, which prevented them from enjoying the same 'peace-dividend' as the West of the country. Displaced, resettling and host families received an integrated package of community-based assistance to meet immediate needs, while paving the way for a rapid return to productive activity and contributing to the stabilisation of the conflict-affected areas.

In Coastal West Africa – Guinea, Liberia and Ivory Coast – the budget allocated in 2005 (€29 million) was dedicated to the large population of refugees and internally displaced people (IDPs) to help their return to normality.

Mediterranean, Middle East

Important financial support continued to be provided to the Palestinian population in the occupied Palestinian Territories, Syria, Jordan and Lebanon (€36.6 million), in view of their dire humanitarian situation and the absence of a political settlement of the conflict, as well as to Sahrawi refugees in Algeria who are entirely dependent on humanitarian aid (€9.3 million).

Caucasus

No durable peace settlement was in sight in the Northern Caucasus, and the consequences of the unresolved conflict in Chechnya were felt across the region, where violence spread over the year. The basic needs of the population, after more than four years of conflict, continued to be largely neglected by the international community. This forgotten humanitarian crisis remained one of DG ECHO's operational priorities, with funding totalling €26.3 million.

Asia

Although the tsunami occurred in the final days of 2004, with emergency decisions taken in the days following, almost all the aid activity took place in 2005. The bulk of the operations were focused on Indonesia and Sri Lanka, with smaller operations in India, the Maldives and Thailand. Activities focused on food and non-food aid, shelter, water and sanitation, livelihood recovery, health, co-ordination and logistics, with a total funding of €123 million for the regions affected.

In October 2005, a devastating earthquake hit Pakistan and India, killing 75 000 people. Almost €14 million were allocated in the first weeks after the disaster and additional funds were rapidly mobilised, in particular from the European Commission's emergency reserve. DG ECHO was able to allocate €48.6 million before the end of the year.

DG ECHO mobilised €20 million for victims of the Afghan crisis, covering the registration and transport of refugees from Pakistan and Iran to Afghanistan, as well as continuing support for the most vulnerable of the remaining refugees. Shelter, water and sanitation were the main sectors of intervention within Afghanistan.

In North Korea, DG ECHO continued in 2005 to be significantly involved, with financial support of €13.7 million for health, water and sanitation, and vital medical supplies.

Latin America

The main intervention took place in Colombia where €12 million were allocated to support people affected by violence. In the first eight months of 2005, over 39 000 people received food and non-food items for the first three months following their displacement. Subsequent to this emergency phase, aid was distributed in the form of non-food items, access to safe drinking water and primary health care, also educational facilities for children and psychological assistance. In 2005, the protection of children continued to be a priority for DG ECHO, in particular to prevent their recruitment by armed groups.

7.1.1.2. Other activities

Disaster Preparedness

The huge disasters that affected the planet in 2005 have demonstrated the importance of disaster prevention and preparedness activities, which should be more systematically integrated into humanitarian response and development policies. DG ECHO has integrated disaster preparedness activities in many of its humanitarian interventions, as for example in Indonesia and Pakistan. Moreover, under its DIPECHO programme, DG ECHO adopted specific Action Plans for the Andean Community, Central and South Asia and the Caribbean countries. These regions were chosen on the basis of three criteria: (1) risk of exposure to natural disasters, (2) inherent vulnerability of the population, and (3) lack of local resources and capacity to cope.

Thematic funding for international organisations

Given the central role played by the main international humanitarian agencies – the UN and the Red Cross Movement – in the effective delivery of humanitarian aid, DG ECHO continued to support the reinforcement of their institutional capacities. In 2005, DG ECHO contributed financially to the development of information systems by UN OCHA, including the deployment of Humanitarian Information Centres (e.g. in Sri Lanka, Aceh, Niger, Pakistan), ReliefWeb and the Global Disaster Alert and Co-ordination System (GDACS); the reinforcement of the WHO's capacity to respond to health emergencies; protection activities for victims of armed conflict by the International Committee of the Red Cross (ICRC) in Central Africa Republic, Republic of Congo, Rwanda, Azerbaijan, Philippines and Pakistan; and a UNHCR protection programme. Thematic funding also contributed to the IFRC disaster management programme.

DG ECHO's network worldwide

Following the tsunami, and in the context of the EU strategy on "Reinforcing EU Disaster and Crisis Response in third countries"¹³⁸, the Commission proposed

¹³⁸ COM(2005) 153

significantly increasing the number of DG ECHO field experts, in order to enhance the DG's rapid response capacity. The total number of experts in the field had accordingly been raised from 60 to 100 by end-2005. This allowed DG ECHO to deploy additional experts to Pakistan immediately after the earthquake.

The information presented here will be found in detail in DG ECHO's annual report¹³⁹ and strategy for 2006, available on <http://europa.eu.int/comm/echo/>.

¹³⁹ DG ECHO's annual report for 2004 is available on our website; the report for 2005 will soon be available too

Funding decisions for humanitarian aid in 2005			
Decisions adopted by the Commission as of 31.12.2005			
Country/sub-region	Decisions in €	Country/sub-region	Decisions in €
AFRICA, CARIBBEAN, PACIFIC	37,96%	ASIA	38,12%
Angola	2.000.000	Afghanistan	20.000.000
Benin	1.050.000	Asia (Regional Tsunami)*	122.830.370
Burundi	17.000.000	South Asia Earthquake	48.000.000
Chad	14.000.000	Cambodia	2.000.000
Caribbean	500.000	East Timor	2.500.000
Comoros	1.100.000	Indonesia	2.000.000
Congo	2.000.000	Laos	1.200.000
Congo (Democratic Republic)	38.000.000	Myanmar/Burma	8.000.000
Cook Islands	200.000	Nepal	6.000.000
Dominican Republic	200.000	North Korea	13.715.000
Eritrea	4.620.000	Philippines	500.000
Ethiopia	4.500.000	Sri Lanka	4.000.000
Grenada	1.200.000	Thailand	8.500.000
Guyana	2.696.500	DIPECHO Central Asia	3.500.000
Haiti	1.700.000	DIPECHO South Asia	6.000.000
Kenya	2.000.000		248.745.370
Lesotho	875.000		
Madagascar	500.000	Latin America	3,40%
Malawi	5.000.000	Colombia	12.000.000
Mali	2.000.000	Guatemala/El Salvador	5.700.000
Niger	6.300.000	DIPECHO Andean Community	4.500.000
Papua New Guinea	200.000		22.200.000
Somalia	9.000.000		
Sudan	45.000.000	<i>for information - total DIPECHO</i>	2,68%
Swaziland	875.000	<i>Caribbean</i>	3.500.000
Tanzania	13.500.000	<i>Central Asia</i>	3.500.000
Uganda	14.000.000	<i>South Asia</i>	6.000.000
West Africa	29.200.000	<i>Andean Community</i>	4.500.000
Zambia	3.500.000		17.500.000
Zimbabwe	15.000.000		
ECHO flights	6.500.000	Thematic funding	3,14%
DIPECHO Caribbean	3.500.000	OCHA	4.000.000
	247.716.500	UNHCR	5.000.000
		ICRC	4.000.000
Eastern Europe, NIS	5,39%	WHO	4.000.000
Georgia	2.000.000	IFRC	3.500.000
Mongolia	900.000		20.500.000
Northern Caucasus (Chechnya crisis)	26.300.000		
Tajikistan	6.000.000	OTHER FUNDING	4,48%
	35.200.000	ECHO field experts & offices	22.750.000
		Evaluation/Communication/Audit	6.500.000
Middle East/North Africa	7,49%		29.250.000
Algeria (Western Sahara)	9.311.000		
Middle East	36.576.000		
		Total ECHO funding 2005	652.498.870
Yemen	3.000.000	- as of 31.12.2005	
	48.887.000	* Including India, Indonesia, Maldives, Sri Lanka, T	

7.1.2. *Macro-financial assistance*

The Commission implements macro-financial assistance (MFA) in association with the support programmes of the IMF and the World Bank, and after consulting the Economic and Financial Committee and securing a Council Decision. MFA incorporates a set of principles which underline its exceptional character (*ad hoc* Decisions from the Council), its complementarities with financing from international financial institutions, and its macroeconomic conditionality. It is an instrument designed to help beneficiary countries that are experiencing serious but generally short-term macroeconomic imbalances (serious balance of payments and fiscal difficulties). In close co-ordination with the IMF and World Bank programmes, MFA has promoted policies that are tailored to specific country needs, with the overall objective of stabilising the external and internal financial situation and establishing market-oriented economies.

In 2005, €66.5 million of MFA were disbursed, of which €51.5 million in the form of grants: €3 million to Albania, €1.5 million to Armenia, €15 million to Bosnia and Herzegovina, €25 million to Serbia and Montenegro, €7 million to Tajikistan and €15 million in the form of loans to Serbia and Montenegro.

7.2. **Introduction to financial tables**

There are different ways of looking at the development assistance provided by the European Commission. The Annual Report gives you an overview of policies and the targets achieved in 2005. The table and graphs that follow present the figures for development assistance in the year, featured by country, region and sector.

2005 saw a significant improvement in the overall figures for development assistance and the focus on poverty. The graphics help to highlight the initiatives taken, as well as the importance of the fight against poverty in the work of the EC.

The tables show the importance of external assistance (EA) in the overall expenditure of the European Commission. Defined as the resources used to foster programmes and projects beyond the European Union, EA accounts for more than 10% of the total allocations in 2005 (General Commission Budget and EDF) – *Table 7.1*.

The sources of EA are the general budget of the EC and the European Development Fund. A global overview of the share of resources will be found in *Figure 7.2*. A detailed breakdown of the budget – *Table 7.3* – identifies the different policy areas that contribute to this external assistance effort. You will find a similar breakdown for the EDF in *Table 7.4*.

Not all the resources included in external assistance can also be reported as Official Development Aid (ODA), commonly known as Development Assistance, or Official Aid (OA). ODA and OA are different categories. Development Assistance is equally known as Development Assistance or Development Co-operation. Whether a project is classified as ODA or not depends on the recipient country and the purpose or content of the aid. The EC also has to add the general administrative costs of providing aid to the project and programme expenses – see *Table 7.5*.

More than 82% of the resources committed in 2005 are considered reportable as ODA. A little over 18% are projects related to OA countries – see *Table 7.6*.

Every analysis of co-operation needs to identify the beneficiary countries and regions. Here, the EC has to differentiate between bilateral and multilateral aid. Bilateral aid, as defined by the Development Assistance Committee (DAC), is direct co-operation by the EC with a country (or region) where the EC controls the activities and knows how, when and where the resources are being spent. Multilateral aid comprises direct contributions to the core funding of multilateral agencies, who report back to the Commission at a later stage about the expenditure.

Table 7.7 gives a breakdown of the regions that receive EC aid. Africa (including North Africa) is the region getting the most support, 44% of total ODA. Asia ranks second in terms of support, 18% of the total.

A detailed breakdown of EC development aid per country and region, in line with the DAC countries list, will be found in *Table 7.8*. The top ten ODA countries in 2005 included Serbia and Montenegro, Turkey, Uganda, Afghanistan, Niger, Democratic Republic of Congo, Sudan, Bangladesh, Mozambique and Burkina Faso.

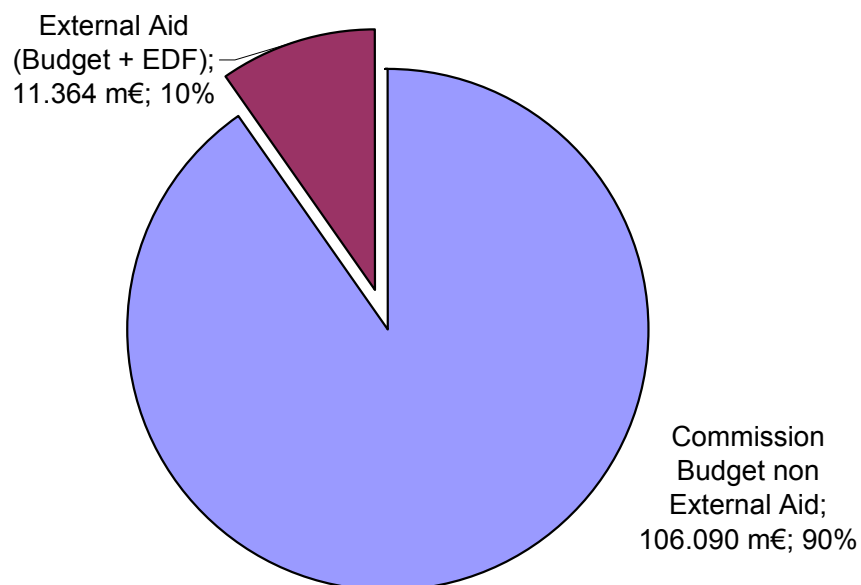
It is also important to identify the sectors of activities that receive support. The tables show there is an increase in support for social infrastructure (education and health, water management, civil society, government, etc.), as well as general budget support. In 2005 more than 41% of new commitments were directed to social infrastructure and over 10% to general budget support. Details of all sectors of activity are given in *Table 7.10* for commitments and *Table 7.11* for payments.

The above graphics summarise the overall activities of the EC, while *Table 7.12* gives an overview by sector and region of the commitments made by EuropeAid, which represent 68% of EC development assistance. A major concentration of commitments, almost 50% of the total, relates to initiatives in the ACP countries, and 42% of the total was allocated to social infrastructure projects.

The remaining tables include comparative analyses of the above elements over the period 2001-2005, with particular reference to the poverty focus of EC aid. *Table 7.18* shows a progressive concentration of the aid disbursed from 2000 onwards on Least Developed Countries (LDC) and Other Low Income Countries (OLIC), and a progressive decline in aid to Middle Income Countries (LMIC and UMIC). This table includes information on commitments in 2005 to help identify trends in disbursement ratios between the different income groups in the years ahead.

7.3. Financial tables

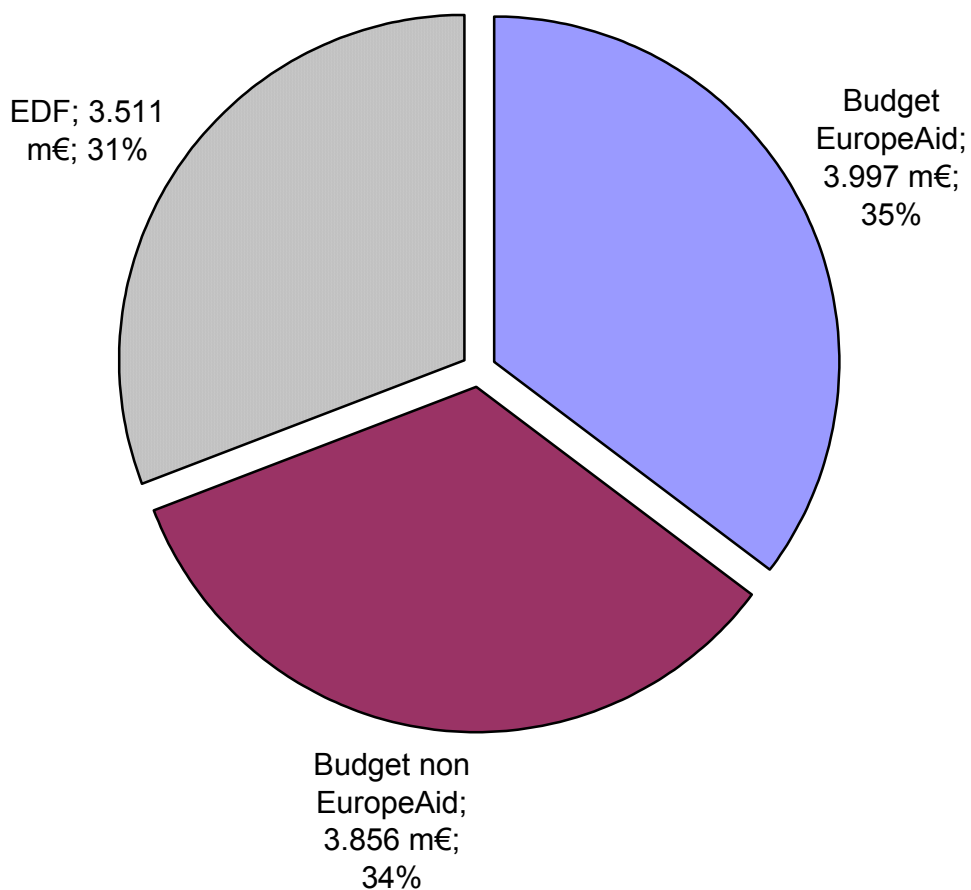
Fig 7.1. Percentage of Commission Budget spent on External Assistance in 2005



Commitments in € million

Commission Budget (EDF incl.)	117.454
Commission Budget non External Aid	106.090
External Aid (Budget + EDF)	11.364

Fig.7.2. Sources of External Assistance in 2005



Commitments in € million

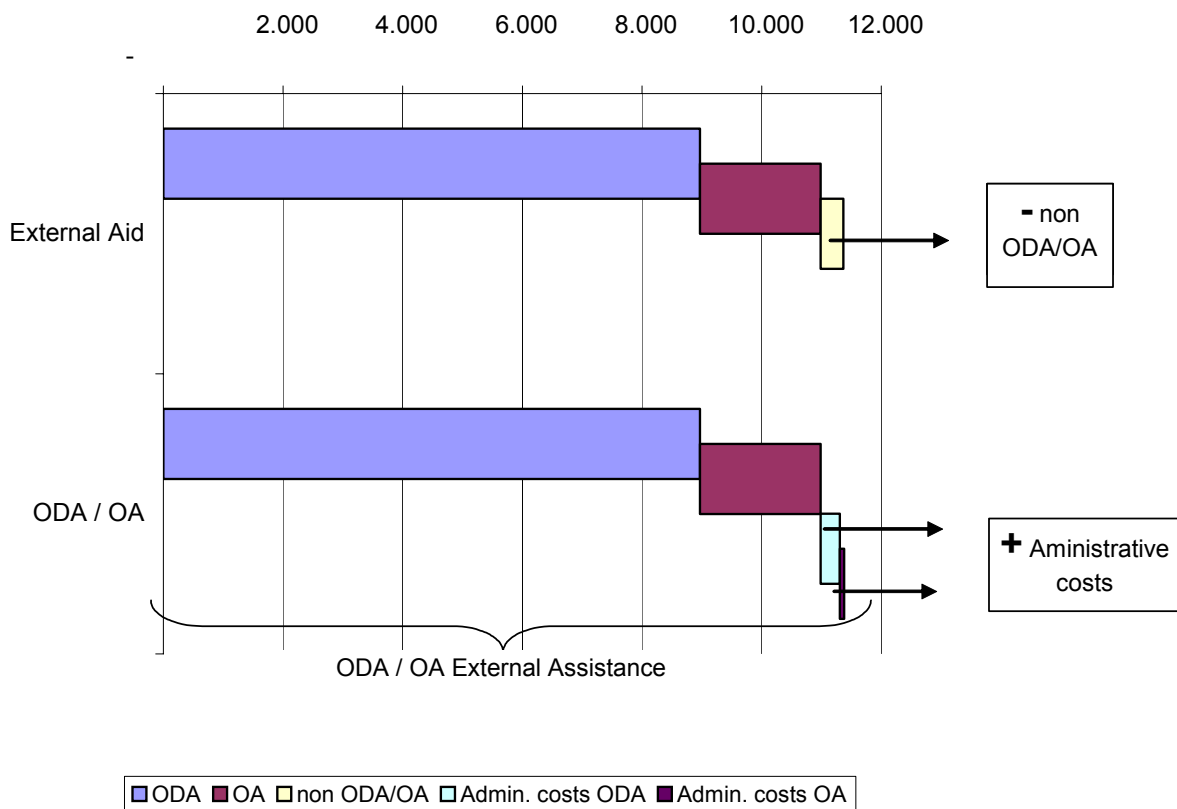
External Aid (Budget + EDF)	11.364
Of which :	
Budget EuropeAid	3.997
Budget non EuropeAid	3.856
EDF	3.511

Fig.7.3. General Commission Budget for External Assistance in 2005.

Policy Area	Description	Total		Managed by EuropeAid		Managed by other DG's	
		Commit.	Payments	Commit.	Payments	Commit.	Payments
01 - ECFIN	Macroeconomic assistance + EBRD	16,88	67,35			16,88	67,35
05 - AGRI	Pre-Adhesion - SAPARD	251,80	811,91			251,80	811,91
06 - ENER	Intelligent energy for Europe programme	7,60	1,09			7,60	1,09
07 - ENV	LIFE (European Financial Instrument for the Environment)	15,36	11,11			15,36	11,11
08 - RTD	Combating major diseases + Specific measures in support of international	80,70	30,05			80,70	30,05
11 - FISH	International fisheries agreements	176,39	172,78			176,39	172,78
13 - REGIO	Pre-Adhesion - ISPA	525,20	751,21			525,20	751,21
14 - TAXUD	Customs cooperation and international assistance	0,82	0,43			0,82	0,43
15 - EAC	Education	19,76	17,76			19,76	17,76
18 - JAI	Refugee / Migration	76,39	13,19			76,39	13,19
19 - RELEX	Anti-personnel mines	15,54	13,51	15,54	13,51		
	Rapid reaction mechanism	28,69	26,00			28,69	26,00
	ECIP		0,64		0,64		
	Human Right	134,69	121,45	134,69	121,45		
	New Independent States	514,58	431,79	514,58	431,79		
	Mediterranean	1.074,59	1.122,23	1.074,59	1.122,23		
	Latin America	328,54	376,07	328,54	376,07		
	Asia	834,42	681,48	834,42	681,48		
	Evaluation/coordination/anti-fraud	16,09	12,57	16,09	12,57		
	RELEX - Other specific actions	166,55	109,39	55,50	13,71	111,05	95,68
20 - TRADE	External trade relations	17,31	15,86			17,31	15,86
21 - DEV	Food Aid	405,57	494,20	405,57	494,20		
	Co financing NGO's	207,45	120,62	207,45	120,62		
	Environment	59,44	46,71	59,44	46,71		
	Integrating gender issues in development cooperation	2,83	2,02	2,83	2,02		
	Social infrastructure and services	131,09	90,64	131,09	90,64		
	Capacity-building for information and communication technologies and sustainable energy		1,06		1,06		
	South Africa	155,21	137,98	155,21	137,98		
	Bananas ACP	34,52	10,12	34,52	10,12		
	Evaluation of the results of Community aid, follow-up and audit measures	12,24	7,24	12,24	7,24		
	Coordination and promotion of awareness on development issues	7,99	3,89			7,99	3,89
	DEV - Other specific actions	20,94	15,28	14,72	9,03	6,22	6,25
22 - ELARG	Pre-Adhesion - PHARE	970,54	1.228,45			970,54	1.228,45
	Pre-Adhesion - Turkey	286,24	243,88			286,24	243,88
	Pre-Adhesion - Malta & Cyprus	2,34	13,07			2,34	13,07
	Pre-Adhesion - Other specific actions	19,33	25,38			19,33	25,38
	Pre-Adhesion - multi-country horizontal programmes	83,46	4,70			83,46	4,70
	Western Balkan	519,20	345,32			519,20	345,32
23 - ECHO	Humanitarian Aid	632,59	580,17			632,59	580,17
	TOTAL	7.852,86	8.158,58	3.997,01	3.693,08	3.855,84	4.465,50
Breakdown by budget line of external aid financed on the General Commission Budget in 2005. (Amount in € Million)							
After DAC Analysis the amounts considers ODA + OA are 7.478 M€ Commitments and 7.886 M€ Payments.							
The remaining of the amount are considered as not ODA nor OA.							

Fig.7.4. European Development Fund (EDF) in 2005		
Instruments (1)	Commitments (2)	Payments (3)
<u>6th, 7th, 8th EDF</u>		
National + regional indicative programmes (NIP/RIP)	-	887,65
Interest-rate Subsidies	-	0,39
Emergency Aid	-	1,86
Aid for Refugees	-	9,41
Risk Capital	-	60,80
Stabex	8,84	70,76
SYSMIN	-	14,99
Structural Adjustment Facility	-	15,93
Heavily indebted poor countries (HIPC)	-	-
Transferred Funds	-	5,61
Use of interests	-	1,87
Studies + tech. Assist. to Overseas Countries and Territories	-	0,00
Total	8,84	1.069,28
<u>9th EDF & Transitional measures</u>		
Envelope A	2.774,32	950,47
Envelope B	288,00	192,81
Regional Project	217,23	23,79
Intra ACP Debt Reduction	-	-
Intra ACP Project	143,00	131,53
Implementation expenditure + Congo Rep. Dem.	39,25	143,12
Other	40,46	33,25
Total	3.502,27	1.474,97
Total EDF	3.511,11	2.544,25
<p>Breakdown by instrument of development assistance financed on the European Development Fund (EDF) in 2005. (Amount in € Million)</p> <p>(1) Except The Investment Facility (9th EDF) managed by the EIB</p> <p>(2) Commitments 2005 have been calculated following DAC procedures : Total commitments made in 2005 reduced by decommitments made on projects committed in 2005</p> <p>(3) Before recoveries</p> <p>(4) After DAC Analysis the amounts considers ODA + OA are 3.511 M€ Commitments and 2.456 M€ P. The remaining of the amount are considered as not ODA nor OA.</p>		

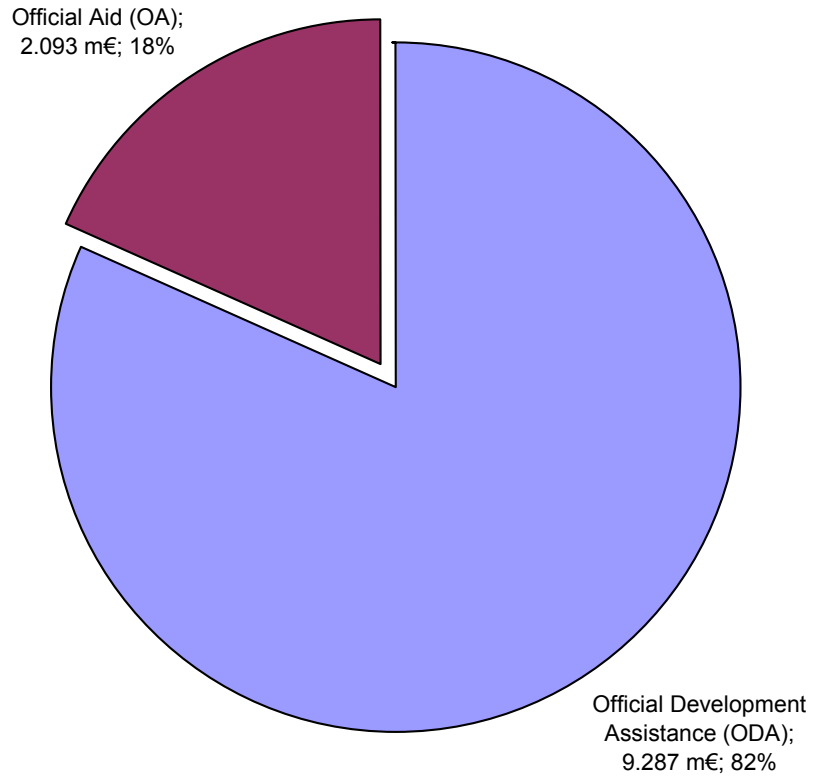
Fig.7.5. Percentage of External Assistance used for Development Aid (ODA and OA)



Commitments in € million

	External Aid	ODA / OA				
ODA	8.967	8.967				
OA	2.021	2.021				
non ODA/OA	375					
Admin. costs ODA		320				
Admin. costs OA		72				
Total	11.364	11.380				

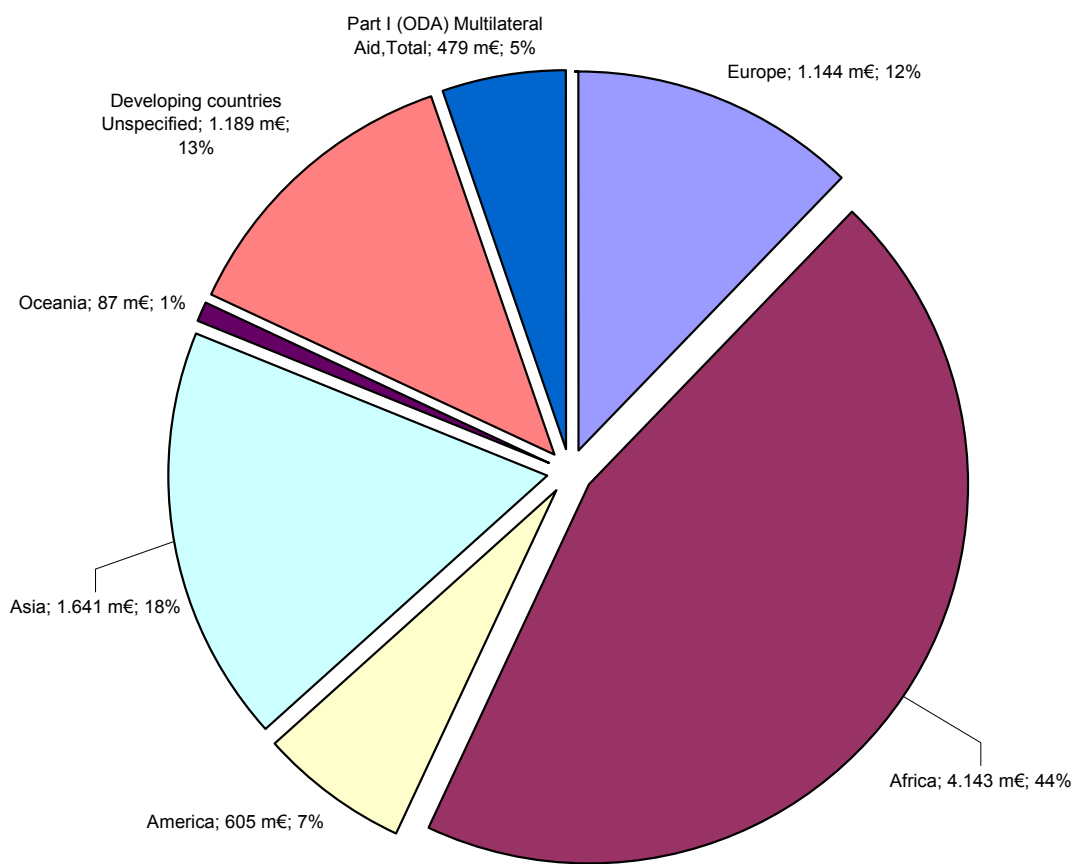
Fig.7.6. Relation between ODA and OA in the Development Aid of the EC in 2005



Commitments in € million

	Total in m€		Managed by EuropeAid		Managed by Other DG's	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Official Development Assistance (OD	9.287	7.497	7.532	6.134	1.755	1.364
Official Aid (OA)	2.093	3.236	235	283	1.858	2.953

Fig.7.7. Regional distribution of aid to developing countries (ODA) in 2005



Commitments in € Million

Region	Total in m€		Managed by EuropeAid		Managed by Other DG's	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Europe	1.144	780	225	139	918	640
Africa	4.143	3.157	3.903	2.906	240	250
America	605	645	573	616	32	29
Asia	1.641	1.484	1.318	1.215	323	270
Oceania	87	73	87	73	0	0
Developing countries Unspecified	1.189	851	951	679	237	172
Part I (ODA) Multilateral Aid, Total	479	508	476	506	3	2
TOTAL ODA (Part I)	9.287	7.497	7.532	6.134	1.755	1.364
TOTAL OA (Part II)	2.093	3.236	235	283	1.858	2.953
TOTAL	11.380	10.734	7.768	6.417	3.613	4.317

Fig. 7.8. Country breakdown of EC Development Aid (ODA and OA) in 2005

Country/Region	Total		Managed by EuropeAid		Managed by Other DG's	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Part I: Developing Countries & Territories						
Europe, Total	1.143.59	779.78	225.19	139.41	918.40	640.37
Albania	47.30	62.56	3.10	2.30	44.21	60.26
Belarus	17.10	5.14	17.09	5.13	0.02	0.01
Bosnia-Herzegovina	58.74	95.52	0.86	2.91	57.88	92.61
Croatia	102.93	41.36		0.03	102.93	41.33
Former Yugoslav Republic of Macedonia	40.71	35.00		0.27	40.71	34.73
Moldova	53.64	32.54	51.60	30.92	2.04	1.62
Turkey	286.83	258.09	0.52	10.35	286.32	247.74
Serbia and Montenegro	314.01	126.73	1.25	1.84	312.77	124.89
Ukraine	129.74	82.18	127.71	80.55	2.03	1.63
Europe Unallocated.	92.59	40.66	23.09	5.11	69.50	35.55
Africa, Total	4.143.44	3.156.55	3.903.01	2.906.16	240.43	250.39
North Of Sahara, Total	502.60	558.89	492.10	553.10	10.50	5.79
Algeria	51.61	47.91	42.30	42.91	9.31	5.00
Egypt	110.80	135.20	110.80	135.20		
Libya	1.00	0.54			1.00	0.54
Morocco	141.76	219.36	141.71	219.23	0.04	0.13
Tunisia	120.30	83.15	120.30	83.15		
North Of Sahara Unallocated.	77.12	72.73	76.98	72.61	0.14	0.12
South Of Sahara, Total	3.639.58	2.597.49	3.409.84	2.353.05	229.75	244.44
Angola	35.44	56.56	34.94	53.48	0.50	3.08
Benin	59.99	40.66	59.99	40.66		
Botswana	50.26	15.69	50.26	15.69		
Burkina Faso	183.52	79.31	183.52	79.29		0.02
Burundi	29.80	68.48	12.80	52.01	17.00	16.47
Cameroon	35.43	32.06	35.43	32.06		
Cape Verde	13.00	12.86	13.00	12.83		0.03
Central African Rep.	7.85	8.26	7.85	8.26		
Chad	131.58	68.34	117.58	56.35	14.00	11.99
Comoros	30.48	2.39	30.45	2.39	0.03	
Congo, Dem. Rep.	199.10	171.85	160.98	127.55	38.12	44.30
Congo, Rep.	85.49	12.80	83.49	10.70	2.00	2.10
Djibouti		2.57		2.57		
Equatorial Guinea	1.45	2.04	1.45	2.04		
Eritrea	63.77	23.94	59.77	21.03	4.00	2.91
Ethiopia	95.63	134.71	95.51	132.86	0.12	1.85
Gabon	4.03	16.95	3.15	15.99	0.88	0.96
Gambia	47.82	1.58	47.82	1.58		
Ghana	93.50	67.36	93.50	67.36	0.00	0.00
Guinea	1.63	13.91		10.41	1.63	3.50
Guinea-Bissau	13.38	13.08	13.02	12.95	0.36	0.14
Ivory Coast	46.49	18.68	46.49	16.96		1.71
Kenya	19.03	103.58	17.00	103.02	2.03	0.57
Lesotho	37.50	5.59	35.75	4.02	1.75	1.58
Liberia	43.84	42.64	18.84	20.20	25.00	22.44
Madagascar	134.45	107.65	133.89	106.67	0.56	0.98
Malawi	165.10	60.29	160.10	57.73	5.00	2.56
Mali	138.30	105.16	138.30	105.16		0.01
Mauritania	4.45	16.39	0.37	12.31	4.08	4.08
Mauritius	13.88	9.25	13.50	8.77	0.38	0.48
Mayotte		0.18		0.18		
Mozambique	183.53	120.03	179.41	116.03	4.12	4.00
Namibia	0.02	13.83	0.01	13.82	0.01	0.01
Niger	209.27	63.13	209.27	63.13		

	Nigeria	43.64	100.72	43.64	100.72		
	Rwanda	46.60	74.22	46.60	74.22	0.00	0.00
	St. Helena		0.02		0.02		
	Sao Tome and Principe		4.51		3.63		0.88
	Senegal	138.83	35.87	135.83	32.80	3.00	3.07
	Seychelles	2.25	1.42	0.70	0.70	1.55	0.72
	Sierra Leone	75.26	68.91	75.26	66.30		2.61
	Somalia	10.76	46.10	1.76	36.10	9.00	10.00
	South Africa	154.33	139.10	154.33	139.10		
	Sudan	188.01	171.22	143.00	116.21	45.01	55.01
	Swaziland	24.29	4.98	24.29	4.63		0.35
	Tanzania	146.11	127.60	132.60	116.75	13.50	10.86
	Togo	1.98	6.57	1.98	6.57		
	Uganda	239.83	66.23	225.61	53.27	14.23	12.96
	Zambia	48.50	88.71	48.50	88.63		0.08
	Zimbabwe	49.66	37.50	34.66	21.78	15.00	15.72
	South Of Sahara Unallocated.	290.53	112.00	283.63	105.58	6.90	6.41
	Africa Unspecified	1.26	0.17	1.07	0.01	0.18	0.16
	America, Total	604.77	645.05	572.59	616.33	32.19	28.72
	North & Central, Total	331.45	304.66	318.94	290.21	12.51	14.45
	Anguilla						
	Antigua & Barbuda	2.34	0.61	2.34	0.61		
	Barbados		0.36		0.36		
	Belize	10.49	1.21	10.49	1.21		
	Costa Rica	10.90	1.77	10.90	1.77		
	Cuba	0.26	1.66	0.26	1.66		
	Dominica	5.55	2.74	5.55	2.74		
	Dominican Republic	20.80	26.74	20.80	26.42		0.32
	El Salvador	49.87	29.46	47.02	27.10	2.85	2.35
	Grenada	9.81	9.56	9.81	8.85		0.71
	Guatemala	3.38	24.13	0.53	21.45	2.85	2.68
	Haiti	134.80	44.92	131.69	40.31	3.11	4.61
	Honduras	3.00	22.38	3.00	22.30		0.07
	Jamaica	5.25	23.61	5.25	23.61		
	Mexico	0.53	5.50	0.53	5.50		
	Montserrat		0.78		0.78		
	Nicaragua	6.91	42.96	6.91	42.88		0.07
	Panama		5.35		5.35		
	St. Kitts-Nevis		0.41		0.41		
	St. Lucia	26.66	1.47	26.66	1.47		

	St. Vincent and the Grenadines	4.61	0.56	4.61	0.51		0.05
	Trinidad & Tobago		2.32		2.32		
	Turks & Caicos Islands		1.17		1.17		
	West Indies Unallocated	2.60		2.60			
	N. & C. America Unallocated.	33.70	54.99	30.00	51.42	3.70	3.57
	South, Total	211.43	233.48	191.98	220.34	19.46	13.14
	Argentina	25.00	4.85	25.00	3.68		1.17
	Bolivia	12.41	31.68	11.41	31.47	1.00	0.21
	Brazil	30.18	13.74	30.18	13.74		
	Chile	1.42	18.73	1.00	18.34	0.42	0.39
	Colombia	37.41	44.19	23.91	33.32	13.50	10.87
	Ecuador	0.47	28.21	0.47	27.98		0.23
	Guyana	0.70	18.25	0.70	18.25		
	Paraguay		2.67		2.67		
	Peru	11.45	33.91	11.41	33.64	0.04	0.27
	Suriname	5.01	4.79	5.01	4.79		
	Uruguay	11.40	7.51	11.40	7.51		
	Venezuela	3.41	17.76	3.41	17.76		0.00
	South America Unallocated.	72.60	7.19	68.10	7.19	4.50	
	America Unspecified	61.89	106.92	61.67	105.78	0.22	1.14
	Asia, Total	1,641.01	1,484.34	1,317.71	1,214.51	323.30	269.83
	Middle East, Total	419.95	419.93	380.21	370.25	39.74	49.68
	Bahrain						
	Iran		4.17		0.87		3.30
	Iraq	10.87	35.77	10.85	25.70	0.02	10.08
	Jordan	59.60	38.95	59.60	38.90		0.06
	Lebanon	29.42	31.17	29.42	30.17		1.00
	Oman						
	Palestinian Admin. Areas	145.03	166.49	145.03	152.54		13.95
	Saudi Arabia						
	Syria	22.34	26.31	22.34	26.14		0.18
	Yemen	17.00	21.77	14.00	19.31	3.00	2.45
	Middle East Unallocated.	135.70	95.30	98.98	76.62	36.72	18.68
	South & Centr. Asia, Total	858.44	661.07	729.29	556.47	129.14	104.60
	Afghanistan	224.48	206.47	204.48	178.65	20.00	27.82
	Armenia	14.53	18.85	13.00	17.32	1.53	1.53
	Azerbaijan	1.32	20.94	1.30	20.94	0.02	
	Bangladesh	186.92	63.00	186.92	61.92		1.08
	Bhutan	6.20	1.66	6.20	1.66		
	Georgia	15.05	28.85	13.01	24.77	2.04	4.08
	India	52.05	151.10	44.00	146.81	8.05	4.29
	Kazakhstan	12.99	5.97	12.99	5.97		
	Kyrgyz Rep.	24.82	14.48	24.82	14.37		0.10
	Maldives	16.00	1.21	16.00	1.21		
	Burma/Myanmar	15.00	13.93	6.00	6.10	9.00	7.83
	Nepal	20.54	7.88	14.54	2.37	6.00	5.51
	Pakistan	140.75	34.61	94.75	16.33	46.01	18.28
	Sri Lanka	18.73	12.95	8.73	5.66	10.00	7.29
	Tajikistan	40.42	28.94	27.42	13.12	13.00	15.82
	Turkmenistan	5.75	0.78	5.75	0.78		
	Uzbekistan	9.25	7.39	9.25	7.28		0.10
	South & Central Asia Unallocated.	53.64	42.07	40.14	31.21	13.50	10.86
	Far East, Total	213.85	256.69	139.43	201.12	74.41	55.57
	Cambodia	3.68	16.29	1.68	14.04	2.00	2.25
	China	0.83	53.81	0.81	52.89	0.01	0.92
	East Timor	17.84	8.02	15.34	6.04	2.50	1.98
	Indonesia	73.28	58.03	37.07	34.38	36.21	23.65
	Korea, Dem.	21.21	15.60	6.65	2.35	14.56	13.25
	Laos	1.69	9.09	0.49	7.35	1.20	1.75
	Malaysia	2.10	1.25	2.10	1.25		
	Mongolia	0.90	5.12		4.67	0.90	0.45
	Philippines	36.50	17.27	36.00	16.64	0.50	0.63
	Thailand	12.70	16.04	5.20	10.58	7.50	5.46

	Viet Nam	24.59	34.12	24.39	33.84	0.20	0.29
	Far East Asia Unallocated.	18.54	22.05	9.71	17.11	8.83	4.94
	Asia Unspecified	148.77	146.65	68.77	86.67	80.01	59.98
Oc	Oceania, Total	86.70	72.65	86.60	72.62	0.10	0.03
	Cook Islands	0.50	0.00	0.50	0.00		
	Fiji	1.10	15.92	1.10	15.92		
	Kiribati	0.10	3.53		3.53	0.10	
	Marshall Islands	2.30		2.30			
	Micronesia, Fed. Sts.	4.08		4.08			
	Nauru	1.53		1.53			
	Niue	2.40	0.50	2.40	0.50		
	Palau	1.70		1.70			
	Papua New Guinea	50.61	13.21	50.61	13.21		
	Samoa	19.09	2.48	19.09	2.48		
	Solomon Islands	1.86	18.38	1.86	18.35		0.03
	Tokelau						
	Tonga	0.00	2.64	0.00	2.64		
	Tuvalu	0.50	2.30	0.50	2.30		
	Vanuatu	0.93	4.86	0.93	4.86		
	Wallis & Futuna		0.30		0.30		
	Oceania Unallocated.		8.54		8.54		
LI	LDC's Unspecified	1.188.64	851.02	951.24	679.06	237.40	171.96
	Part I (ODA) Bilateral, Total	8.808.15	6.989.40	7.056.34	5.628.09	1.751.82	1.361.31
	UNRWA	63.67	71.06	63.67	71.06		
	WFP	110.00	149.16	110.00	149.16		
	UNDP	154.45	136.38	154.45	136.38		
	UNEP	2.03	1.82			2.03	1.82
	UNFCCC	0.92	0.51			0.92	0.51
	ADB	39.60	14.46	39.60	14.46		
	IBRD						
	World Bank	108.00	93.30	108.00	93.30		
	WHO		41.01		41.01		
	FAO	0.29	0.29	0.29	0.29		
	Part I (ODA) Multilateral Aid, Total	478.96	507.99	476.01	505.66	2.95	2.34
	Part I (ODA), Total	9.287.11	7.497.39	7.532.35	6.133.75	1.754.76	1.363.64
	Part II: Countries and Territories in Transition - Official Aid (OA)						
	More Advanced Developing Countries	35.13	81.63	16.90	18.44	18.23	63.19
	Aruba	5.66	0.11	5.66	0.11		
	Bahamas		0.09		0.05		0.04
	Bermuda						
	Brunei						
	Cayman Islands						
	Chinese Taipei (Taiwan)						
	Cyprus	7.23	9.01			7.23	9.01
	Falkland Islands						
	French Polynesia	10.38	1.03	10.38	1.03		
	Gibraltar						
	Hong Kong, China						
	Israel	0.86	2.66	0.86	2.66		
	Korea						
	Kuwait						
	Macao						
	Malta	5.90	6.90		0.04	5.90	6.85
	Netherlands Antilles		2.44		2.44		
	New Caledonia		12.11		12.11		
	Northern Marianas						
	Qatar						
	Singapore						
	Slovenia	5.10	47.28		0.00	5.10	47.28
	United Arab Emirates						

	Virgin Islands (UK)						
	MADCT Unallocated						
	CEEC's/NIS	2.058.22	3.146.17	218.53	264.44	1.839.69	2.881.73
	Bulgaria	503.51	205.82		0.00	503.51	205.82
	Czech Republic	11.80	139.65		0.10	11.80	139.56
	Estonia	5.60	52.12			5.60	52.12
	Hungary	10.83	232.50			10.83	232.50
	Latvia	8.77	106.15			8.77	106.15
	Lithuania	9.27	87.18			9.27	87.18
	Poland	43.27	896.28		0.14	43.27	896.14
	Romania	982.01	457.29			982.01	457.29
	Russia	197.74	186.74	154.66	150.96	43.08	35.78
	Slovak Republic	10.01	166.18			10.01	166.18
	CEEC's Unallocated	219.61	511.05	8.09	8.09	211.51	502.96
	NIS Unallocated	55.81	105.20	55.78	105.15	0.02	0.05
	CEEC's/NIS Unallocated						
	Part II (OA) Bilateral Aid, Total	2.093.35	3.227.79	235.43	282.88	1.857.91	2.944.91
	EBRD		8.44				8.44
	Part II (OA) Multilateral Aid, Total		8.44				8.44
	Part II (OA), Total	2.093.35	3.236.23	235.43	282.88	1.857.91	2.953.35
	Grand Total Part I & Part II (ODA+OA)	11.380.46	10.733.62	7.767.78	6.416.63	3.612.68	4.316.99

Breakdown by country/region of external aid financed on the General Commission Budget and the European Development Fund (EDF) in 2005. Amount in € million.

Commitments and payments calculated following DAC procedure: only ODA and OA amounts increase by administrative expenditures.

Fig.7.9. Sectoral breakdown of ODA managed by the EC in 2005

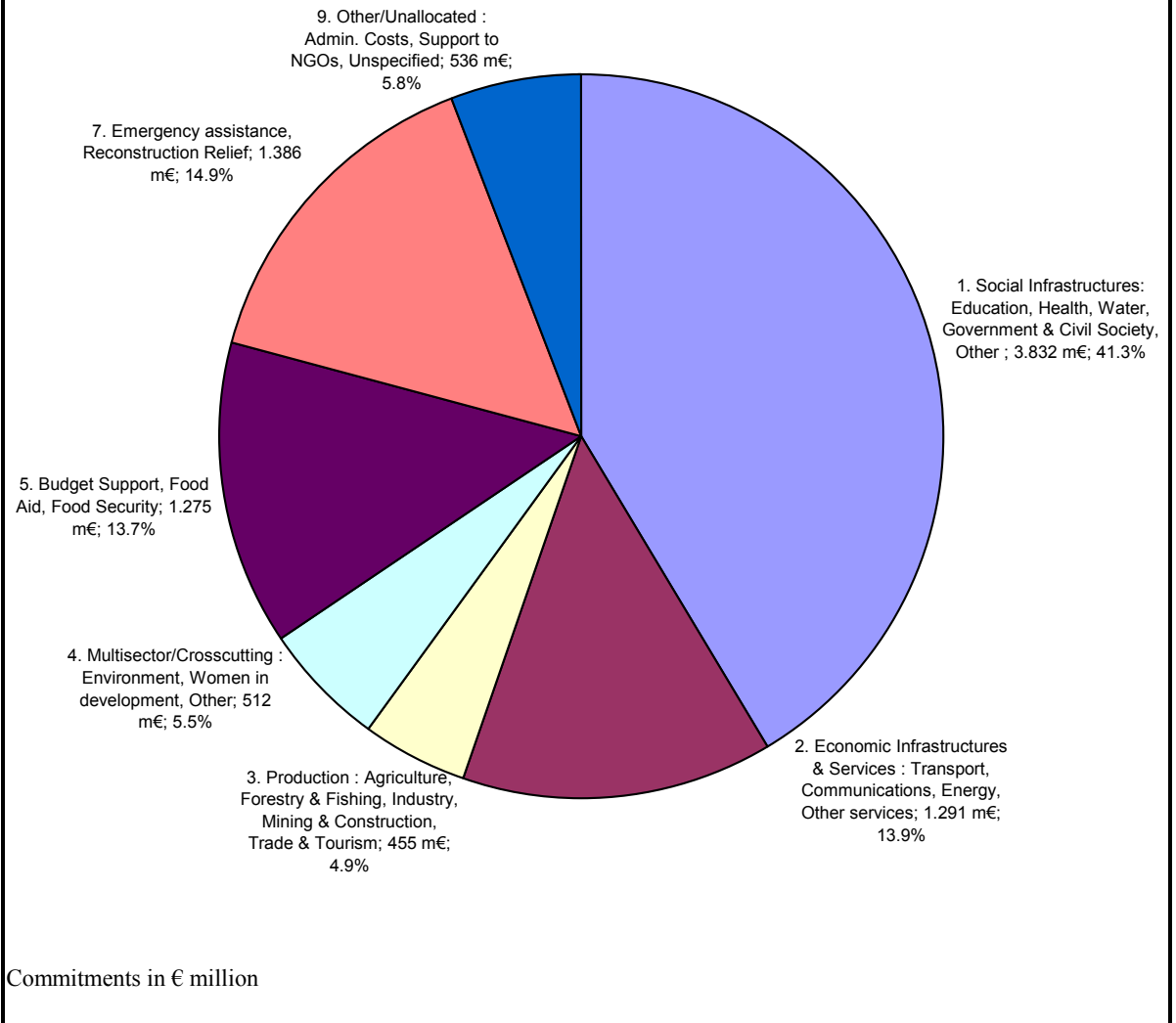


Fig.7.10. Detailed description of ODA by sector in 2005 - Commitments.

Sector of Destination	Total	Managed by EuropeAid	Managed by Other DG's
SOCIAL INFRASTRUCTURE AND SERVICES	3.832,23	3.168,67	663,56
Education	562,87	496,18	66,70
Education, level unspecified	68,70	68,70	
Basic education	241,50	241,50	
Secondary education	49,37	43,87	5,50
Post-secondary education	203,30	142,10	61,20
Health	426,14	347,63	78,51
Health, general	33,14	24,64	8,50
Basic health	393,00	322,99	70,01
Population polices/programs and reproductive health	42,32	42,32	
Water supply and sanitation	417,85	373,85	44,00
Government and civil society	1.373,54	931,99	441,55
Other Social Infrastructure	568,64	535,84	32,80
ECONOMIC INFRASTRUCTURE AND SERVICES	1.290,81	1.170,43	120,39
Transport and storage	216,24	173,02	43,23
Communications	7,95	1,95	6,00
Energy generation and supply	109,97	55,32	54,66
Banking and financial services	10,00	10,00	
Business and other services	189,90	173,40	16,50
PRODUCTION SECTORS	454,55	368,43	86,13
Agriculture, Forestry and Fishing	139,27	95,07	44,21
Agriculture	108,03	81,34	26,68
Forestry	5,22	5,22	
Fishing	26,03	8,50	17,53
Industry, Mining and Construction	163,64	129,76	33,88
Industry	148,64	114,76	33,88
Mineral resources and mining	15,00	15,00	
Construction			
Trade and Tourism	58,73	50,69	8,04
Trade policy and regulation	58,33	50,29	8,04
Tourism	0,40	0,40	
MULTISECTOR/CROSSCUTTING	512,32	415,42	96,89
General environmental protection	192,95	160,95	32,00
Women in development	8,67	2,83	5,84
Other multisector	258,70	199,65	59,06
COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE	1.274,75	1.266,06	8,68
General budget support	770,23	761,54	8,68
Development food aid/food security assistance	360,45	360,45	
Other commodity assistance			
EMERGENCY ASSISTANCE	1.386,44	749,77	636,67
Emergency food aid	214,77	124,60	90,17
Other emergency and distress relief	637,52	103,02	534,50
Reconstruction relief	412,20	400,20	12,00
OTHER/UNALLOCATED/UNSPECIFIED	536,02	393,57	142,44
Administrative costs of donors	488,05	362,34	125,71
Support to non-governmental organisations	0,93	0,93	
Unallocated/unspecified	39,78	23,05	16,73
GRAND TOTAL	9.287,11	7.532,35	1.754,76

Breakdown by sector of Official Development Assistance (ODA) financed on the General Commission Budget and the European Development Fund (EDF) in 2005. Commitments in € Million.
Bilateral and Multilateral ODA flows incl., increase by Administrative expenditures

Fig.7.11. Detailed description of ODA by sector in 2005 - Payments

Fig.7.11. Detailed description of ODA by sector in 2005 - Payments				
Sector of Destination		Total	Managed by EuropeAid	Managed by other DGs
SOCIAL INFRASTRUCTURE AND SERVICES		2.554.09	2.123.83	430.26
Education		419.91	358.85	61.06
Education, level unspecified		55.60	43.01	12.59
Basic education		192.65	181.26	11.39
Secondary education		60.30	42.03	18.26
Post-secondary education		111.36	92.55	18.81
Health		323.69	296.20	27.49
Health, general		76.46	74.65	1.81
Basic health		247.23	221.55	25.68
Population polices/programmes and reproductive health		114.22	108.37	5.85
Water supply and sanitation		218.91	205.53	13.38
Government and civil society		1.109.39	832.78	276.60
Other Social Infrastructure		367.97	322.10	45.88
ECONOMIC INFRASTRUCTURE AND SERVICES		914.42	876.19	38.23
Transport and storage		610.29	604.44	5.84
Communications		52.60	45.65	6.96
Energy generation and supply		78.49	67.81	10.68
Banking and financial services		43.66	43.66	0.01
Business and other services		129.38	114.63	14.74
PRODUCTION SECTORS		567.77	538.23	29.54
Agriculture, Forestry and Fishing		231.59	209.95	21.64
Agriculture		164.81	160.44	4.37
Forestry		32.51	32.51	
Fishing		34.27	17.00	17.27
Industry, Mining and Construction		240.95	240.10	0.86
Industry		179.66	178.80	0.86
Mineral resources and mining		61.29	61.29	
Construction				
Trade and Tourism		95.23	88.18	7.05
Trade policy and regulation		85.10	78.61	6.49
Tourism		10.13	9.57	0.56
MULTISECTOR/CROSS-CUTTING		546.48	414.38	132.09
General environmental protection		114.98	99.05	15.93
Women in development		11.47	11.47	
Other multisector		420.03	303.87	116.16
COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE		1.116.98	1.065.46	51.52
General budget support		783.37	731.85	51.52
Development food aid/food security assistance		331.76	331.76	
Other commodity assistance		1.85	1.85	
EMERGENCY ASSISTANCE		1.258.08	699.89	558.20
Emergency food aid		298.24	211.33	86.90
Other emergency and distress relief		528.60	67.91	460.69
Reconstruction relief		431.25	420.64	10.61
OTHER/UNALLOCATED/UNSPECIFIED		539.57	415.77	123.80
Administrative costs of donors		524.66	404.27	120.39
Support to non-governmental organisations		1.76	1.76	
Unallocated/unspecified		13.15	9.74	3.41
GRAND TOTAL		7.497.39	6.133.75	1.363.64
Breakdown by sector of Official Development Assistance (ODA) financed on the General Commission Budget and the European Development Fund (EDF) in 2005. Payments in € million.				
Bilateral and Multilateral ODA flows incl. increase by administrative expenditures.				

Fig.7.12. EuropeAid in 2005: A closer look.

Sector of Destination	NIS	Western Balkans	Meda	Asia	Latin America	ACP	LDC Unspec.	Total
SOCIAL INFRASTRUCTURE AND SERVICES	292	7	513	517	173	1.371	390	3.262
Education	64		75	139	54	202		534
Education, level unspecified			10			59		69
Basic education	5		5	91	10	136		247
Secondary education	1		35			8		44
Post-secondary education	58		25	48	44	0		175
Health	15		5	165	15	60	98	357
Health, general			5			20		25
Basic health	15			165	15	39	98	332
Population polices/programs and reproductive health	2			1	2	26	12	42
Water supply and sanitation	53		102		11	208		374
Government and civil society	112	7	174	156	35	391	89	963
Other Social Infrastructure	47		157	56	57	33	192	542
ECONOMIC INFRASTRUCTURE AND SERVICES	125		129	19	61	889	1	1.224
Transport and storage	20		24	18	51	61		173
Communications				1			1	2
Energy generation and supply	94					11		105
Banking and financial services	10					3		13
Business and other services	1		105		10	57		173
PRODUCTION SECTORS	14		41	10	63	215	26	368
Agriculture, Forestry and Fishing	1		6			63	26	95
Agriculture	1					57	23	81
Forestry						3	3	5
Fishing			6			3		9
Industry, Mining and Construction	9		20		44	56		130
Industry	9		20		44	41		115
Mineral resources and mining						15		15
Construction								
Trade and Tourism	4		15	10	19	3		51
Trade policy and regulation	4		15	10	19	3		50
Tourism						0		0
MULTISECTOR/CROSSCUTTING	87		54	50	24	203	62	479
General environmental protection	25		0	16	20	69	49	179
Women in development							3	3
Other multisector	62		54	35	4	82	9	245
COMMODITY AID AND GENERAL PROGRAMME ASSIST	40		168	63	3	980	13	1.266
General budget support			148	8		606		762
Development food aid/food security assistance	40		20	55	3	230	13	360
Other commodity assistance								
EMERGENCY ASSISTANCE			187	238	10	197	118	750
Emergency food aid						7	118	125
Other emergency and distress relief				45	10	48		103
Reconstruction relief			187	193		21		400
OTHER/UNALLOCATED/UNSPECIFIED	25	1	19	22	14	18	52	151
Administrative costs of donors	25	1	19	22	14	11	28	120
Support to non-governmental organisations							1	1
Unallocated/unspecified							23	23
GRAND TOTAL	582	8	1.109	919	347	3.873	662	7.500

Breakdown by sector and Region of external aid financed on the General Commission Budget managed by EuropeAid and the European Development Fund (EDF). Commitments in € Million.
Bilateral and Multilateral ODA/OA

Fig.7.13. EuropeAid in 2005: A closer look. Sectoral breakdown by region.

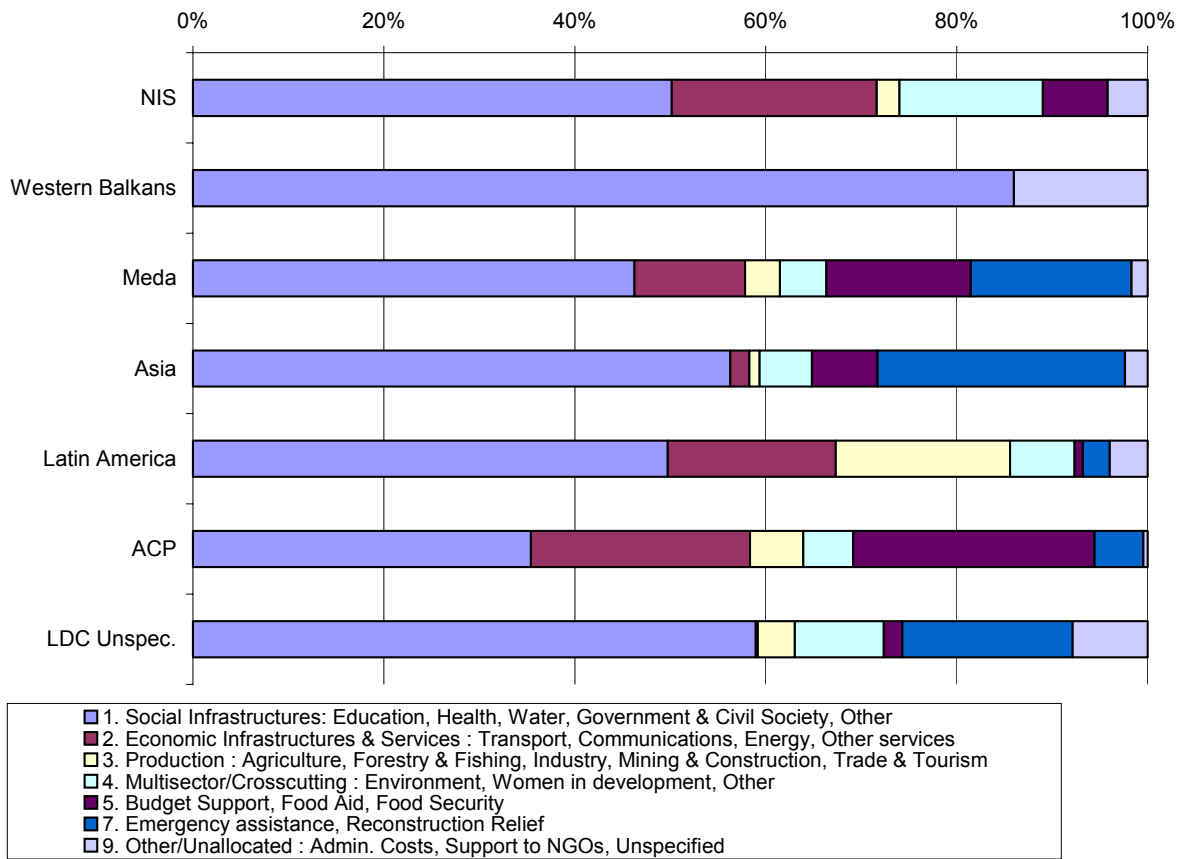
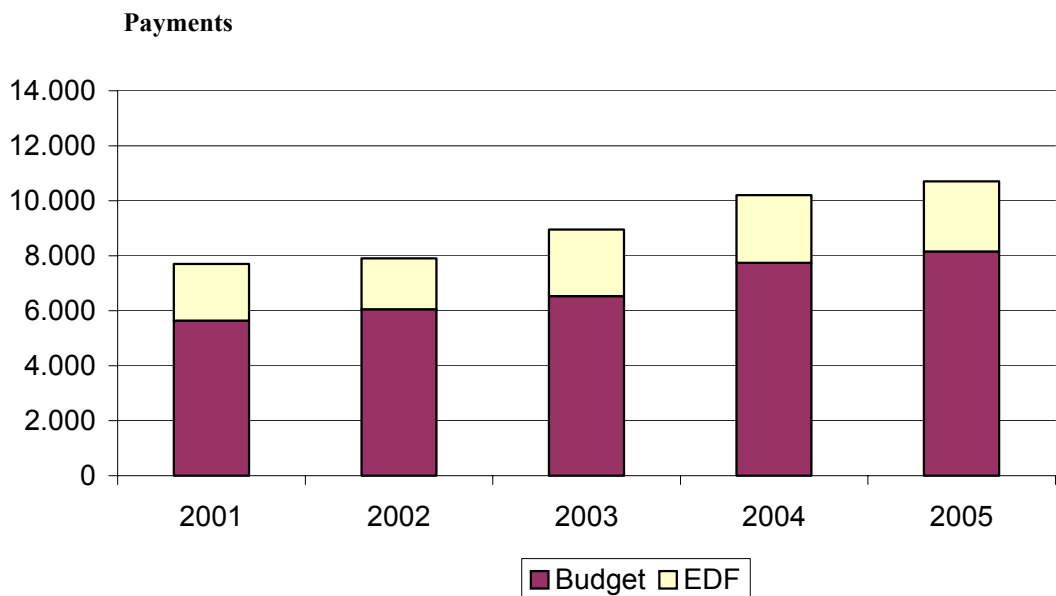
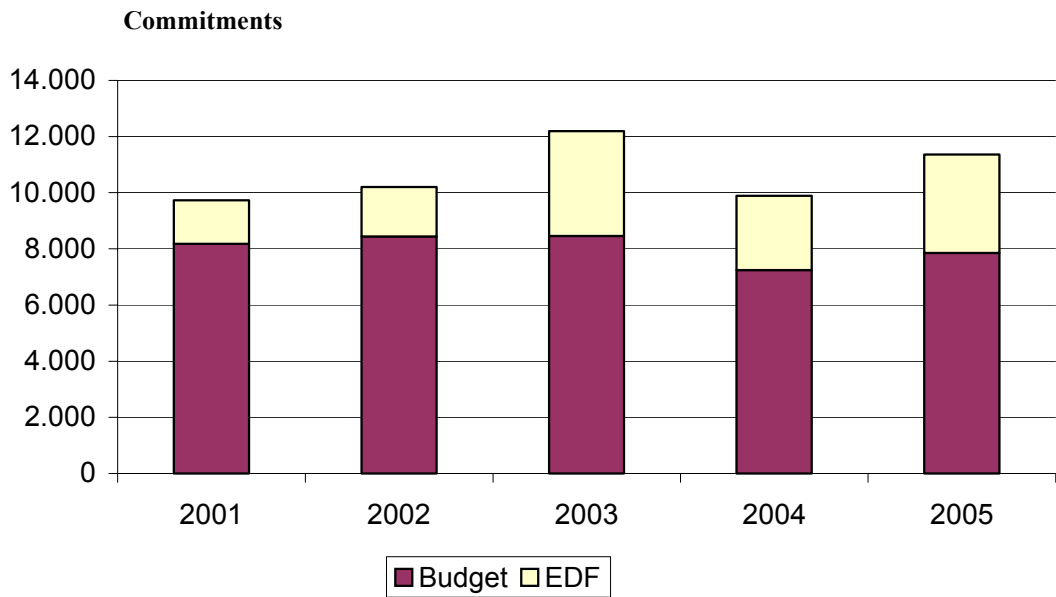


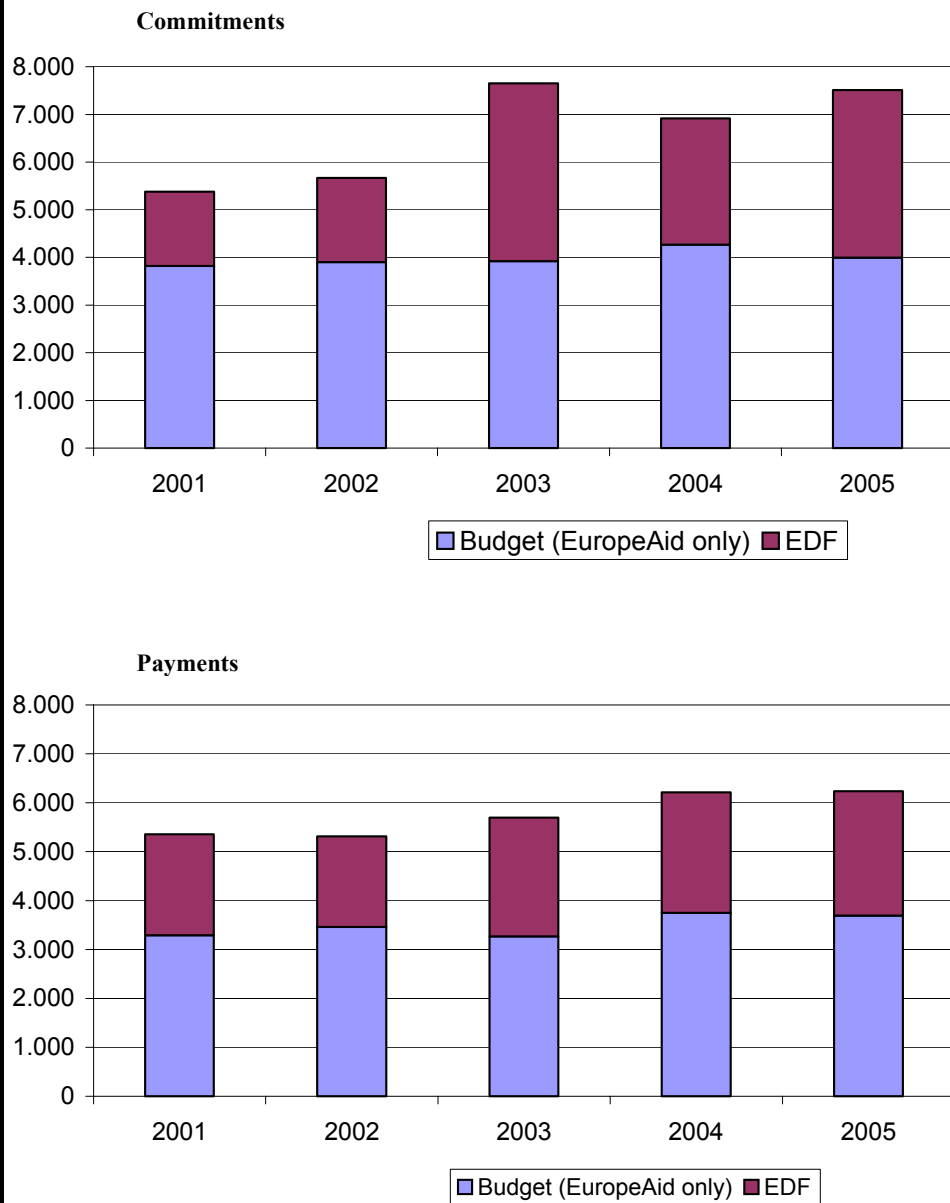
Fig.7.14. 2001-2005 External Assistance



External aid financed on the General Commission Budget and the European Development Fund (EDF). Amount in € million.

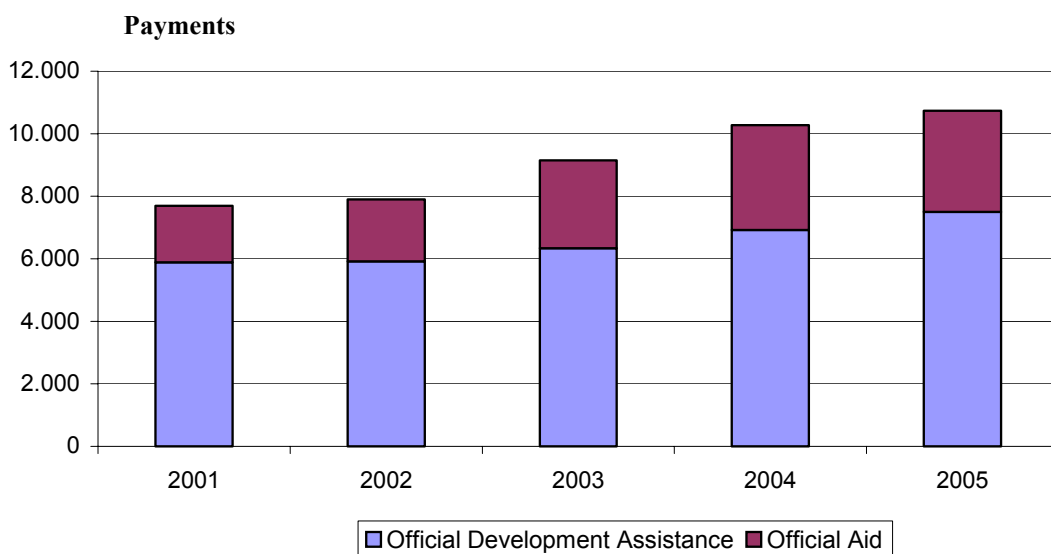
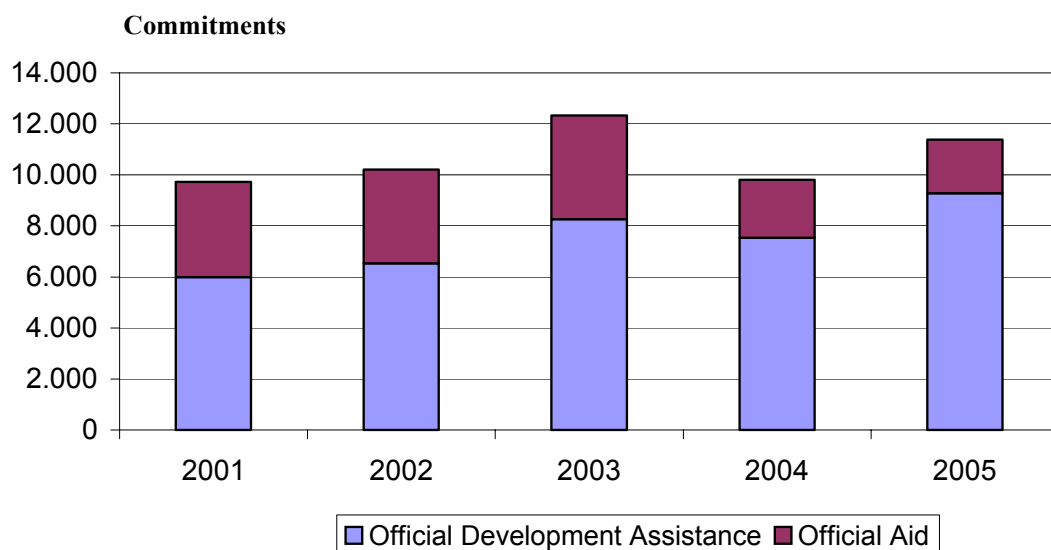
Source : Annual Report 2001, 2002, 2003 and 2004 (Breakdown by budget line of external aid financed on the General Commission Budget + Breakdown by instrument of development assistance financed on the European Development Fund (EDF))

Fig.7.15. 2001-2005 Development aid managed by EuropeAid



External aid financed on the General Commission Budget and the European Development Fund (EDF) managed by EuropeAid. Amount in € million.
 Source : Annual Report 2001, 2002, 2003 and 2004

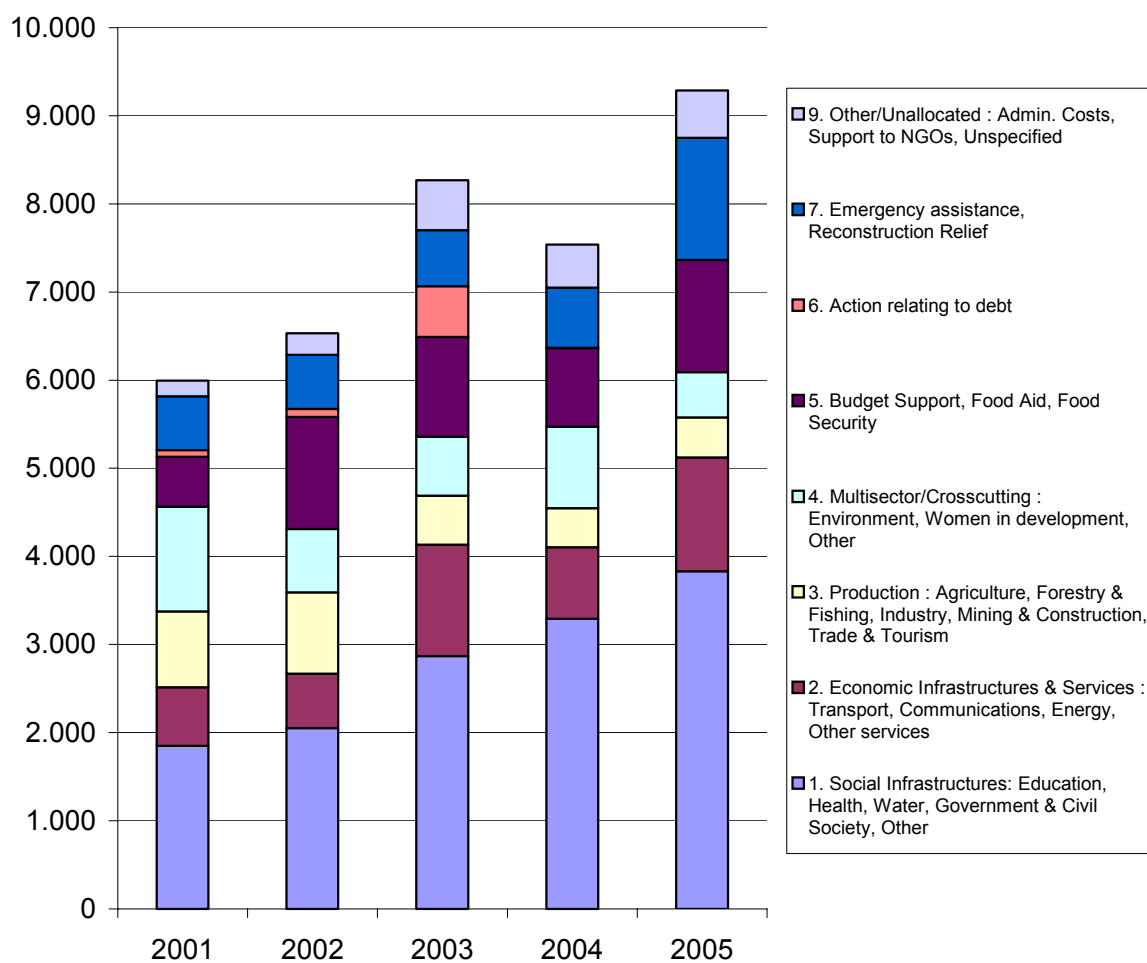
Fig.7.16. 2001-2005 Official Development Assistance (ODA) and Official Aid (OA) by the EC



External aid financed on the General Commission Budget and the European Development Fund (EDF). Amount in € million.

Source : Annual Report 2001, 2002, 2003, 2004 (Breakdown by country/region of external aid financed on the General Commission Budget and the European Development Fund (EDF)). Administrative expenditures incl.

Fig.7.17. 2001-2005 Sectoral breakdown of Official Development Assistance (ODA)



Commitments in € million.