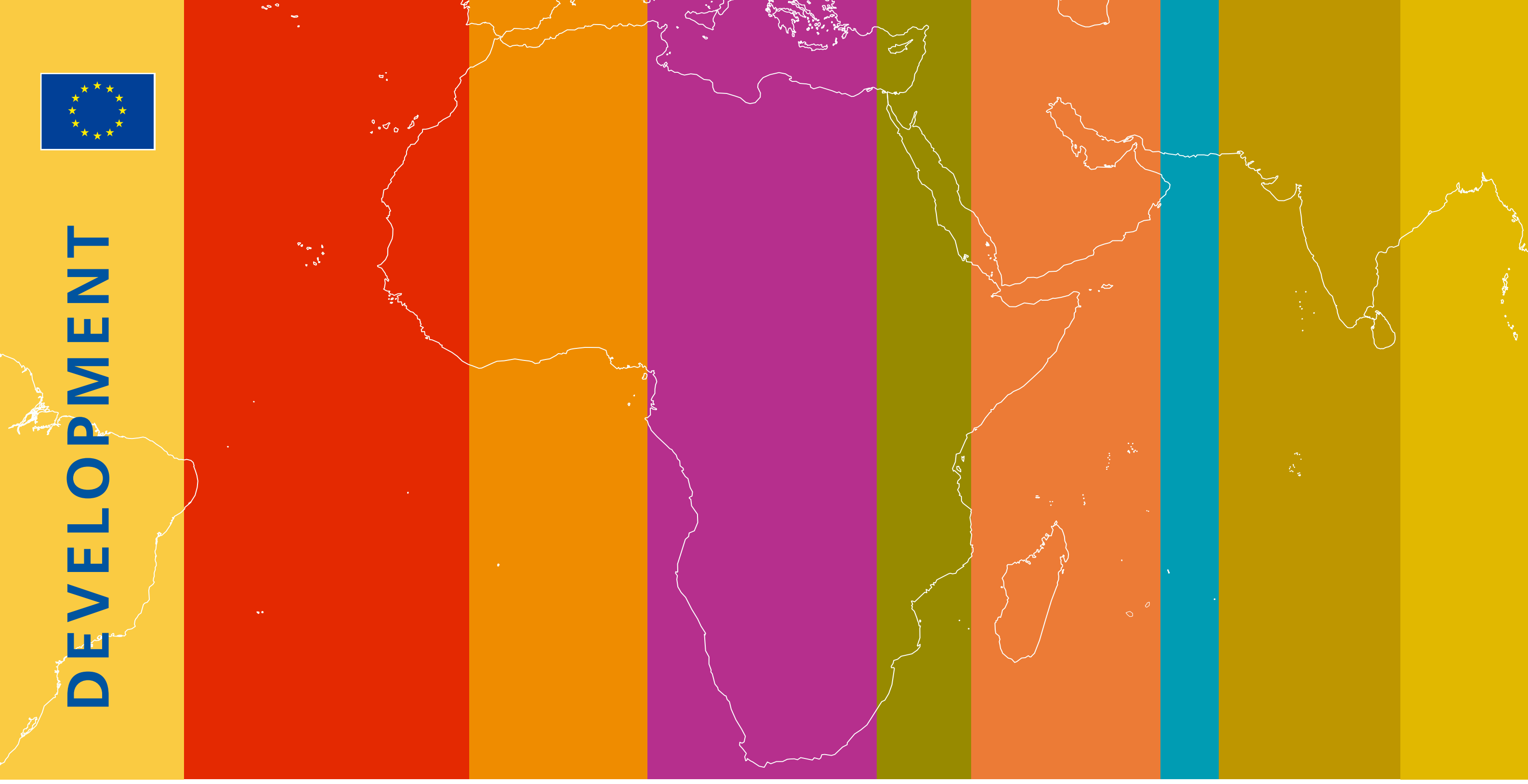

Africa

and the European Union

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FOREWORD

EU-AFRICA – THE NEW PARTNERSHIP

Poul Nielson
Commissioner for Development

For Europe, co-operation with Africa is a priority, deeply rooted in history. However, political dialogue development on a continental basis is a relatively recent phenomenon. In Cairo in April 2000, the group of European Heads of State and Government met their African counterparts for the very first time. The novelty in Cairo was not what was said or who participated, for they have numerous opportunities to meet each other in other contexts or within different groups. What was different was the opportunity to tackle the problems of African development, to identify the issues of common concern to the whole continent, and the leaders' call for the strongest possible determination to solve them.

Africa has changed since Cairo. With the birth of the New Partnership for African Development (NEPAD), and the African Union, a charter and an ambitious institutional structure that places governance and freedom at the heart of development have been created.

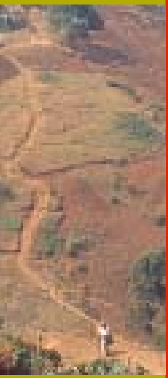
Europe itself has also changed. It is now more integrated, with the common currency and the progress made in the areas of foreign and security policy, as well as justice. It has embarked on decisive stages to prepare its next enlargement phase for 10 new member countries. With the Convention, work has started on the updating of its institutions with a view to enlargement and the extension of the areas covered by the Treaties.

Our world has changed since Cairo. New conflicts and instability affect many regions. Despite these difficulties important international conferences have followed one another since 2000 (Doha, Monterrey, Johannesburg), which have resulted in constructive commitments. Unfortunately, it is already clear that for a number of countries, particularly in Africa, the Millennium Development Goals will not be achieved by 2015.

The EU-Africa dialogue must embrace all the priorities and concerns that exist on both sides.

To succeed, dialogue must be open to all. One of the highest profile successes in Cairo was managing to bring together all the African and EU states concerned with collectively finding a way around disagreements and divisions that sometimes go back a long time. What was achieved in Cairo – a symbol of trust between partners and a guarantee of sincerity – must be preserved in all future dialogue.

With its ambitious goals, dialogue between the EU and Africa must find its true place among the multilateral discussions and the range of specific co-operation instruments that exist between the two continents. If it results in greater understanding, it will influence both continents. Together, Europe and Africa can fight poverty and build peace. This is our challenge for the future.



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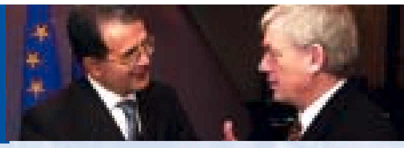
THE EUROPEAN UNION



United in peace and prosperity

The process of European integration has been marked by constant progress and change ever since the European Coal and Steel Community (ECSC) was founded in 1952. The ECSC was designed to be the foundation for lasting peace and prosperity in a continent divided by its diversity as well as different political and economic systems.

The EU is the result of a process of deep regional co-operation and integration that began in 1951 among the Benelux countries (Belgium, the Netherlands and Luxembourg) and grew to include Germany, France and Italy. During these 50 years of political, economic and social co-operation, the EU expanded to include 15 Member States. Today, 10 countries from central and Eastern Europe as well as the Mediterranean are about to join the EU.

The institutions

The EU is governed by five main institutions: The Commission proposes, the Parliament advises and shares with the Council of Ministers the power to legislate, the Council takes the final decision, the Court of Justice rules and the Court of Auditors ensures transparency.

As the EU responsibilities have broadened, the institutions have grown larger and more numerous. They work closely together in constructive co-operation for the benefit of all citizens and are supported by: the Economic and Social Committee, the Committee of the Regions, the European Central Bank, the European Ombudsman and the European Investment Bank (EIB).

The single currency

The Euro is the official currency of European Union Member States, with the exception of the UK, Denmark and Sweden. On 1st January 2002, Euro coins and notes came into circulation. The currency is the anchor of the Economic Union and completes the Single Market.

The advantages of a single currency include:

- increased transparency;
- no costly exchange rate fluctuations;
- lower transaction costs;
- simplified accounting procedures;
- simplified cost-price comparisons;
- reduced multiple currency cost management;
- more intra-EU competition, which creates a more favourable business environment.

The EU single market, unified by a single currency, brings with it reduced trade barriers, reduced risk and a more competitive market environment.

The Common Foreign and Security Policy

Global and regional crises and challenges, coupled with developments within the EU, have made new demands on the region's external activities. As a result, in 1993 the EU laid the groundwork for a Common Foreign and Security Policy (CFSP), further building upon Europe's solidarity.

A Common Security and Defence policy has been added to the CFSP framework. Its objectives are: preserving peace and strengthening international security in accordance with the principles of the UN Charter, promoting international co-operation and developing democracy and the rule of law, as well as respect for human rights and fundamental freedoms.

The European Commission

As the EU's executive body, the European Commission works in close partnership with the other European institutions and Member State governments. The Commission has the right of initiative, however, all the major decisions on important legislation are taken by the Ministers of the Member States in the Council of the European Union, in co-decision or consultation with the democratically elected European Parliament.

The Commission's task is to ensure the EU is attaining its goal of creating an ever-closer union of its members. It must also ensure that the benefits of integration are balanced between countries and regions, business and consumers and among European citizens. It works closely with the EU's two consultative bodies, the Economic and Social Committee and the Committee of the Regions.

It proposes legislation, acts as the guardian of the EU treaties to ensure legislation is correctly applied and functions as the executive body responsible for implementing and managing policy. It also manages the Union's annual budget, which amounted to some €97,5 billion in 2003 and provides Regional and Structural Funds, whose main purpose is to even out economic disparities between the richer and poorer Member States or regions. It also negotiates and implements trade and co-operation agreements with third countries and groups of countries.

The European Commission consists of a President chosen by the EU Heads of State and 19 Commissioners nominated by the governments of the EU Member States with the approval of the Commission President and subject to a collective vote of approval by the European Parliament. There are 39 Directorates-General (DGs), Specialised Services and Offices with specific portfolios. The Commissioners are responsible for the DGs, which report to them, with each Commissioner having the responsibility for one or more.

European Union Member States

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

New Member States

Cyprus
Czech Republic
Estonia
Hungary
Latvia
Lithuania
Malta
Poland
Slovakia
Slovenia

Applicant countries

Bulgaria
Romania
Turkey

The EU on the international stage

Europe has reached a turning point in the way it relates to the rest of the world and as a result, is determined to achieve its potential to be a meaningful force for positive global change.

EU national governments are powerful stakeholders in the G8, the World Trade Organization (WTO), the International Monetary Fund (IMF), the World Bank and in the United Nations Security Council (permanent and temporary members).

The European Commission plays a key role in implementing the EU's foreign and other policies, working through its 128 Delegations and Offices around the world. They are gradually being strengthened so that EU external assistance can be delivered more effectively.

The EU is also determined to create an environment in which civil society can flourish. This involves collaborating with the civil society and the social and economic actors in all areas of external co-operation to realise development objectives. Ownership, partnership and accountability are at the core of its development programme. It is supporting governments in developing poverty reduction strategies and is strengthening the voice of developing countries in international institutions.

Working in partnership

The European Commission and the EU Member States are the largest provider of Official Development Assistance (ODA) in the world. In 2000, the EU disbursed more than €27 billion in ODA to developing countries, representing 50% of all aid contributed by the OECD's Development Assistant Committee members.

In Monterrey (Mexico, March 2002), EU Member States committed to strive to increase their individual contributions so that collectively an EU average of 0.39% of GNI (Gross National Income) is reached. This will further consolidate the EU's position as the largest contributor of ODA in the world.

Total EU disbursements to Africa amounted to €8.1 billion in 2000, representing 67% of all DAC members' ODA to Africa. In 2001, European Commission aid commitments to Africa alone (as distinct from the EU Member States' bilateral programmes) amounted to €2.6 billion, representing 41% of the total European Commission's ODA.

The potential for increased aid transfers is considerable. Resources available for new commitments over the period 2002-2006 should amount to some €17 billion (from the EU budget and the European Development Fund, including Africa's share in the Investment Facility, managed by the European Investment Bank). This represents an average of €3.4 billion per year.

The EU spends €6.8 billion annually in assistance and is also the largest donor of humanitarian aid in the world.

The developing countries' main trading partner is the EU. It represents the single biggest market for imports and exports, more than twice the trade between developing countries and the US, Japan and Canada put together.

Within the Commission's external relations architecture, the Directorate-General for Development closely co-operates with other Commission services, in particular Directorate-General for External Relations, the External Assistance Co-operation Office (EuropeAid) and the European Community Humanitarian Aid Office (ECHO). It has also very close links

Largest trading block in the world

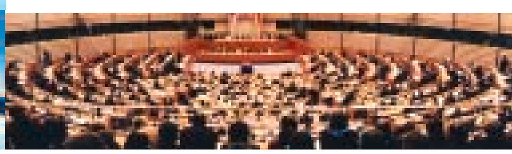
The EU's single market, comprised of 374 million consumers with more purchasing power than the US, makes it the largest trading block in the world.
The Euro has made this trading block more competitive and stronger both economically and politically on the global stage

The EU determines the legal framework for international trade

- Domestic and international trade laws
- Tariffs
- Competition law, acquisitions and mergers
- Product standardisation
- Environmental regulations
- Intellectual property rights – patent, trademark
- Bookkeeping, accounting rules, financial disclosure

	Population	Area (Km²)	Gross Domestic Product (GDP)	Human Development Index (HDI)		Capital City
EU Members			per capita US$	Value	Rank	
Austria	8 169 929	83 858	27 700 (2002)	0.926	15	Vienna
Belgium	10 274 595	30 510	29 000 (2002)	0.939	4	Brussels
Denmark	5 368 884	43 094	29 000 (2002)	0.926	14	Copenhagen
Finland	5 183 545	338 150	26 700 (2002)	0.930	10	Helsinki
France	58 892 000	551 500	25 700 (2002)	0.928	12	Paris
Germany	83 251 851	357 021	26 600 (2002)	0.925	17	Berlin
Greece	10 645 343	131 960	19 000 (2002)	0.885	24	Athens
Ireland	3 883 159	70 270	28 500 (2002)	0.925	18	Dublin
Italy	57 715 625	301 340	25 000 (2002)	0.913	20	Rome
Luxembourg	448 569	2 586	44 000 (2002)	0.925	16	Luxembourg
Portugal	10 084 245	92 391	18 000 (2002)	0.880	28	Lisbon
Spain	40 077 100	505 990	20 700 (2002)	0.913	21	Madrid
Sweden	8 876 744	449 964	25 400 (2002)	0.941	2	Stockholm
The Netherlands	16 067 754	41 526	26 900 (2002)	0.935	8	Amsterdam
United Kingdom	59 778 002	244 820	25 300 (2002)	0.928	13	London
EU Acceding Countries						
Cyprus	767 314	9 250	1 500 (2001)	0.883	26	Nicosia
Czech Republic	10 273 300	78 870	15 300 (2002)	0.849	33	Prague
Estonia	1 415 681	45 226	10 200 (2002)	0.826	42	Tallinn
Hungary	10 197 000	93 030	13 300 (2002)	0.835	35	Budapest
Latvia	2 372 000	64 600	8 300 (2002)	0.800	53	Riga
Lithuania	3 695 000	65 300	29 200 (2002)	0.808	49	Vilnius
Malta	397 499	320	17 000 (2002)	0.875	30	Valletta
Poland	38 650 000	323 250	9 500 (2002)	0.833	37	Warsaw
Slovakia	5 422 366	49 010	12 200 (2002)	0.835	36	Bratislava
Slovenia	1 938 917	20 273	1 800 (2002)	0.879	29	Ljubljana

Sources :
CIA Factbook 2002 /
Le Nouvel Observateur -
Atlas économique et politique mondial, 2003 /
UNDP Human Development Reports 2002



with the Directorate-General for Trade. The EU development co-operation is co-ordinated with Member States' policies and, as far as possible, with major international donors, such as the World Bank.

The ACP-EU Conventions (such as the Lomé Conventions and the ACP-EU Partnership Agreement, the Cotonou Agreement) are an innovative model of international co-operation based on equal partnership and a contractual relationship, aid and trade, mutual obligations and joint institutions to ensure a permanent dialogue.

	Population	Area (Km^2)	Gross Domestic Product (GDP)	Human Development Index (HDI)		Capital City
African Countries			per capita US$	Value	Rank	
Algeria	32 277 000	2 381 740	5 600 (2001)	0.697	106	Algiers
Angola	10 593 700	1 246 700	1 330 (2001)	0.403	161	Luanda
Benin	6 272 000	112 620	1 040 (2001)	0.420	158	Porto-Novo
Botswana	1 602 000	581 730	7 800 (2001)	0.572	126	Gaborone
Burkina Faso	12 603 185	274 200	1 040 (2001)	0.325	169	Ouagadougou
Burundi	6 807 000	27 830	600 (2001)	0.313	171	Bujumbura
Cameroon	16 184 748	475 440	1 700 (2001)	0.715	135	Yaoundé
Cape Verde	441 000	4030	4 033 (2001)	0.512	100	Praia
Central African Republic	3 717 000	622 984	1 300 (2001)	0.365	165	Bangui
Chad	8 997 237	1 284 000	1 030 (2001)	0.365	166	N'Djamena
Comoros	558 000	2 230	710 (2001)	0.511	137	Moroni
Congo	2 958 448	342 000	900 (2001)	0.511	136	Brazzaville
Democratic Republic of the Congo	50 948 000	2 345 410	590 (2001)	0.431	155	Kinshasa
Djibouti	632 000	23 200	1 400 (2001)	0.445	149	Djibouti
Egypt	70 700 000	1 001 450	3 700 (2001)	0.642	115	Cairo
Equatorial Guinea	457 000	28 050	1 970 (2001)	0.679	111	Malabo
Eritrea	4 097 000	117 600	740 (2001)	0.421	157	Asmara
Ethiopia	64 298 000	1 104 300	700 (2001)	0.327	168	Addis Abeba
Gabon	1 230 000	267 670	550 (2001)	0.637	117	Libreville
Gambia	1 445 842	11 300	1 770 (2001)	0.405	160	Banjul
Ghana	19 306 000	238 540	1 980 (2001)	0.543	129	Accra
Guinea	7 415 000	245 860	1 980 (2001)	0.414	159	Conakry
Guinea-Bissau	1 199 000	36 120	2 100 (2001)	0.349	167	Bissau
Ivory Coast	16 804 784	322 460	1 550 (2001)	0.428	156	Yamoussoukro
Kenya	30 092 000	580 370	900 (2001)	0.513	134	Nairobi
Lesotho	2 035 000	30 355	2 450 (2001)	0.535	132	Maseru
Liberia	3 130 000	111 370	1 100 (2001)	xxx	xxx	Monrovia
Libya	5 370 000	1 759 540	7 600 (2001)	0.773	64	Tripoli
Madagascar	15 523 000	587 040	870 (2001)	0.462	147	Antananarivo
Malawi	10 701 824	118 480	660 (2001)	0.400	163	Lilongwe
Mali	11 340 480	1 240 190	840 (2001)	0.386	164	Bamako
Mauritania	2 828 858	1 030 700	1 800 (2001)	0.438	152	Nouakchott
Mauritius	1 186 140	2 040	10 800 (2001)	0.772	67	Port Louis
Morocco	31 168 000	440 550	37 00 (2001)	0.602	123	Rabat
Mozambique	19 607 519	801 590	900 (2001)	0.322	170	Maputo
Namibia	1 820 916	824 290	4 500 (2001)	0.610	122	Windhoek
Niger	10 832 000	1 267 000	820 (2001)	0.277	172	Niamey
Nigeria	129 934 911	923 768	840 (2001)	0.462	148	Abuja
Rwanda	8 508 000	26 340	1 000 (2001)	0.403	162	Kigali
São Tomé and Príncipe	148 000	960	1 200 (2001)	0.631	119	São Tomé
Senegal	10 589 571	196 720	1 580 (2001)	0.431	154	Dakar
Seychelles	81 230	455	7 600 (2001)	0.811	47	Victoria
Sierra Leone	5 641 743	71 740	500 (2001)	0.275	173	Freetown
Somalia	8 778 000	637 657	550 (2001)	xxx	xxx	Mogadishu
South Africa	43 647 658	1 221 040	9 400 (2001)	0.695	107	Pretoria
Sudan	37 090 298	2 505 810	1 360 (2001)	0.499	139	Khartoum
Swaziland	1 123 605	17 360	4 200 (2001)	0.577	125	Mbabane
Tanzania	37 187 939	945 090	610 (2001)	0.440	151	Dodoma
Togo	5 285 501	56 790	1 500 (2001)	0.493	141	Lomé
Tunisia	9 815 000	163 610	6 600 (2001)	0.722	97	Tunis
Uganda	24 699 073	241 040	1 200 (2001)	0.444	150	Kampala
Zambia	10 089 000	752 614	870 (2001)	0.433	153	Lusaka
Zimbabwe	12 627 000	390 580	2 450 (2001)	0.551	128	Harare

Sources :
CIA Factbook 2002 /
Le Nouvel Observateur -
Atlas économique et politique mondial, 2003 /
UNDP Human Development Reports 2002

The EU-Africa relationship is deeply rooted in history. Today, these relations are maintained through a network of contractual arrangements that provide the partners with a solid foundation of predictability and security.

All African countries but one – Libya – have entered into partnership agreements with the EU. The 48 countries of Sub-Saharan Africa are signatories to the Cotonou Agreement, signed in 2000, and implemented since April 2003.

The four North African countries (Algeria, Egypt, Morocco and Tunisia) belong to the Euro-Mediterranean Partnership concluded in Barcelona in 1995. Each has signed a bilateral agreement with the EU to govern trade and co-operation links.

In 2000, South Africa and the EU concluded an ambitious Trade, Development and Co-operation Agreement (TDCA).

These agreements take into account the levels of development and national particularities of the EU's partners, however, they are all based on a comprehensive partnership founded on three pillars – political dialogue, preferential trade relations and significant resources devoted to development and economic co-operation.

Cairo: the beginning of a process

The EU-Africa dialogue was launched in April 2000, when African and European Heads of States met in Cairo. All Heads of States subscribed to the Cairo Declaration and the Cairo Plan of Action, a roadmap for the EU-Africa dialogue until now.

One year after the Cairo Summit, both Africans and Europeans decided to focus on eight priority issues: external debt, the return of stolen cultural goods, conflict prevention, human rights, democracy and good governance, regional integration, HIV/AIDS, food security, and the environment.

The stages of the dialogue

Since the Cairo Summit, Africans and Europeans have regularly met at senior official and ministerial levels. The first EU-Africa Ministerial Conference involving 53 African and 15 European ministers took place in Brussels in October 2001 and was a political success.

Ministers from both continents confirmed their political will to 'work towards a new strategic dimension for the comprehensive partnership between Africa and Europe', thus taking into account the new international context. They also adopted a Joint Declaration on Terrorism and declared their support for New Partnership for Africa's Development (NEPAD).

The second EU-Africa Ministerial Conference took place in November 2002 in Ouagadougou, Burkina Faso. Broad discussion on the eight priority themes led to progress on the issues of peace and security, governance, the plan of action on human trafficking and the question of cultural goods, which are now the new themes of co-operation.

Common positions were agreed to and follow up actions outlined on issues of ongoing co-operation such as trade and regional integration, environment, food security and HIV/AIDS. However, no agreement was reached on the issue of debt.

The African Union

The African Union (AU) is an ambitious initiative that replaced the Organisation of African Unity (OAU). The decision to establish AU was taken at the Extraordinary OAU Summit of September 1999 in Syrte, Libya. At the Durban Summit in July 2002, the Constitutive Act of the AU replaced the OAU Charter of 1963. It provides for the creation of a Pan-African Parliament (without legislative powers), an African Central Bank and an African Court of Justice, in addition to the existing, former OAU-bodies, which are the Assembly of the Heads of State and Government, the Executive Council of Foreign Ministers and the Commission.

The major goals of the AU, as stated by the President of South Africa and Chairman of the AU, Thabo Mbeki[*] , are the following:

- to achieve unity, solidarity and co-operation among the African peoples and states;
- to mobilise all segments of civil society as well as the private sector to act together in order to maximise the impact of the African continent in global affairs;
- to make everyone accept that dialogue and the peaceful resolution of conflicts are the only ways to guarantee enduring peace and stability;
- to work for the spread of democratic principles and institutions.

To this end, a socio-economic development programme, NEPAD, was called into being. It contains concrete measures to implement the major AU goals.

NEPAD – a New Partnership for Africa's Development

NEPAD is a vision and a strategic framework for Africa's renewal. The leaders of the five initiating states (Algeria, Egypt, Nigeria, Senegal, and South Africa) spearheaded it in response to a mandate given to them by the Summit of the then-Organisation of African Unity (OAU). NEPAD was adopted in July 2002 by the African Heads of State at the AU Inaugural Summit as its socio-economic development programme.

NEPAD, a holistic, comprehensive and integrated sustainable development initiative, is designed to address the current challenges facing the African continent:

- to reduce poverty;
- to place African countries, both individually and collectively, on a path of sustainable growth and development;
- to halt the marginalisation of Africa in the globalisation process;
- to accelerate the empowerment of women;
- to fully integrate Africa into the global economy.

NEPAD is based on the principles of African ownership and leadership, as well as participation by all sectors of society. The redevelopment of the continent is to be anchored to the resources and resourcefulness of the African people. It is intended to accelerate regional and continental integration and to build the competitiveness of African countries and the continent.

(*)
See box (page 8) including Thabo Mbeki statement at Durban Summit, July 2000

UN Millennium Development Goals

Agreed in 2000 and to be implemented by 2015

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

NEPAD is about forging a new partnership with the industrialised world based on mutual respect and accountability, replacing the unequal donor/recipient relationship. Its objectives are linked to the Millennium Development Goals. Its priorities are to:

- establish the conditions for development by ensuring peace and security, democracy, good governance, regional co-operation and integration as well as capacity building;
- bring about policy reforms and increased investment in the NEPAD priority sectors: agriculture; human development (health, education, science and technology, skills development), infrastructure (ICT, energy, transport, water, sanitation), environment;
- mobilise resources: domestic savings and investments, foreign direct investment, capital flows through debt reduction and increased Official Development Assistance (ODA);
- improve management of public revenue and expenditure;
- improve Africa's share in global trade.

The African Union

By forming the Union, the peoples of our continent have made the unequivocal statement that Africa must unite! We as Africans have a common and a shared destiny! Together, we must redefine this destiny for a better life for all the people of this continent.

The first task is to achieve unity, solidarity, cohesion, co-operation among peoples of Africa and African states. We must build all the institutions necessary to deepen political, economic and social integration of the African continent. We must deepen the culture of collective action in Africa and in our relations with the rest of the world.

Our second task is that of developing new forms of partnerships at all levels and segments of our societies, between segments of our societies and our governments and between our governments. We must mobilise all segments of civil society, including women, youth, labour and the private sector to act together to maximise our impact and change our continent for the better.

As Africans, we have come to understand that there can be no sustainable development without peace, without security and without stability. The Constitutive Act provides for mechanisms to address this change which stands between the people of Africa and their ability and capacity to defeat of poverty, disease and ignorance.

Together we must work for peace, security and stability for the people of this continent. We must end the senseless conflicts and wars on our continent which have caused so much pain and suffering to our people and turned many of them into refugees and displacees and forced others into exile.

We must accept that dialogue and peaceful resolution of conflicts are the only way to guarantee enduring peace and stability for our people. The Constitutive Act provides for such mechanisms.

Together we have made one statement against terrorism. As Africans, we must put our resources together to defeat terrorism with all its manifestations in the interest of peace and security for our people.

In the spirit of the Constitutive Act of the Union we must work for a continent characterised by democratic principles and institutions that guarantee popular participation and provide for good governance. Through our actions, let us proclaim to the world that this is a continent of democracy, a continent of democratic institutions and culture. Indeed, a continent of good governance, where the people participate and the rule of law is upheld.

Let us today, re-dedicate ourselves to those fundamental principles we have adopted of human and people's rights, of gender equality, of worker's rights and the rights of the child. (…)

The time has come that Africa must take her rightful place in global affairs. Time has come to end the marginalisation of Africa. We call on the rest of the world to work with us as partners.

Thabo Mbeki
President of South Africa,
Chairman of the African Union

New context, new *raison d'être*, new added value

The birth of the AU, the launch of its new institutions in Durban July 2002 and the adoption of NEPAD, created a new pan-African level of governance and gave a new *raison d'être* to the EU-Africa dialogue.

As recognised by the first EU-Africa Ministerial Conference and confirmed by the second, this new context offers a more appropriate and structured framework for the EU-Africa dialogue. Dialogue in the past was not properly anchored in an African institutional and strategic framework and as a result, had been rather tedious and slow.

The EU-Africa dialogue is not meant to duplicate existing fora within the framework of ongoing co-operation agreements. The intention is to create 'a space for dialogue' for issues concerning the whole of Africa and the EU.

The pan-African context

More recently there has been a need for political dialogue at continent level. Since Cairo, NEPAD has raised considerable interest on both sides of the EU-Africa table. Because of its pan-African nature and its broad membership that cuts across all regions, this initiative has become essential to the EU-Africa process.

In recent years, the EU has increasingly engaged in conflict prevention activities in Africa. It has also supported post-conflict demobilisation and reconstruction programmes. In most cases, this assistance has supported Africa's mediation efforts entrusted to regional or pan-African bodies, such as the Lusaka Peace Process, the Inter-Congolese Dialogue, and the Ethiopia/Eritrea Mission.

The regional dimension

Given the nature of many political and security issues and the EU's evolution towards a Common Foreign Policy, dialogue is increasingly taking place within a regional context. The Euro-Mediterranean dialogue, launched in 1995, is an example of this dynamic.

The Southern African Development Community (SADC) and the EU signed a 'Declaration' in Berlin, Germany on 6 September 1994.
The overall objective of the Berlin Initiative is to contribute to peace, democracy and sustainable development in Southern Africa. The purpose of the Declaration was to further the development of relations between the two regions and to establish a comprehensive dialogue. Since this Berlin Initiative there has been an active dialogue within the SADC. More recently a high-level political dialogue between the EU and the Economic Community of West African States (ECOWAS) has been initiated.

The 'fundamentals'

Peace and security as well as the quality of governance, both considered prerequisites for economic and social development, are core activities for the AU. These issues are fully acknowledged and reflected in EU-Africa agreements.

All agreements outline provisions for a structured political dialogue and include a definition of the 'essential and fundamental elements' that correspond precisely to NEPAD's priorities: strengthening democracy, protecting human rights, promoting the rule of law and good governance. They are common principles and objectives that underpin the political dialogue between Europe and Africa.

Political dialogue traditionally takes place at country level and is actively pursued under Cotonou, the Euro-Mediterranean and the EU-South Africa agreements. It deals primarily with promoting respect of the essential elements, but also with foreign policy and security issues of common interest.

The Cotonou Agreement

The ACP group

Founded in 1975 with the signing of the Georgetown Agreement, the ACP group is made up today of 79 African, Caribbean and Pacific countries.

Institutions

The Council of Ministers: the supreme body with decision-making power. Member States are represented at ministerial level. The Council defines the broad outlines of the Group's policies and examines ACP-EU co-operation as well as intra-ACP matters.

The Committee of Ambassadors: composed of the ACP Ambassadors to the EU or their representatives, it assists the Council of Ministers and supervises the implementation of the Cotonou Agreement.

The ACP General Secretariat: co-ordinates the activities of the ACP institutions. Located in Brussels.

Following 25 years of four successive Lomé Conventions, the Cotonou Agreement, which entered into force in April 2003, is an innovative framework for a deeper partnership between ACP countries and the EU. The objective is to facilitate economic development and to address – together – the major challenges of poverty, conflict and war, environmental degradation and the risk of economic and technological marginalisation.

The Cotonou Agreement represents a milestone in the objectives, the ways and means to achieve them and the nature of the partnership. It makes a clear association between the political dimension, partnership, trade and development, based on clearly defined performance criteria. Under the European Development Fund (EDF), the EU provides assistance to 77 African, Caribbean and Pacific (ACP) countries and to 20 Overseas Countries and Territories (OCTs).

ACP-EU development co-operation is being pursued through integrated strategies that incorporate economic, social, cultural, environmental and institutional elements that should be locally owned. It thus provides a coherent enabling framework of support to the ACP's development strategies, ensuring complementarity and interaction among the various elements.

The trade regime envisaged by the Cotonou Agreement represents a radically different perspective for ACP partners. To promote sustainable development and poverty eradication, the ACP countries and the EU have agreed to conclude Economic Partnership Agreements (EPAs), the negotiation of which started on 27 September 2002. EPAs will be WTO-compatible trade agreements; they will progressively remove barriers to trade between EU and ACP sub-regions, and enhance co-operation in all relevant areas.

EPAs are designed to foster the regional integration process in Africa. In this respect, they are, above all, instruments for building markets and with this, offer an appropriate contribution to the objectives of the African Union and NEPAD. The negotiations of the EPAs should be concluded by December 2007 at the latest, and the agreements are supposed to enter into force by 1st January 2008.

Fighting poverty

Fighting poverty is the central objective of EU development policy. To promote ownership, a close dialogue with the African countries and regions presides over the allocation of aid.

This multi-annual programming exercise gives African partners the opportunity to set their own priorities, spell out policy objectives, and define the focal sectors to which European Commission aid should be targeted. EU Member States are increasingly associated to this process in order to maximise complementarity of co-operation. This enables the European Commission to focus its support on a limited number of sectors.

The ACP-EU partnership is centred on the objective of reducing and eventually eradicating poverty, consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy.

Political dialogue and reinforced participation

Dialogue is a key element in the success of development co-operation activities and is at the heart of the ACP-EU relationship. It is conducted within and outside the institutional framework at national, regional or ACP level. Its aim is to encourage participation, integrating the private sector and civil society organisations into the mainstream of political, economic and social life.

Respect for all human rights and fundamental freedoms, democratic principles, good governance and the rule of law are essential elements of the partnership. A participatory approach, by including civil society and economic and social actors in the ACP-EU partnership, helps define strategies and priorities that were previously under the exclusive jurisdiction of national authorities.

A new spirit of development co-operation

The Cotonou Agreement defines a general strategic framework reflecting international commitments and simultaneously taking into account the political, economic, social, cultural and environmental components of development.

Under past Lomé Conventions trade co-operation was based on generous preferential tariffs. The Cotonou Agreement aims to support the mutually reinforcing effects of economic and trade co-operation and development aid. The objective of integrating the ACP countries into the global economy involves enhancing production, supply and trading capacity as well as increasing ACP capacity to attract investment, to formulate strong trade and investment policies, and to handle all issues related to trade.

Under the Cotonou Agreement, EPAs will progressively remove barriers to trade between the ACP and the EU and enhance co-operation in a wide range of trade-related areas.

The EU's development co-operation emphasises regional integration and co-operation. This approach is to foster economic and social development, to raise and lock-in improved governance as well as to promote stable and peaceful relations among nations. It also enables countries to meet cross-border challenges, particularly in the areas of the environment and management of natural resources.

The EU's political and financial weight enables it to participate in improving the macroeconomic framework of ACP partner countries. This involves policies and institutional framework for fiscal balance, debt sustainability and external economic and trade balance as well as for encouraging competition and private sector development.

Specific provisions and measures have been foreseen to support Least Developed Countries (LDCs) and Landlocked and ACP Island States. In regard to the latter, they are directed at supporting them in their efforts to overcome the natural and geographic difficulties hampering their development.

Conflict prevention and peace building

As the 21st century unfolds, Africa still witnesses wars, rebellions, coups d'état and ethnic conflicts, which not only annihilate development gains in the countries concerned but put at risk the prosperity and sustainable development of neighbouring nations and entire regions.

In the context of the momentum created by the new pan-African initiatives and by the emergence or consolidation of an important number of peace processes (Angola, Sudan, Democratic Republic of Congo, Sierra Leone), the international community and the EU face the immediate challenge of living up to their commitment to mobilise adequate support to conflict prevention and peace building activities.

This approach is based on the notion of ownership, as experience has shown that conflict prevention and resolution in Africa is best carried out by African nations themselves. Relevant activities shall also include, support for mediation, negotiation and reconciliation efforts, as well as for effective regional management of shared, scarce natural resources.

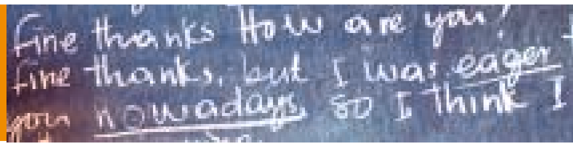
National and Regional Indicative Programmes

The Cotonou Agreement has rationalised the wide range of instruments that existed under previous Lomé Conventions. Available grant resources to support long-term development are channelled through National and Regional Indicative Programmes.

Development finance co-operation is implemented on the basis of objectives, strategies and priorities established by the ACP partners at national and regional levels. This co-operation will promote local ownership and a partnership based on mutual rights and obligations. It recognises the importance of predictability and security in funding and is flexible enough to address individual situations.

Each ACP country and region receives an indication from the EU of the volume of resources available over a five-year period to finance activities included in the National or Regional Indicative Programmes (NIPs and RIPs). The access of non-state actors to these funds has improved and the resources available form part of the allocation granted to each ACP country or region.

Once a Country (or Regional) Support Strategy has been agreed, in consultation with stakeholders, the EU Member States and bilateral as well as multilateral donors, it is implemented through a work programme. This programme serves as a blueprint for all ongoing and intended EU activities in the country or region, broken down by sector and by instrument and following a defined timeline.



Priority sectors, emerging from the ongoing programming of the 9th EDF's €13.5 billion for the ACP countries over the coming five years reflect a stronger focus on a limited number of sectors consistent with those identified under NEPAD and the EU-Africa dialogue. Based on data available from programming already completed, the priority sectors of co-operation for 2002-2006 period will be:

- infrastructure, mainly transport (24%);
- budget support in the framework of Poverty Reduction Strategies (14%);
- specific support for the education and health sectors (14%);
- private sector development (12%, including the Investment Facility managed by the EIB);
- governance, democracy, human rights (10%);
- other: including agriculture, environment, water, humanitarian aid, and multi sector programmes (26%).

Support is provided through sectoral programmes, budgetary support, investments, rehabilitation, training, technical assistance and institutional support. This approach funds programmes that support decentralisation to foster the emergence of efficient systems of local governance, local development initiatives and political and social dialogue.

Recognising the important role of markets and of the private sector as engines of economic growth, the Cotonou Agreement provides for an integrated approach that involves the private sector in most areas of co-operation. Emphasis is placed on capacity building of representative private sector organisations to engage in this dialogue. Domestic and foreign investment is promoted through a support package in linked forms of investment: promotion at national and regional levels, finance and support, guarantees and protection.

Technical co-operation assists ACP partners in developing national and regional human resources and the development of institutions vital for development success.

Trade related assistance is also gaining much importance in the different National Programmes. It is most often incorporated in a broader field of intervention, such as in the fields of capacity building or institutional reforms. In the Regional Indicative Programmes, economic integration and trade constitute around 50% of total allocations.

To help alleviate the debt burden of ACP countries and their balance-of-payment difficulties, resources are provided to contribute to debt relief initiatives agreed to at international level. Support is provided for macroeconomic and sectoral reforms. Within this framework, the parties ensure that adjustment is economically viable as well as socially and politically feasible.

The agreement on additional support in case of fluctuations in export earnings recognises a partner's vulnerability resulting from high dependence on export earnings from the sectors of agriculture and/or mining, and this support is used to finance the national budget. Eligibility is linked to whether the loss jeopardises overall macroeconomic stability.

Financial resources of the ACP-EU Partnership Agreement

The European Development Fund (EDF), to which all EU Member States contribute, finances projects and programmes in the ACP states and the Overseas Countries and Territories (OCT)

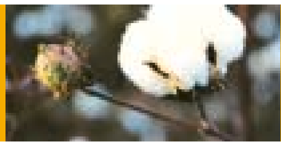
The European Commission, with the exception of risk capital, which is managed by the European Investment Bank (EIB), administers the EDF. Each EDF is supplemented by EIB loans.

Through the €13.5 billion of the 9th European Development Fund (EDF) covering the Cotonou Agreement's first five years, the EU is supporting ACP governments:

• Long-term allocation:	€10 billion
• Regional allocation:	€1.3 billion
• Investment Facility:	€2.2 billion

In addition:

• Remaining balances from previous EDF:	€9.9 billion
• EIB resources:	€1.7 billion



Economic and trade co-operation

The special trade relations between ACP countries and the EU have a long history. Since 1975, they have been based on non-reciprocal trade preferences that grant duty free access to the European market for nearly all products originating in ACP countries. However, trade preferences have not halted the increasing marginalisation of ACP markets in world trade nor in trade with the EU. Neither has the high dependence of the ACP countries on a few commodities been overcome.

The Cotonou Agreement aims at smoothly integrating the ACP States into the world economy by strengthening their production, supply and trading capacity. This involves increasing capacity to attract investment, formulating strong trade and investment policies and handling all issues related to trade.

Economic Partnership Agreements (EPAs)

As part of the drive to achieve these objectives, non-reciprocal trade preferences will be replaced EPAs. Negotiations started in September 2002 on an all-ACP level, preparing negotiations on a regional level from September 2003. EPAs enter into force in 2008 and will be based on four principles:

- Partnership. The EU will tackle the major barriers to trade and work with the ACP in overcoming export hurdles, however, ACP states are to implement the appropriate policies to strengthen supply capacities and reduce transaction costs.
- Regional integration and progressive liberalisation. EPAs will build on and deepen ACP regional integration initiatives and will progressively lead to free trade areas with the EU.
- Differentiation and flexibility. This is in accordance with the level of development, with special attention for Least Developed Countries.
- Compatibility with multilateral trade rules.

EPAs will be closely associated with development assistance (including Trade Related Technical Assistance) and will take a comprehensive approach. They will focus on market access for goods as well as pay special attention to important global issues such as services, intellectual property, competition rules, standardisation, sanitary and phyto-sanitary measures, labour standards, and the environment.

EPAs are composed of several elements, to be negotiated and implemented progressively beginning in 2008 according to the integration process of the ACP sub-regions.

- The primary building block of EPAs is the establishment of a free trade area, which progressively abolishes substantially all tariffs between the parties, as well as all non-tariff measures, such as quotas and measures having an equivalent effect.
- In this context and to increase economic efficiency, EPAs will also aim at simplifying all requirements and procedures related to imports and exports, drawing on the highest international standards.
- Free trade should not only extend to trade in goods, but also to trade in services. Indeed, the importance of trade in services in world trade is increasing and there are many examples of sectors where ACP countries have a comparative advantage. Services are therefore potentially a significant source of growth for the ACP countries. In addition, the service sector is increasingly becoming an important input to trade in goods and is a key determinant for a country's competitiveness.
- The simple removal of border measures will not be sufficient. In particular, the potential gains from trade liberalisation will not be fully realised unless other factors causing segmentation of markets are removed. EPAs will therefore address all areas relevant to trade.

Facts and figures

Between 1976 and 1999
- ACP's share in world exports fell from 3.4% to 1.1%.
- The ACP's share in total EU imports fell from 6.7% to 2.8%.

In 1999
- 10 African countries represent 61% of total ACP exports.
- Nine products represent 57% of total ACP exports.

Preparation for EPAs

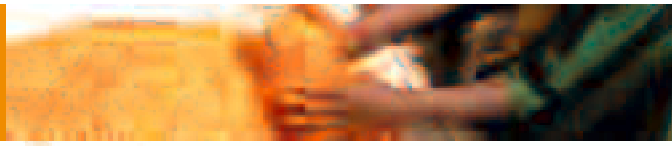
A €20 Mio EU facility has been put in place to help ACP countries to prepare and conduct negotiations. Capacity building activities are well under way and include:

- Specific study work, seminars and workshops aimed at developing negotiating positions.
- Training in negotiating techniques for ACP officials leading negotiation teams.
- Technical assistance to ACP countries and regional economic groups in the area of trade policy.
- Targeted technical assistance to ACP countries and regional groupings aimed at consolidating economic integration initiatives.

Trade.Com

A new €50 Mio all ACP bridge fund has been earmarked under the 9th EDF that will be operational by early 2004. This Facility will capitalise on experience gained so far. It intends not only to continue assisting the ACP in preparation of their trade negotiation positions but also to assist them in assessing their broader trade capacity needs, designing strategies to meet these needs, mainstreaming trade in their development policies, and in providing capacity building assistance to kick-start the implementation of these trade policies at the institutional level.

At the same time, endogenous trade research capabilities will be developed and regional networking enhanced to ensure sustained ACP participation in the international trade system beyond the Doha Development Agenda and EPA negotiations and to ensure additional funding is found at national or regional level for mainstreamed trade development activities.



Dealing with WTO issues

The EU is also providing funds to help ACP States deal with WTO issues (€10 Mio).
More substantial support is forthcoming through the national and regional support programmes.

Boosting ACP's presence

The funding in January 2002 (€1.45 Mio) of a Geneva-based office to help ACP countries boost their WTO presence is an important step towards fulfilling the EU's commitment to put development issues at the heart of multilateral trade negotiations.

Support to the HIPC initiative

The European Commission participates actively in the debt burden reduction effort under the enhanced Highly Indebted Poor Countries (HIPC) initiative, both in its role as creditor by providing direct debt relief to HIPC countries as well as in its role as donor in support of the HIPC Trust Fund.

It has so far pledged more than €1.3 billion to the initiative. Of this, the sum of €734 Mio has been transferred to the HIPC Trust Fund, representing the single biggest contribution to the HIPC Trust Fund (or 27% of pledged amounts). To ensure the European Commission can meet its obligations as a creditor, the sum of €485 Mio has been pledged. The EU will also grant to African Least Developed Countries participating in the HIPC initiative 100% relief from their special loans, when they reach completion point.

Support for the private sector

The EU and its African partners consider that the private sector should play a more important role in sustainable development by contributing to growth and employment creation.

To this end, the EU has developed a comprehensive strategy, tackling issues at all economic levels: macro, meso (intermediary), and micro (enterprise) levels. Its strategy and instruments to support private sector development are complemented by the EIB's sizeable level of credit activity in Africa.

EU-ACP Business Assistance Scheme (EBAS)

This facility aims to increase the competitiveness of ACP enterprises and to strengthen the capacities of the private financial and non-financial intermediaries. It uses a matching grant scheme that encourages enterprises and intermediaries to use short-term consultancy services to improve their competitiveness. Grants of €70,000 are available to enterprises and there is no limit to the size of grants to intermediaries. The total EBAS budget is €20 Mio.

PRO€INVEST – Promotion of foreign direct investment

The programme, open to all ACP countries, promotes on a regional basis, environmentally friendly investment and inter-enterprise co-operation agreements in key sectors. This includes strengthening the role of Investment Promotion Agencies, intermediary private organisations and providers of investment-related business services (INTERPOWER). The Southern African Development Community (SADC) benefits from a specific Europe-SADC Investment Programme (ESIP) which predates, and was in many ways the model for PRO€INVEST.
It focuses on those sectors and EU-ACP investments and partnerships that will contribute to the attainment of wider social objectives of ACP countries (INVEST€TECH). Operational since the beginning of 2001, it has a budget of €110 Mio available over a period of seven years.

Highlights of the new ACP-EU Agreement

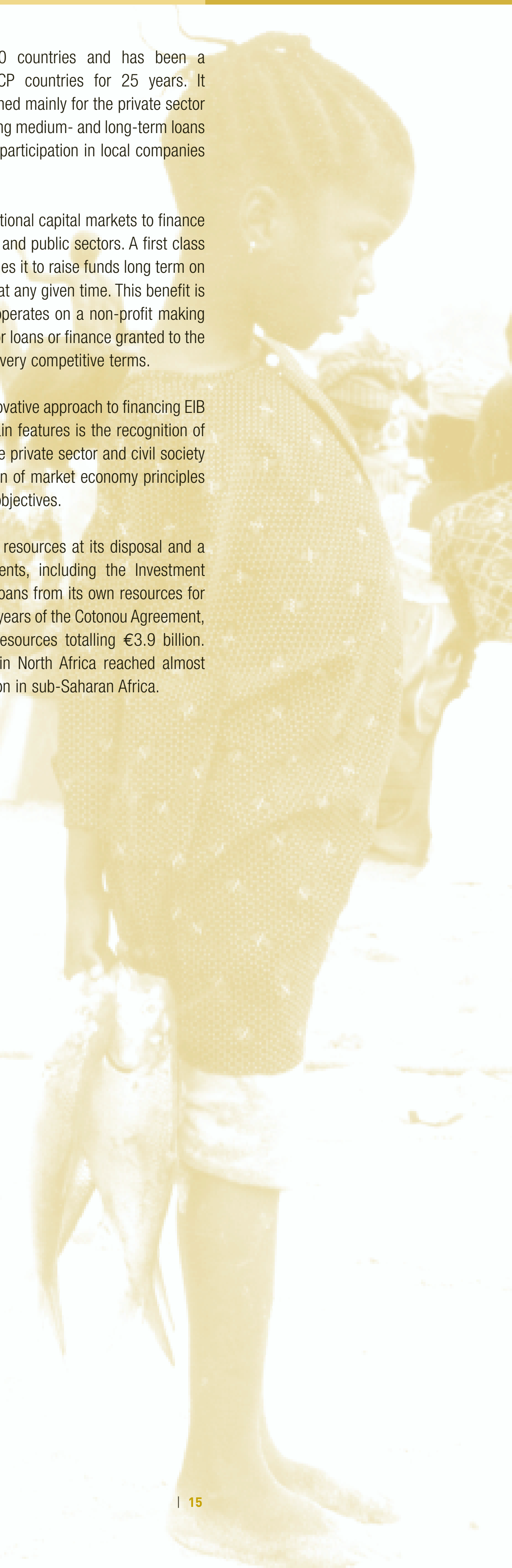
The major innovations aim to:

- Refocus development policies on poverty reduction strategies.
- Enhance the political dimension.
- Promote participatory approaches.
- Explicitly address corruption.
- Involve civil society in the reforms and policies to be supported by EU.
- Base the allocation of funds not only on an assessment of each country's needs but also of its policy performance.
- Create an Investment Facility to support the development of the private sector.
- Rationalise instruments and introduce a new system of rolling programming; allowing the EU and the beneficiary country to adjust regularly their co-operation programme.
- Decentralise administrative, and in some cases financial, responsibilities to local level with the aim of making co-operation more effective.
- Improve the policy framework for trade and investment development.
- Enhance co-operation in all areas important to trade, including new issues such as labour standards and the linkages between environment and trade.

Performance criteria:

- Progress in implementing institutional reforms.
- Country and regional performance in the use of resources.
- Effective implementation of current operations.
- Poverty alleviation or reduction.
- Sustainable development measures.
- Macroeconomic and sectoral policy performance.

The role of the European Investment Bank



CDE – a positive impact on Small and Medium-sized Enterprizes

For 25 years, the Centre for the Development of Enterprise (CDE), formerly the Centre for the Development of Industry, has been providing technical assistance to the manufacturing sector. CDE was set up as a jointly staffed and managed ACP-EU institution and provides a high level of expertise to companies across a wide range of sectors. It focuses on SMEs with at least €80,000 turnover or investment and a minimum of five employees as well as companies developing new projects. Assistance includes pre-feasibility/feasibility studies, market and technology advice, finance and environmental studies.

Each year, the CDE works with more than 100 companies in the key sectors of wood, minerals, agro-food and garments. Between 1977 and 2001, it has provided support to about 500 local companies for more than €18 Mio, of which €12 Mio were from its own resources.

The centre manages the PRO€INVEST programme, designed to facilitate and support investment in the ACP private sector. CDE has a comprehensive network of representatives and co-operating institutions in both ACP and European countries. The five-year budget is €90 Mio.

The Investment Facility

The Investment Facility, set up under the Cotonou Agreement, will stimulate regional and international investment, reinforce the capacity of local financial institutions, strengthen local financial and capital markets, encourage foreign investment and the private sector by financing projects and commercially viable enterprises and companies.

It will achieve these objectives by providing risk capital in the form of equity participation, quasi-capital assistance to ACP enterprises or guarantees and other credit enhancements both for foreign and local investors or lenders. Beneficiaries will be small businesses, local financial institutions and enterprises undergoing privatisation.

Managed by the EIB as a revolving fund in all sectors, the Investment Fund aims to be financially sustainable. It was launched using €2,200 Mio from the 9th EDF.

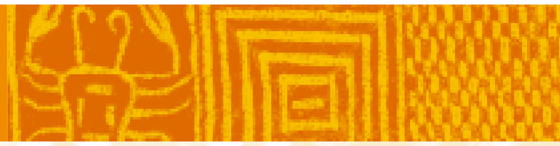
The EIB works in more than 120 countries and has been a development partner with most ACP countries for 25 years. It manages part of the EDF funds destined mainly for the private sector in ACP countries and OCTs by providing medium- and long-term loans or by taking direct or indirect equity participation in local companies or financial institutions.

EIB also uses funds raised on international capital markets to finance larger operations, both in the private and public sectors. A first class international credit rating (AAA) enables it to raise funds long term on the best market conditions available at any given time. This benefit is passed on to borrowers because it operates on a non-profit making basis. In both cases, the conditions for loans or finance granted to the private or public sector are given on very competitive terms.

The Cotonou Agreement takes an innovative approach to financing EIB managed investments. One of its main features is the recognition of the complementary role played by the private sector and civil society in all its forms and of the contribution of market economy principles to the achievement of development objectives.

The EIB will have considerably more resources at its disposal and a broader range of financial instruments, including the Investment Facility. It will also be able to make loans from its own resources for up to €1.7 billion during the first five years of the Cotonou Agreement, which means it will be managing resources totalling €3.9 billion. During 1997-2000, EIB operations in North Africa reached almost €5.4 billion and exceeded €1.5 billion in sub-Saharan Africa.

MEDA, EPRD
and other trade instruments



Support for Africa is further financed through region specific envelopes, such as the Mediterranean Agreement (MEDA) for North Africa, and the European Programme for Reconstruction and Development (EPRD) for South Africa.

Thematic envelopes are available for all developing countries to support democracy and human rights, NGO co-financing, food security and humanitarian assistance, among other issues.

The method used for allocating programmable aid between countries and regions is very close to what an enhanced partnership scheme would suggest, particularly for sub-Saharan Africa. Basic country allocations are determined on the basis of objective criteria, such as population, GDP per capita, geographical or structural factors. They are, however, topped up depending on performance.

MEDA – Euro-Mediterranean Partnership Programme

MEDA underpins the Barcelona Process with a budget of €5.3 billion for 2000-2006. It funds bilateral and regional programmes. Bilateral programmes focus on supporting economic transition and contributing to strengthen the social impact. Regional programmes support the objectives of the Barcelona Declaration. For example, under the political and security partnership, the regional programme finances the EuroMesCo network.

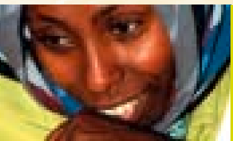
Under the economic and financial partnership, the regional programme supports networking among chambers of commerce and employers' organisations, as well as providing funds for regional action programmes in specific areas, such as the environment. In the social and cultural area, regional programmes fund actions in the area of audio-visual co-operation, promotion of exchanges among youth, and preserving and maintaining the cultural heritage in and around the Mediterranean Basin.

MEDA's interventions are co-ordinated with those of other partners, including the EIB, the World Bank and EU Member States' bilateral programmes. The EIB has allocated loan funds of some €7.4 billion to the region for the 2000-2006 period.

Streamlining decision-making and programming

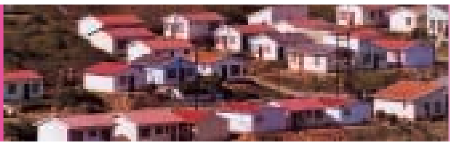
In 2000, the MEDA II regulation was adopted to streamline decision-making and programme implementation. In December 2001, the European Commission adopted a series of bilateral strategy papers and indicative programmes for 2002-2004 for Algeria, Egypt, Jordan, Lebanon, Morocco, Syria, and Tunisia, as well as for the region as a whole.

In collaboration with the partners, the EIB and EU Member States, these plans outline the long-term goals of EU co-operation, the medium-term objectives, guidelines, and priorities, and the resources needed to implement them. The Regional Indicative Programme for 2002-2004 is budgeted at €93 Mio. Indicative figures for the partners are: Algeria (€150 Mio), Egypt (€351 Mio), Jordan (€42 Mio), Lebanon (€80 Mio), Morocco (€426 Mio), Syria (€93 Mio), and Tunisia (€48.7 Mio).



Additional funding through horizontal budget lines

- Co-financing with European NGOs, operations in developing countries and operations to raise European public awareness.
- Decentralised co-operation.
- Environment in the developing countries and tropical forests.
- North-South co-operation schemes in the campaign against drug abuse.
- Aid for poverty-related diseases (HIV/ AIDS, malaria and tuberculosis) in developing countries.
- Aid for population and reproductive health care.
- Community participation in actions concerning anti-personnel mines.
- Co-operation with third countries on migration.
- Rapid Reaction Mechanism.
- European Initiative for Democracy and Human Rights.
- Support for activities of the International Criminal Tribunals and the setting-up of the International Criminal Court.



EPRD - The European Programme for Reconstruction and Development

In 1986, when the international community was increasing pressure on the South African apartheid regime, the EU launched the Special Programme for the Victims of Apartheid. The programme targeted civil society, focusing mainly on the struggle against apartheid, and supported 744 projects for a total of €443 Mio.

Since the democratic elections in April 1994, this co-operation has evolved towards a more traditional development approach, supporting the new South African government's reconstruction and transformation policy under EPRD. In 1997, South Africa acceded to the Lomé Convention and has renewed it through membership of the Cotonou Agreement. It has no access to the EDF, but is represented in all the ACP-EU institutions.

The aims and priorities of the EPRD, as defined by the TDCA are to 'contribute to South Africa's harmonious and sustainable economic and social development through programmes and measures designed to reduce poverty and encourage economic growth, which benefits the poor, and to its continued integration into the world economy. And to consolidate the foundations laid for a democratic society and a State governed by the rule of law in which human rights and fundamental freedoms are fully respected'.

To this end, an amount of €885.5 Mio has been set aside for the period 2000-2006. Today, the combined EC support, EU Member States' bilateral assistance and EIB interventions represent about 70% of total aid flows to South Africa.

Multi-annual Indicative Programmes

Implementation of the EPRD is done through jointly agreed Multi-annual Indicative Programmes (MIP). The new programme for 2003-2006 resulted from negotiations with South African authorities, co-ordination with the EU Member States, and consultations with civil society.

Its main objective is to support the South African government's policies and efforts to reduce poverty and mitigate the impact of HIV/AIDS. In many respects the programme is a continuation of the previous MIP and focuses on four major areas of co-operation:

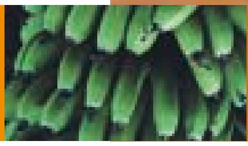
- equitable access to and provision of social services;
- equitable and sustainable economic growth;
- deepening democracy;
- regional integration and co-operation.

Geographically, the programme concentrates (although not exclusively) on the three most disadvantaged provinces in the country: Eastern Cape, KwaZulu-Natal and Limpopo.

Implementation increasingly takes the form of direct support to government programmes and policies, whereas an indicative share of 25% of the funds will benefit non-state actors.

Implementation of the programme has progressed steadily. A global amount of about €970 Mio has been committed during the period 1995-2002, of which €485 Mio or 50% have been disbursed. Annual disbursement figures have risen steadily and in the last three years (€105 Mio, €110 Mio and €117 Mio respectively) almost matched the average commitment figure. This improvement in disbursement is the result of joint efforts to move away from the project approach to the sector support approach, to reduce the number of interventions, and to improve the quality of programme design.

The EIB's Memorandum of Understanding, signed in early 2001, complements the support in the form of grants and provides for loans averaging €115-120 Mio annually.


Other Commerce instruments

Trade relations

Africa is progressively diversifying its trading partners, however, trade with Europe remains extremely important. In 2000, 45% of Africa's foreign trade was with the EU, representing a volume of €144 billion (imports and exports). By contrast, intra-African trade was only worth €29 billion. Volume with Europe is heaviest with North Africa, where it represents 50% of total trade flows, followed by ACP countries of sub-Saharan Africa (31%) and 19% in South Africa.

Within the World Trade Organization's Doha Development Agenda (DDA), the two basic pillars of international trade, further trade liberalisation and updating of the WTO rules to the realities of today, are strongly pro-development and pro-sustainable development. The EU is fully committed to make significant progress during upcoming ministerial meetings and to ensure that the development and sustainable dimension are mainstreamed in all negotiation subjects. To succeed, participation of developing countries, and more specifically of African countries is of crucial importance to obtain results that fully reflect their concerns.

This is why the EU and African countries have regular dialogue on WTO matters. WTO rules are particularly important for medium- to long-term sustainable development. They provide guarantees of predictability, transparency and non-discrimination.

In the DDA negotiations, the EU takes full account of the preferential trading relations it has developed with Africa, in a way that the multilateral trading system and the bilateral trading agreements are complementary and mutually supportive. This is of particular importance in areas such as market access, agriculture, Trade-Related Aspects of Intellectual Property Rights (TRIPS) and access to medicines or Special and Differential Treatment, as well as in the so-called Singapore issues (investment, competition, trade facilitation and transparency in government procurement).

EU-Africa preferential trading relations are governed by the Cotonou Agreement with the ACP countries, the Euro-Mediterranean partnership within the Barcelona process and the agreement with South Africa. These three agreements share the same objectives: greater regional integration between African countries, stronger economic and trade links with Europe and the gradual integration of Africa's countries into the world economy. In these agreements, trade and development are strongly inter-linked in a global strategy to achieve the central objective of the EU's development policy: eradication of poverty.

Even more than in a multilateral context, these bilateral relations between Africa and Europe take into account the specific needs, as well as the economic, environmental and social constraints of African countries. This deepends the development dimension of the DDA. In the context of these agreements, the EU notably supports the definition and establishment of sound environmental, social and economic domestic and regional policies, and provides development assistance to implement the flanking policies necessary to accompany trade reforms.

However, to take full benefit of the preferential agreements with Europe and of the ongoing multilateral trading negotiations, African countries must put in place the right domestic and regional policies to strengthen their institutions, to diversify their economies and increase competitiveness. This requires enhanced capacities, especially for many sub-Saharan African countries to deal with trade matters. This is why the EU has substantially increased its trade-related assistance, particularly in collaboration with the Regional Economic Communities in Africa, but also with the individual countries.

African countries are also beneficiaries of the Generalised System of Preferences (GSP) and for Least Developed Countries, the Everything But Arms initiative, which grants unrestricted access to the EU market.

An ambitious network of trade preferences

The EU market is by far the most open to African exports. Since 1975, the EU has built an ambitious network of trade preferences with Africa. These schemes offer duty-free and quota-free access for all industrial products – with a limited number of exceptions for North and South Africa – and for four-fifths of agricultural products. For example, 96% of imports from sub-Saharan Africa enter duty- and quota-free.

For ACP countries, these preferences are authorised within the WTO by the ACP-EU waiver and will continue to be non-reciprocal until 2008, when they will be replaced by the new trade arrangements negotiated under the Economic Partnership Agreements. For North African countries and South Africa, free access to the EU market has been negotiated through asymmetrical Free Trade Areas (FTAs), thus ensuring full-WTO compatibility.

A common feature of the trading arrangements, which makes them more favourable than other unilateral preferential schemes, is that they have been negotiated with African governments and accommodate their specific concerns.

Because they are enshrined in international treaties and notified to the WTO, the EU access regimes are very stable and predictable over the long term, which should make African countries more attractive to investors. The coverage of EU trade preferences, both product- and country-wise, is nearly complete (with the exception of Libya) and is not reserved to specific countries.

EU trade agreements with Africa are carefully designed to enhance mutual trade and regional economic integration. This is accomplished primarily through rules of origin that allow for cumulation between African countries to reach the minimal processing required to qualify for the trade preference.

Origin rules determine the national/ territorial provenance of goods for trade purposes. Preferential rules, which are often stricter, are defined by members of regional free trade areas or other countries that have signed up to preferential trade agreements. This ensures that only those goods that genuinely originate in one of the member countries enjoy the low tariffs or other benefits laid down in the agreement.

The concept of cumulation is an important element of preferential origin rules. It allows inputs originating in preferential terms in one party to a preferential agreement to count as originating in another when those goods are used in further processing. Full cumulation of origin has been in place under the Cotonou Agreement and within the Euro-Med area. Cumulation is also being gradually established between South Africa and ACP countries in Africa. This feature, which corresponds to NEPAD's regional integration objectives, should be retained in future EPA negotiations and adapted if necessary to African integration plans.

Under the market access initiative, NEPAD points to developed countries' agricultural subsidies as an obstacle to development and to the need for trading partners to remove other non-tariff barriers (NTBs). The EU fully acknowledges NEPAD's concerns and is committed to pursue its own internal reforms, which have already led to a gradual decline in the level and scope of farm subsidies allowed by the EU budget. It has also been agreed that trade distorting agricultural subsidies be addressed in a comprehensive manner in future WTO negotiations.

Technical assistance and capacity building

Both NEPAD and the DDA emphasise the need for increased technical assistance and capacity-building support in the area of trade. The EU and its Member States are in the forefront of these efforts. European support is channelled primarily through bilateral Trade-Related Technical Assistance (TRTA), capacity-building programmes and Trade-Related Capacity Building (TRCB) with individual African countries and regional organisations. Trade-related technical assistance and capacity building encompasses assistance for:

- participation in the WTO, including having a better representation at the WTO-headquarters in Geneva;
- implementation of trade agreements, including WTO agreements. This can take the form of training officials, assistance for domestic legislation, equipment;
- preparation for trade negotiations, in the WTO or regionally, involving training of officials, analysis for identification of interest and subject matter, including strategy;
- building institutional capacity at central government or regional level, to allow countries to better participate in trade, including support for customs authorities or veterinary authorities, for instance by providing laboratories with the technological skills to help meet sanitary and phyto-sanitary requirements.

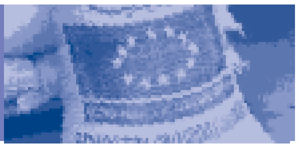
Everything but Arms Initiative

In 2001, the EU adopted the Everything but Arms (EBA) initiative under the GSP framework, extending duty free and quota free access to all products originating in the Least Developed Countries, except arms and ammunition.

In addition to all industrial products (already liberalised), EBA completes the liberalisation of all agricultural products including sensitive items like meat, dairy, cereals, fruits and vegetables. Only for three products (bananas, rice and sugar) will full access to the EU market be phased in before full liberalisation in 2006 (bananas) and 2009 (rice and sugar).

This initiative is of particular interest to sub-Saharan Africa, as 34 of the 49 Least Developed Countries are African. LDCs benefit from the open access granted under both EBAs and the Cotonou Agreement, allowing their exporters to choose the most favourable scheme depending on the nature of the product.

HUMANITARIAN AID – TARGETING THE MOST VULNERABLE



ECHO's operations in Africa

Democratic Republic of Congo
(conflict/volcanic eruption)
€37 Mio

Southern Africa excl. Angola
(food crisis/refugee support)
€36.5 Mio

Angola
(conflict/post-conflict)
€10 Mio

Tanzania
(refugees from the Great Lakes crisis)
€27 Mio

Burundi
(conflict)
€17.5 Mio

Sudan
(conflict/drought)
€17 Mio

Sierra Leone, Liberia, Guinea
(conflict/post-conflict)
€17 Mio

Western Saharan refugees in Algeria
(forgotten crisis)
€15 Mio

Eritrea, Ethiopia, Somalia
(conflict/post-conflict/drought)
€10 Mio

Other countries
€5.3 Mio

(Funds earmarked up to 1st August 2002)

The European Commission Humanitarian Aid Office (ECHO) has funded relief worth more than €5 billion to millions of people affected by natural disasters and man-made crises outside the EU. ECHO's primary goal is to fund humanitarian assistance that saves and preserves life, reduces or prevents suffering, and safeguards the integrity and dignity of affected populations.

To help people return to self-sufficiency, ECHO actively builds links between relief, rehabilitation and development, works to strengthen co-operation with other donors, promotes an integrated approach to solving humanitarian crises and helps vulnerable populations prepare for future shocks.

ECHO works with more than 200 operational partners, primarily organisations that have signed a framework partnership agreement with the European Commission. Its partners include experts, UN agencies, the Red Cross and NGOs .

ECHO is one of the biggest sources of humanitarian aid in the world, providing €538 Mio of funding in 2002. Since it was set up, ECHO has supported projects in more than 100 countries. The funds are spent on providing goods and services such as food, clothing, shelter, medical provisions, water supply systems, sanitation, emergency repairs and mine clearing. ECHO also funds disaster preparedness projects in regions prone to natural catastrophes.

In 2002, more than 40% of ECHO's budget was spent in Africa.

ECHO Flight: an airborne lifeline for Africa

ECHO Flight is a vital partner to most humanitarian agencies operating in Eastern Africa and Great Lakes region, transporting personnel and supplies to dozens of remote locations that would otherwise be cut off from the outside world.

From its base in Nairobi and satellite hubs in Mogadishu and Hargeisa (Somalia), Mandera (Kenya) and Goma (DRC), ECHO Flight provides free air transport capacity to aid agencies operating relief and development programmes in Somalia, north-eastern Kenya, and the Democratic Republic of Congo (DRC).

Personnel and cargo are flown aboard scheduled flights using a fleet of five light aircraft. Since its launch in May 1994, the service has clocked up over 50,000 missions and carried more than 200,000 aid workers and 6,000 tonnes of food and medical supplies to some of the world's most desperate populations. The service has also carried out more than 200 emergency medical or security evacuations.

Most ECHO Flight operations are concentrated in Somalia, however operational flexibility has enabled the service to react immediately to humanitarian disasters throughout the region. During its eight-year long history, ECHO Flight has provided support to relief operations during the Rwandan genocide, the refugee crises in Uganda, Ethiopia and Sudan, and the volcanic eruptions in Goma.

Today, ECHO Flight stands tall as a life-saving vehicle for EU-funded and other humanitarian action throughout Eastern Africa and the Great Lakes region (DRC, Uganda, Burundi, and Rwanda). With planned overall funding of €8.4 Mio for 2003, ECHO Flight continues as a concrete expression of Europe's humanitarian commitment to the region.

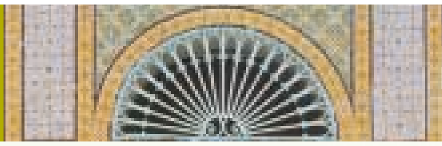
ECHO funding decisions to regions in Africa 1999-2002 (€Mio)

Year	North Africa	West Africa	Great Lakes/ Central Africa	East Africa	Southern Africa	Total/year
1999	7.850	5.185	80.610*	27.970	14.410	136.025
2000	14.235	17.702	63.630	45.263	33.733	174.563
2001	16.328	23.150	88.150	39.500	13.240	180.368
2002	14.340	21.425	82.900	36.620	49.500	190.445
Total	**52.753**	**67.462**	**315.290**	**149.353**	**110.883**	**695.741**

*1999: figures include a regional contribution of €55.610 Mio

TUNISIA
MOROCCO
ALGERIA
LIBYA
EGYPT
Western
Sahara
MAURITANIA
CAPE VERDE
NIGER
ERITREA
SENEGAL
MALI
CHAD
SUDAN
GAMBIA
GUINEA-BISSAU
BURKINA
FASO
DJIBOUTI
GUINEA
NIGERIA
IVORY
COAST
GHANA
TOGO
BENIN
SIERRA LEONE
CENTRAL
AFRICAN REPUBLIC
ETHIOPIA
LIBERIA
CAMEROON
SÃO TOMÉ
& PRINCIPE
EQUAT.
GUINEA
UGANDA
KENYA
SOMALIA
EQUATOR
GABON
CONGO
DEM. REP.Ł
OF CONGO
RWANDA
BURUNDI
TANZANIA
SEYCHELLES
COMOROS
ANGOLA
ZAMBIA
MALAWI
ZIMBABWE
MOZAMBIQUE
NAMIBIA
MAURITIUS
MADAGASCAR
BOTSWANA
SWAZILAND
LESOTHO
SOUTH AFRICA

NORTH AFRICA


Euro-Mediterranean Association Agreements

Algeria	>	2002
Egypt	>	2001
Israel	>	2000
Jordan	>	2002
Lebanon	>	2002
Morocco	>	2000
Palestinian Authority	>	1997
Tunisia	>	1995

The MEDA programme, with a budget of €5.3 billion for 2000-2006 for bilateral and regional initiatives, is the principal financial instrument for implementing the Euro-Mediterranean Partnership.

Meeting in Barcelona in 1995, the EU and its Mediterranean partners adopted the Barcelona Declaration, which marked the beginning of a new stage in relations and set out three objectives for the renewed partnership :

- Establish a common Euro-Mediterranean area of peace and stability based on fundamental principles including respect for human rights and democracy (political and security partnership).
- Create an area of shared prosperity through the progressive establishment of a free trade area between the EU and its partners and among the Mediterranean partners themselves, accompanied by substantial financial support for economic transition and for the social and economic consequences of this reform process (economic and financial partnership).
- Develop human resources; promote understanding between cultures and rapprochement of the peoples in the Euro-Mediterranean region as well as to develop free and flourishing civil societies (social, cultural and human partnership).

On the bilateral front, the EU and most partners have negotiated Euro-Mediterranean Association Agreements, the primary contractual agreements between the EU and its partners. Once ratified, the agreements replace co-operation agreements concluded in the 1970s. The agreements cover the three main areas included in the Barcelona Declaration – political dialogue, economic relations, and co-operation in social and cultural affairs.

On the multilateral front, partners meet regularly in the Euro-Mediterranean Committee, the main steering body for the multilateral and regional dimensions of the Barcelona Process. Comprised of officials from EU Member States, the European Commission, and the 12 Mediterranean partners, it meets on average three times during each Council Presidency. The Council Presidency chairs the Committee.

Working towards peace and stability

Senior Foreign Ministry officials regularly meet with the Euro-Mediterranean Committee to pursue the political and security dialogue. Achieving the aims of peace and stability is inevitably affected by conflict in the region. Nevertheless, the Euro-Mediterranean Partnership remains the only forum that brings all partners in the region together on a regular basis to discuss issues of common concern.

Recent work has focused on the fight against international terrorism. A good example of the partnership's regional work is the Euro-Mediterranean Study Commission (EuroMesCo). This network of about 40 foreign policy institutes, set up in 1996, conducts research and analysis on political and security issues. The pilot project on disaster management, which promotes co-operation among civil protection authorities in the region, is another example.

Creating an area of 'shared prosperity'

To achieve the objective of creating an area of 'shared prosperity', programmes are tailored to meet each partner's needs. Work on fostering regional trade is ongoing. Trade links in the region will be strengthened by the Euro-Mediterranean Association Agreements, which include commitments to liberalise trade between the EU and each partner.

Regional programmes support harmonisation and infrastructure interconnection for transport, energy, telecommunications, and environmental protection. A major environmental initiative was launched in 1997. SMAP (the Short- and Medium-term Action Programme for the environment) provides a framework for policy orientations and funding both at regional level and at national level and focuses on five priority areas:

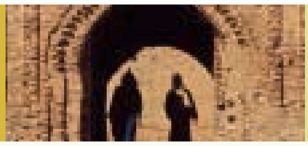
- integrated water and waste management;
- environmental hotspots (covering both polluted areas and threatened bio-diversity elements);
- integrated management of coastal zones;
- the fight against desertification.

The social, cultural and human dimension

'The participants recognise that the traditions of culture and civilisation throughout the Mediterranean region, dialogue between cultures and exchanges at human, scientific and technological level are an essential factor in bringing their peoples closer, promoting understanding between them and improving their perception of each other.'
Barcelona Declaration

Activities in this area include cultural, youth, and audio-visual programmes, involving civil society organisations. Programmes also exist in the areas of justice and home affairs.

MEDA also supports youth exchange programmes as well as other initiatives designed to foster contacts between civil society actors. For example, the Euro-Mediterranean Parliamentary Forum, launched in 1998, brings together parliamentarians from all 27 partners, and provides a space for civil society to debate the goals and priorities of the Barcelona Process.



Humanitarian aid

The EC's largest humanitarian operation in North Africa benefits the 155,000 Sahrawi refugees living in the region of Tindouf in Algeria. The refugees, largely women and children, are totally dependent on international humanitarian aid for survival.

ECHO is the main source of support to Sahrawi refugees, having provided almost €96 Mio in aid since 1993. Over the past three years, ECHO has almost doubled the amount of assistance. The aim of this aid is to guarantee acceptable living standards and to cover the refugees' basic needs, thereby creating an environment conducive to a peaceful resolution of the conflict in the Western Sahara.

Case studies

> Vocational training (MANFORM) in Tunisia

The MANFORM project aims to support reform of the vocational training system, launched in 1995. This €45 Mio programme is the first generation of demand-led vocational training projects financed by MEDA and its framework has been adopted and upgraded in other countries. Its are fully in line with Tunisia's ambition to join the free trade zone and to implement the Association Agreement:

- helping enterprises to both identify their skilled demands and to manage human resources with a view to improving competitiveness;
- reorienting vocational training delivery to the skill demands of the enterprises;
- improving the quality management of the vocational training centres and responsible institutions.

About 170 enterprises have been surveyed and received support with the results disseminated to professional organisations. Eleven vocational training centres are undergoing restructuring and are being re-equipped with the modern methodological instruments needed to identify how to meet the growing labour demand of enterprises.

> Dealing with privatisation in Algeria

In 1990 the Algerian government introduced new laws and regulations offering foreign investors the most advantageous opportunities in the Mediterranean area, including guaranteed protection of investments.

The EU is supporting these national efforts with a €38 Mio MEDA programme that began in 2001 with the arrival of a team of experts. That same year, the policy context for privatisation advanced further with the creation of a separate ministry for privatisation and the streamlining of the overall privatisation process.

Project activities include institutional support to the Ministry of Privatisation and the Ministry of Industry, as well as strategic policy advice, technical assistance for privatisation transactions, communication and public relations.

External monitoring in November 2002 concluded that the project has significantly contributed to paving the way for privatisation. The project is still in its initial years, however, several important results have been achieved. With the support of the EU experts, the Ministry of Privatisation has prepared a list of enterprises to be privatised and created four one-stop shops for potential investors.

> Health sector reform in Egypt

In the mid 1990s, the Egyptian government recognised the urgent need to restructure its health care system. Reforms aimed a providing all citizens with higher quality care through improving and strengthening the public and private health care sectors. The objectives of the programme include reducing infant and maternal mortality rates, improved family planning, dealing with public health and sanitation issues, and reducing overall illness and mortality rates.

The European Commission, World Bank, and USAID supported the government's 1995 reform initiative. The EU contributed €110 Mio over seven years. The pilot reform plan is designed to develop sufficient experience and knowledge in the Governorates of Alexandria, Menufiyya and Sohag. Its objectives are:

- to improve the health status and conditions of the overall population in a minimum of three Governorates through establishing a financially sustainable basic package of essential prevention, curative and public health services;
- to strengthen the Ministry of Health's policymaking, planning, monitoring and regulatory role within a client-driven and decentralised operational framework.

Close collaboration with other major donors and joint support to develop the health sector is ongoing, led by the Ministry of Health. In addition, a cost-effective model of primary care, which includes public and private health service providers, is accessible to the rural population. A Family Health Centre model has been successfully implemented in 30 pilot sites in the three Governorates. Based on this experience, the model is being extended to 300 centres in six Governorates.

Libya

The EU has no contractual relations with Libya, however, the country does have observer status at the following meetings under the Barcelona Process: Ministers of Foreign Affairs, senior officials and the Euro-Med Committee.

In 1999, the EU agreed that Libya could become a full member of the Barcelona Process as soon as UN Security Council Resolutions have been lifted and that it accepts the Barcelona acquis in its entirety.

Euro-Mediterranean partnership

Maghreb
Algeria
Morocco
Tunisia

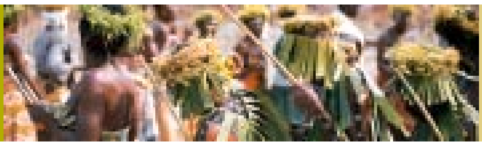
Mashrek
Egypt
Israel
Jordan
Palestinian Authority
Lebanon
Syria

Cyprus
Malta
Turkey

Libya is not a member, but has observer status at certain meetings.

Regional profile

Central Africa



The Central African Region comprises Sâo Tomé and Principe and the six members of the Central African Economic Community (CEMAC): Cameroon, Central African Republic, Chad, Congo Brazzaville, Equatorial Guinea, and Gabon.

CEMAC is a monetary and customs union that aims at further regional integration. All seven Central African countries also belong to the Economic Community of Central African States (CEEAC), which hosts four additional neighbouring states and is one of the regional building blocks, recognised by the AU.

Taken together, the seven countries cover an enormous geographical area – some 14% of the total area of sub-Saharan Africa. However, their population of 30 million people represents just 5% of the sub-continent's population. The countries differ in size, population, economic prosperity, poverty levels, and resource base – five are oil producers and two are not. Two of the countries are landlocked. The core of the region is situated in the second largest tropical forest area in the world.

Located in the middle of Central Africa, the Democratic Republic of Congo (DRC) – huge in size and rich in natural resources with a relatively small population – is strategic to several regional interests. A former member of the Economic Community of the Countries of the Great Lakes (CEPGL) and of COMESA (Common Market for Eastern and Southern Africa), DRC is now an active member of the Southern African Development Community (SADC). DRC is not a member of the Central African region however, it maintains a positive relationship to Central African Regional organisations such as CEMAC and CEEAC.

Addressing regional challenges

The Central African region (excluding DRC) is economically weak: the GDP is €33.4 billion. At the same time, the economies are very open to the world market, with exports representing almost 40% of the regional GDP.

The political situation remains fragile and progress toward further democratisation is slow. Most of the countries have been slowly improving internally, however, regional stability greatly depends on unpredictable developments in the Central African Republic, the Sudan, and in particular, the Great Lakes region. For these reasons, CEEAC has recently received a mandate to implement a conflict prevention and crisis management mechanism.

The countries have a long history of co-operation, beginning in the colonial period and have embarked upon integration several decades ago. Under CEMAC's leadership, they are increasingly committed to economic integration as a key development strategy.

The common currency and macroeconomic dialogue have had positive impacts on the economic and political stability of the countries. The legal framework is fairly complete, however, a challenge remains in its implementation by Member States that lack the capacity to do so. A major impediment to intra-regional trade is the inadequacy of the transport network as well as transit rules.

The rural livelihood of the populations depends to a great extent on proper management of the natural resources, in particular, the tropical forests. Both conservation and regulated use of these resources is essential to help alleviate poverty. For example, wood represents 40% of the regional non-oil exports.

National programmes

All countries have finalised and signed 9th EDF National Indicative Programmes. Preparation for individual actions is underway from the total budget of €592 Mio.

About half (52%) of the 9th EDF national funding is directed towards the transport sector to complete national road networks as well as the key regional artery. Transport is a key sector of intervention in all countries but Equatorial Guinea. One fifth of the assistance (21%) will be in the form of macroeconomic support to Cameroon, Chad and Central African Republic. The bulk of activity in the non-focal sector (10%) will be directly or indirectly related to supporting governance, democratic structures, and the rule of law.

Countries will also benefit from an important envelope of non-programmable country allocations for emergency and humanitarian needs of €188 Mio.

Official co-operation with DRC was formally suspended in 1992. This excluded the country from benefiting from EDF regional funds. The Commission, in co-operation with NGOs, implemented rehabilitation programmes for about €200 Mio, however, some programming has been suspended due to conflicts in 1996-1997 and 1998. The major breakthrough in EU-DRC relations was the re-launch of co-operation on 21st January 2002 with the signing of the 8th EDF National Indicative Programme.

Key regional programmes underway

CEMAC and the CEEAC are mandated to negotiate, implement and monitor the 9th EDF Regional Indicative Programme (RIP). The €55 Mio RIP was signed in Libreville in January 2003 and preparations for key programmes are underway.

EU assistance strives to help the region implement poverty reduction policies and to integrate into the world economy. Support to strengthening the institutional capacity of CEMAC to implement region's economic integration strategies and programmes are at the core of the co-operation. Synergies will be realised by reinforcing the region's capacity to negotiate EPAs. This initiative includes Sao Tomé and Principe, which joined CEMAC to form a negotiating region. Directly linked to further regional integration is the completion of the key transport network, which entails applying and enforcing existing legislation throughout the entire region.

The livelihood of the poorest segments of the populations is directly dependent on the natural resources, in particular forests. Efforts over the last 10 years of conserving the resource and enforcing its rational and efficient management will be continued also during the next five years.

Given the region's proclivity to frictions and conflict, co-operation will include support to the region's political processes with a view to conflict

prevention. Preparation for a programme of assistance and capacity building linked to the CEEAC early warning system is underway.

The nature of the EU's future co-operation with the region will depend on its capacity to increase stability and manage the integration process. If there is enough political will, a strong enough commitment from the individual countries and enough capability within the regional organisations to fully benefit from today's assistance, which is designed to increase and improve these very capacities, the region will be successful.

The assessment of this success will be carried out in the framework of the political dialogue as well as the mid-term and annual performance reviews stipulated under the Cotonou Agreement. This assessment process is due to begin in October 2003.

Future perspectives for national and regional DRC co-operation largely depend on progress in the peace process. The achievement of the Inter-Congolese Dialogue and the establishment of a transitional government leading up to free and fair elections will secure increased involvement of the EU.

Humanitarian aid

ECHO first engaged in Central Africa in 1993, in response to the crisis that erupted in Burundi following the assassination of that country's first Hutu president. Many of the humanitarian needs in the Great Lakes region stem from the 1994 Rwandan genocide and the ensuing refugee crisis. Disease and malnutrition now kill more people than conflict, and ECHO focuses its support on basic health care, food and nutrition for vulnerable families.

Since 1997 most of ECHO's humanitarian interventions have shifted from Rwanda itself to its neighbours, Burundi and the Democratic Republic of Congo (DRC), where sustained, complex conflict situations generate immense human suffering and population movement on a grand scale. Some 3.5 million people have been driven from their homes.

ECHO's largest humanitarian operation benefits the half million refugees from Burundi and DRC in western Tanzania.

Case studies

> Village water supply in Chad

Access to drinking quality water is a crucial issue in Chad where nearly eight out of ten inhabitants do not have access to clean water and some 33% of the villages (with a population of more than 300 people) do not have a water supply point.

Experts estimate that villages need 15,000 bore holes equipped with hand pumps. The nomadic population requires at least 4,000 large wells. A sectoral water policy has been established in co-operation with other donors.

Since the 1980s, the EU has allocated more than €30 Mio to this sector, allowing for the construction of about 2,000 water sources equipped with pumps, 45 drinking quality water distribution systems in the main villages, as well as the repair of approximately 100 water points. The area covered has expanded from around the capital, N'djamena, to include six regions in the west. A programme to provide more than 1,000 new water access points is being implemented.

At the same time, the regional solar programme has installed auto-functioning solar pumps in Chad, which have the added advantage of requiring little maintenance. A new programme co-financed with German and French development agencies will provide access to about 300 new points. A study is identifying further activities under the 9th EDF, including the construction of 3,400 new wells.

> Rwanda – recovering and rebuilding

In 1994 Rwanda suffered a breakdown unequalled in recent history. The horror of the genocide was compounded by a systemic destruction of the infrastructure as the former regime fled when the Rwanda Patriotic Army took over the country and restored post-genocide rule.

Everything had to be re-created from zero, including establishing state institutions, training to replace a lost generation of professionals, and establishing a culture of justice and reconciliation.

The European Commission provided food and emergency aid too meet the needs of the majority of the populations, first refugees and later returnees. This was followed by support for rehabilitation. Two programmes for a total of €14 Mio have been the backbone of the rehabilitation effort.

One has only to compare photographs of Rwanda in 1994 and today to see the dramatic turn-about. It is now a tightly run, efficient country despite its continued severe poverty. The physical fabric is repaired, due to the dozens of individual contracts for building, rebuilding and reconstruction. In addition, the programme financed micro-projects, and through a social infrastructure project, laid the foundation for the current decentralisation programme, a centrepiece of the IMF's Poverty Reduction Strategy Paper.

WEST AFRICA

The region of West Africa includes the 15 countries of Economic Community of West African States (ECOWAS). ECOWAS brings together the eight countries(*) of WAEMU (West African Economic and Monetary Union): Cape Verde, Gambia, Ghana, Guinea, Liberia, Nigeria, Sierra Leone and Mauritania, which left ECOWAS on 1st January 2001 and is a member of the Arab Maghreb Union (AMU).

WAEMU is an operational monetary union and is more advanced than ECOWAS in terms of creating an area for free trade, a customs union and a common market. ECOWAS is officially a free trade area, but it is not really effective. There is a considerable amount of progress to be made in setting up a customs union. This brings together countries of very differing size and weight with economies characterised by low levels of diversification.

Twelve of the ECOWAS countries are located on the Atlantic coast and have access to international shipping. Several obtain a considerable portion of their resources from fishing. Three countries – Burkina Faso, Mali, and Niger – are landlocked while Cape Verde is an ocean archipelago located 600 km west of Senegal. Nigeria, with 127 million inhabitants, accounts for more than half of the area's total population, estimated to be about 237 million inhabitants. It also has considerable oil resources.

The states in the region have belonged to or set up numerous regional institutions, including the Permanent Inter State Committee for Drought Control in the Sahelian Zone, OHADA (Organisation for the Harmonisation of Business Law in Africa), PALOP (Portuguese Speaking African Countries), and the Manu River Union.

The two main organisations working towards economic integration are ECOWAS and WAEMU. ECOWAS as the co-ordinator of the NEPAD initiative and WAEMU are the building blocks of pan-African integration. Faced with the struggle against poverty, they have developed political programmes to promote growth in the region through better integration into the world economy.

Since 1999, ECOWAS has been working on an ambitious agenda based on creating a customs union, a common market and a monetary union. Under WAEMU, solid institution building has resulted in considerable progress in integration through the creation of a customs union, a common trade policy and advances towards creating a common market. The region is characterised by low economic and social development and a considerable portion of the population lives in extreme poverty. The economies have low levels of diversification and are centred on basic products – agriculture and livestock in all the countries, fishing in most of the coastal countries (particularly in Mauritania and Senegal), mining products (Mali, Mauritania and the Manu River Union countries) and oil (Nigeria).

The narrow economic base and the often-inadequate economic policies in response to external and internal shocks explain why some of the countries in the region are among the poorest in the world. The GDP per capita for the region as a whole is about €300. With the exception of Cape Verde, all are considered low-income countries; 11 have a per capita income lower, or scarcely higher, than US$ 1 a day.

(*) Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal, Togo.

Low growth rates exacerbated by external shocks

Since 1994, the average growth rate in West Africa has been more or less 3%. Countries in the WAEMU zone have benefited from the devaluation of the XOF Franc and as a result, maintained their competitiveness. The group as a whole, with the exception of the Ivory Coast and Senegal, are dependent on one or two primary resources for generating revenue. These countries continue to be very susceptible to external factors such as the change in market prices of primary resources and climatic fluctuations.

A trade balance deficit exists between West African countries and the EU. There has been no significant diversification in the export base since the 1990s.

The European Commission supports the region through a number of significant co-operation instruments, including the 9th European Development Fund and other funding instruments.

National programmes

In the framework of the 9th EDF, 13 of the 16 countries have finalised a Country Strategy Paper and a broadly defined programme for implementing projects. The delay faced by Liberia, the Ivory Coast and Togo is due to their political situation. A total of €2.627 Mio has been programmed for the whole region. Aid will be targeted at road transport (31%) and macroeconomic support (32%).

Analysis shows the importance of these sectors for economic development, which contributes to the fight against poverty. Particular attention is also being given to sectors directly linked to the population's socio-economic development: water (10%), agriculture (6%), and health (3%). Improving governance and strengthening institutions represent about 10% of the total. The largest aid programme (€552 Mio) concerns Nigeria, where resources are focused on water and macro-economic support.

Regional programmes

The overall aim of 9th EDF on a regional level is to contribute to strengthening the economic integration process and facilitating integration into the world economy. EU aid (€235 Mio) must be based on a pragmatic and flexible regional approach following the 'variable geometry' logic of integration at differentiated rates. These consolidate and extend accomplishments under both ECOWAS and WAEMU.

The main aim is to create an ECOWAS customs union through achieving an effective free trade zone, a common external tariff and a common trade policy. WAEMU will continue its process of reform aimed at transforming the regional market resulting from the customs union and the common trade policy into a true common market. Success will depend on true commitment and strong political will on the part of the states in the area to turn community decisions into concrete results.

Another fundamental issue the region must tackle, with European Commission support, is preparing to negotiate EPAs.

EU aid that complements investments made in national programmes is intended to support the development and implementation of a regional transport policy. On this level, activities directed towards harmonising and co-ordinating national policy as well as facilitating mobility within countries will be given priority, including exchanging and gathering information, eliminating non-physical barriers, and road safety.

Regional community aid also covers activities in the area of peace building, conflict prevention and security, in addition to promoting good governance and reinforcing political dialogue within the region.

The following sums have been allocated:

- Economic integration and aid for trade:
  50%, approximately €118 Mio.
- Transport:
  35%, approximately €82 Mio.
- Other (including conflict prevention):
  15%, approximately €35 Mio.

Humanitarian aid

Most of the humanitarian support provided to West Africa over the past four years has been directed to Sierra Leone, Guinea and Liberia. Sierra Leone has received by far the largest contribution due to the civil war that has ravaged the country since the early nineties, reaching its peak in 1999 and 2000.

ECHO has provided emergency assistance to resident communities, the large number of internally displaced people and to other vulnerable groups, such as children affected by armed forces, amputees, as well as sexually abused children and adolescents

Case studies

> Support for transport in Benin

In October 1993, the Benin government adopted a transport development strategy including policy making, regulations and an investment programme. It also set up a road fund to ensure that maintenance could be financed.

In the past, €165 Mio from various EDFs have been granted to support this strategy, primarily for construction and upgrading 1,114 km of priority roads, enabling Benin to strengthen its role as a transit route to neighbouring countries. EU support has also focused on institutional aspects, especially the creation of the Road Fund. In 2001, the main activity concerned launching renovation programmes for 600 km of priority roads in the north at a cost of some €90 Mio.

The other objective is to open up the poorest regions by linking them to the priority network. In addition, aid in the transport sector addresses the problem of the marginalisation of an ever-increasing part of the urban population. As a result, improving access and traffic within areas of Cotonou and Porto Novo is underway using labour intensive methods to provide income to some of the poorest people. This project created an estimated 5,000 jobs over four years benefiting more than 30,000 people, taking into account workers' dependants.

An estimated total portion of the priority road network classified as poor was reduced from 40% in 1998 to 10% in 2000.

> A new, coherent approach in Burkina Faso

From 1997 to 2000 the Strategic Partnership for Africa (an informal group of donors under the leadership of the World Bank) carried out an exercise in Burkina Faso to study the issue of setting conditions for recipient countries for the release of aid (known as 'conditionality').

The study has been launched under the auspices of the Burkina Faso government. This new approach means entrusting the partner government with the leading role in the reform process, while donors limit their role to assessing results in the field of economic growth and poverty reduction. The results of the Conditionality Test have been largely used in the reform of the Bretton Woods Institution's instruments related to structural adjustment.

One of the major achievements of this reform has been, in the case of HIPC countries, the design of an overall development strategy reflected in the Poverty Reduction Strategy Paper (PRSP). For Burkina Faso, several donors (the European Commission, the Netherlands, Denmark, Sweden and Switzerland), agreed to operate their budgetary support in a complementary manner using the same disbursing mechanisms spelled out in the PRSP.

The idea is to reduce government transaction costs in dealing with different donors and to provide financial visibility in the medium term. The 2001 Budgetary Support for Poverty Reduction Programme included two elements of direct budgetary support. The first €5 Mio was linked to the macroeconomic framework, and has been disbursed according to the IMF review of its programme with Burkina Faso. The second €10 Mio has been disbursed based on performance on a number of indicators contained within the PRSP.

In this way, the final disbursement is linked to the effort invested and to the policy implementation and poverty reduction results in key areas of the PRSP. Achievements thus far are modest, but the process has been launched and the stakeholders and responsibilities are now clearly defined.

> Support to the health sector in Ghana

In 1995 the Ministry of Health of Ghana, unhappy with results from multiple vertical projects each with its own plans and procedures, embarked on a sectoral wide approach. Through a participatory process, a medium-term health strategy was adopted in 1996 and translated into a five-year work programme, agreed with partners and setting out policy, implementation strategies, and resources.

The European Commission joined this process in 1998 by contributing to the multi-donor fund and actively participating in the policy dialogue with government, civil society and donors. Common management arrangements, such as monitoring, were agreed.

In 2001, it became obvious that despite a budget limited to about €7 per capita and continuing severe conditions, the population's health was improving. For example, it reported the lowest infant mortality rate in West Africa and 72.2% of DPT3 (diphtheria, polio and tetanus) immunisation coverage. At this speed of change, Ghana is one of the best performers in the ACP region.

The results are very encouraging. This type of collaboration may prove to be one of the most efficient in delivering health outcomes to benefit the population.

EASTERN AND SOUTHERN AFRICA

The regional setting for EU support to Eastern and Southern Africa has changed over the various co-operation agreements. Under the successive Lomé Conventions there were three regional programmes: Eastern Africa, Southern Africa (South African Development Community members) and the Indian Ocean. Significant changes were introduced under the Cotonou Agreement, under which regional organisations with an economic integration mandate are privileged partners for regional co-operation support

A different geographical configuration

As a result, the geographical configuration for regional co-operation in Eastern and Southern Africa and the Indian Ocean (ESA region) is different for the 9th EDF. The new ESA region comprises the combined ACP membership of four regional organisations: the Common Market for Eastern and Southern Africa (COMESA), the Intergovernmental Authority on Development (IGAD), the East African Community (EAC) and the Indian Ocean Commission (IOC).

This programme covers the former regions of Eastern Africa and the Indian Ocean plus the COMESA members of Southern Africa. The regional programme for SADC is maintained. Several countries of Eastern and Southern Africa participate in two regional programmes due to overlapping organisations.

EU support to Eastern and Southern Africa under the Cotonou Agreement, both national and regional, is reflected in table below. Support to South Africa is provided in the framework of the European Programme for Reconstruction and Development (EPRD). The total amount made available under these programmes is about €5 billion. Further funding is made available under the Investment Facility managed by the European Investment Bank.

The programme for the Eastern African Region under the successive Lomé Conventions comprised 10 countries: Burundi, Djibouti, Eritrea, Ethiopia, Kenya, Rwanda, Somalia, Sudan, Tanzania and Uganda. Under the Cotonou Agreement the region of East Africa has been enlarged and now covers 21 countries: Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Ethiopia, Eritrea, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Somalia, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

EU support to Eastern and Southern Africa according to the Cotonou Agreement* (Mio for the period 2002-2007)

* Support to South Africa is provided under the EPRD
** Under preparation

Countries	Education/ Human Resources	Transport/ other infrastructure	Mining sector	Agricult./ Natural Resources	Econ. integration	Water	Good Governance	Macro econ. Supp.	Other	Non focal sectors	Total alloc envelope A and sysmin	Envelope B	Total General A+B
Angola		90	29				21			6	146	29	175
Botswana	31		30							8	69	22	91
Burundi **				56.75			17.25	31.5		9.5	115	57	172
Comoros	16									4	20	7.3	27.3
Djibouti						13		12.8		3.2	29	5.8	34.8
DR Congo											171	34	205
Eritrea		60							20 (A)	8	88	8.8	96.8
Ethiopia		211						96	54 (B)	23	384	154	538
Kenya											170	55	225
Lesotho		17				17		43		9	86	24	110
Madagascar		135		60				60		12	267	60	327
Malawi		90	60					70		56	276	69	345
Mauritius				28						5	33	1.6	34.6
Mozambique		80		25				140		29	274	58	332
Namibia	15		25	28						5	73	18	91
Rwanda				62				50		12	124	62	186
Seychelles				3						0.9	3.9	0.8	4.7
Somalia									149 (C)		149		149
Sudan	54								54 (B)	27	135	20	155
Swaziland	20									13	33	12	45
Tanzania	44	116					30	100			290	65	355
Uganda		93.5		36.9				93.5		22,1	246	117	363
Zambia		90	9				40	90		20	249	102	351
Zimbabwe											N/A		
Total National	180	982.5	153	299.65	0	30	108.25	786.8	277	272.7	3430.9	982.3	4413.2
Regional SADC		40			40					21	101		101
Regional ESA		45		45.00	100					33	223		223
Total Regional		85		45	140					54	324		324
TOTAL GENERAL	**180**	**1067.5**	**153**	**344.65**	**140**	**30**	**108.25**	**180**	**277**	**326.7**	**3754.9**	**982.3**	**4737.2**

(A) Demobilisation/reintegration (B) Food Security (C) Multisectoral Programmes

Eastern Africa

Four organisations have been mandated to implement the regional programmes:

- COMESA focuses on strengthening outward-oriented regional integration within the framework of WTO through promoting cross-border trade and investment. COMESA also has programmes in trade and transport facilitation, trade in services, free movement of persons and investment.

- EAC aims to establish a customs union, followed by a common market, a monetary union and ultimately a political federation. EAC has co-operation activities in political, economic, social and cultural fields, research and technology, defence, security and legal and judicial affairs.

- IGAD's original mandate was to combat drought and desertification and achieve food security. Today, conflict prevention, management and resolution is a priority area, as well as policy harmonisation to eliminate physical and non-physical barriers to trade. The promotion of regional economic integration is also a priority.

- The IOC comprises four ACP countries and France on behalf of its overseas department of Reunion. Its regional integration programme pays particular attention to the vulnerability of small island economies.

Governance issues a major concern

The region's political situation has been improving over the last years and the majority of the countries are now multiparty democracies. However, despite these improvements, governance issues remain a major concern to foreign investors.

Human rights records show an improvement of the situation in many countries, but abuses still occur. In addition, the internal and cross-border conflicts and border disputes have had a major impact upon the economies and populations of the region. However, several conflicts in the region have ended and further political dialogue is underway to stabilise the situation.

Small national markets need development

The regional economy is characterised by small national markets including landlocked countries and small islands. Economic growth will almost certainly be based on increased export earnings. These can only be obtained by diversifying the export base, reducing costs of doing business (transport, communications), increasing production in an environmentally sustainable manner, improving standards and quality, and increasing market share both in existing markets and by exporting into new markets.

Health sector improvements needed

Indicators show that there is still a strong need to improve efficiency and cost-effectiveness of the health sector. The HIV/AIDS pandemic has had a major impact throughout the region on almost all economic and social indicators and will further reduce the region's capacity to develop economically.

Availability of safe water and sanitation is also still a major problem as rates of access to potable water can be as low as about a quarter of a country's population.

The EU response

The EU response involves a number of different instruments such as the NIP and RIP in the context of the Cotonou Agreement. Additional allocations, notably in the area of food security and humanitarian aid are very significant in certain conflict and disaster prone areas.

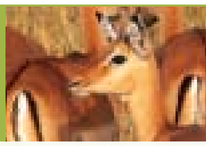
National support

The EU response in the context of the NIPs is summarised in table page 29. The bulk of the support is concentrated in the transport sector and other infrastructure projects as well as macroeconomic support. The response also addresses country-specific problems. For example Ethiopia and Sudan have earmarked significant allocations to food security. In Eritrea an important amount is foreseen for the demobilisation/reintegration of soldiers. Somalia's special situation calls for multi-sectoral programmes.

Regional support

The EU response supports the policy agendas of the regional organisations in areas such as economic integration and trade, political co-operation, transport, natural resources and agriculture. Regional economic integration enables countries to pursue economic liberalisation policies at a regional level within the WTO framework, which should help producers obtain improved market access and attract investment.

Programmes in transport and communications aim at reducing costs primarily through improved use of existing infrastructure and services. This facilitates economic integration as well as the region's integration into the world economy. Non-focal areas include programmes in conflict prevention, resolution and management, capacity building, higher education and culture. Involvement of non-state actors is considered a permanent process in development and crosscutting issues such as environment, capacity building and gender will be mainstreamed in all programmes.



Opportunities and threats

The medium-term outlook of the region contains substantial opportunities but also a number of threats. New trade arrangements such as the Everything But Arms Initiative of the EU provide significantly improved market access for the LDCs of the region.

The recently launched negotiations for Economic Partnership Agreements and the multilateral trade negotiations in the context of the Doha Development Agenda represent frameworks in which development concerns will be of utmost importance.

However, the region will only reap the benefits from these opportunities if substantial work is done. The inconsistencies built into the various regional trade accords must be resolved, economic reforms are to be locked-in, an increased and more diversified production and trade capacity is to be developed.

Humanitarian aid

ECHO has been responding to emergency needs in Eastern Africa (Ethiopia, Eritrea, Somalia, Sudan) and Southern Africa since it was established in 1992. Sudan and Somalia both benefit from large ECHO programmes due to their long running conflicts. Large numbers of Sudanese are still dependent on emergency relief aid after almost 20 years of civil war. The long-term conflict has killed more than 2 million people and has forced the displacement of about another 4 million.

Over the past three years, ECHO has provided €31.4 Mio of humanitarian assistance to Ethiopia and €16.8 Mio to Eritrea. Most of these funds were used to help people affected by the two and a half-year border war between Ethiopia and Eritrea.

ECHO also supported those affected by the consequences of civil war in Northern Uganda as well as the 1999-2002 drought in Northern Kenya.

Case studies

> Sustainable agriculture and livestock rearing in Kenya

The Agriculture/Livestock Research Support Programme (ARSP), Phase II, is a €8.3 Mio five-year support programme under the Kenyan National Agricultural Research Project launched in 1998. ARSP's goal is to enhance the economic integration of rural communities, particularly in Arid and Semi-Arid Lands (ASAL), with the rest of the country's economy.

The programme aims at ensuring that private and public sector ASAL field workers, as well as community based organisations, make more effective use of research recommendations to offer cattle farmers and other farmers sound and socially acceptable technologies and concepts.

EU contributions, together with other donors, consist of operational funds for research and capacity building, improved infrastructure, scientific as well as transport equipment and short- and long-term technical advisory services. This has resulted in a more efficient agricultural research capacity, particularly in the Kenyan ASAL. Adaptive and applied research programmes focus on soil and water management, livestock and natural resource management in the mostly arid rangelands.

The programme also aims at providing sustainable solutions using a community-based and gender sensitive approach, with strong collaboration with NGOs and government field workers. Collaborative agreements with community based organisations and NGOs on promoting recommended technologies and training during their introduction enhance adaptation and adoption on a wider scale.

This has led to the establishment of three small-scale dairy units at strategic centres in the northern Kenyan range lands supplying about 50,000 people with hygienic fresh and processed cow and camel milk products. At the same time, food security and sustainable incomes (particularly for women) have increased for these ASAL communities.

With improved tillage and drainage technology about 2.4 million hectares of poorly drained heavy soils can now be used for timely agricultural production. An early planting tool was simultaneously developed to increase farmers' chances of a healthy crop in the semi-arid areas.

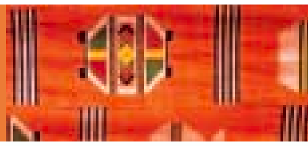
The programme has raised awareness among pastoral and semi-pastoral communities about the strategic importance of preserving Kenya's animal genetic resources, which are highly adapted to the harsh conditions and disease pressure, notably the approximately five million East African Shorthorn Zebu cattle.

> Improved fisheries management at Lake Victoria

The fisheries of Lake Victoria have an annual production of 500,000 tons of fish, of which 100,000 tons are exported, to western markets. As such, it plays an important role in the economic development of the region. The second phase of the Lake Victoria Fisheries Research project (started in 1995 with €9.4 Mio) has fostered regional co-operation between Kenya, Uganda and Tanzania through the Lake Victoria Fisheries Organisation.

Upgrading facilities and vessels, training 150 research staff and providing 12 long-term overseas scholarships have enhanced the research capacity of the three local research institutions. The project has helped improve the sustainable management of the lake's resources. A Joint Fisheries Management Plan is under discussion.

Southern Africa



The EU has had relations with the Southern African Development Community (SADC) since the 1980s when it was known as the Southern African Development Co-ordination Conference. Today, SADC's members include 14 countries covering an area of some 9,277 million km^2 with a population of approximately 200 million: Angola, Botswana, DRC, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

All are signatories of the Cotonou Agreement and, with the exception of South Africa, are EDF beneficiaries. South Africa has access to development co-operation funding under the European Programme for Reconstruction and Development (EPRD). SADC's agenda is for a development integration approach that recognises the political and economic diversities of the countries, including diverse production structures, trade patterns, resource endowments, development priorities, institutional affiliations and resource allocation mechanisms.

It addresses many of the production, infrastructure and efficiency barriers arising from the underdevelopment of the region. This approach also has the advantage of complementing trade liberalisation with sustainable corrective measures designed to cushion the least developed member countries against shocks arising from removing trade barriers. It further allows SADC member countries to define the scope and sectors of co-operation and to identify appropriate strategies and mechanisms to overcome impediments to integration and to address regional imbalances among members.
economies.

Different stages of development

SADC's members are at different stages of development ranging from highly to least developed. The aggregate GDP (2001) of the region is about €25 billion. South Africa, the largest and most dominant economy in the region, contributes approximately 75% of the total GDP. The levels and rates of growth of human development, as measured through the Human Development Index (HDI), vary and fluctuate: the average HDI for the region during the late 1990s was about 0.54 in comparison to 0.57 in the mid 1990s.

On average, the region has achieved positive GDP growth rates (4.8%) since 1996 but there was a slow-down from 1997 to 2000. However, the region has not managed to grow at a rate that is above the average of sub-Saharan Africa. Nor has economic growth enabled the region to tackle poverty reduction, especially as population growth is about 2.6%.

The poor state of social and human development is further reflected in low-income levels. Available statistics indicate about 70% of the population subsist below the international poverty line of US$2 per day, while 40% or 76 million people live on the international poverty line of US$1 per day.

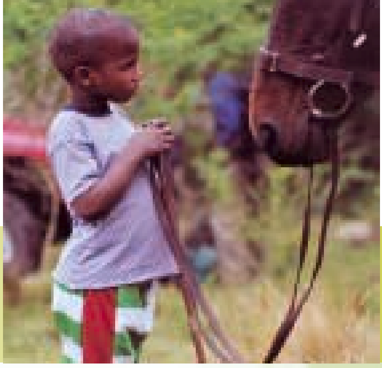
Democracy, rule of law and governance

Almost all countries are either long-term or nascent multiparty democracies. Swaziland has a universal adult franchise based on the democratic selection of parliamentary candidates centred on the monarchy and the traditional chiefs. The majority of the parliaments or national assemblies consist of one chamber although two (Botswana and Swaziland) follow the bicameral system.

The rule of law is almost universally based on three systems: the constitutional legal system in conjunction with traditional/customary or religious law. Only Mauritius, Namibia and South Africa have abolished the death penalty although a de facto moratorium exists in most other countries.

Attention is paid to governance issues and the consolidation of democracy, respect for the rule of law and human rights, as well as peace and stability. Reforms in the constitutional, political and electoral systems to make them participatory, transparent, accountable, inclusive and predictable are implemented across the region. This is reflected in the holding of periodic general elections in a number of countries. At the same time, the need for, and the extent of, the implementation of reforms vary between countries.

In addition to the bilateral relationship with many EU Member States, the countries benefit from strong development co-operation, trade and political dialogue links within the framework of the Cotonou Agreement and in the case of South Africa, the Trade and Development Co-operation Agreement (TDCA).



The EU response

The total amount of the programmed funding available under the 9th EDF is some €2,330 billion with an additional €515 Mio (for the years 2003-2006) for South Africa under the EPRD. In addition all countries will be eligible for funding under the new Investment Facility.

South Africa has established a Free Trade Agreement with the EU. The other 13 countries benefit from non-reciprocal trade preferences under the Cotonou Agreement until 2008, which also foresees the establishment of EPAs on a regional basis. LDCs of the region benefit already now from improved market access under new trade arrangements such as the Everything But Arms Initiative of the EU.

In addition to political dialogue with individual countries as provided under the Cotonou Agreement, the region through SADC maintains a regular dialogue with the EU under the Berlin Initiative, where a wide range of matters of mutual interest are discussed.

Beyond development co-operation

Development co-operation is only one aspect of EU-South Africa relations framed by the TDCA, which progressively implements the full free trade area and provides for economic, social and cultural co-operation in numerous areas. South Africa and Europe are also working together in the scientific field through the Science and Technology Agreement and both sides have concluded agreements for trade in wine and spirits.

Support for regional programmes

The EU has been supporting SADC's regional integration agenda since its initial establishment as the Southern African Development Co-ordination Conference in 1979. The SADC Programme of Action covers co-operation in several economic and social sectors and has implemented several infrastructure and other projects. SADC has also developed protocols in a number of areas that provide the legal framework for co-operation among members.

The EDF has been a major source of support to SADC's Secretariat and Programme of Action since the early 1980s. Within the framework of the 6th (€141 Mio), 7th (€130 Mio) and 8th (€121 Mio) EDFs, SADC received a total of €392 Mio under RIPs.

Under the 9th EDF, SADC and the EU have agreed that the €101 Mio of support will focus on two sectors: regional integration and trade, as well as transport and communications, will each receive between 35%-45%, with up to 20% reserved for other programmes.

A number of crosscutting issues will be considered when designing specific projects and programmes to be implemented under RIP, including gender issues, capacity building and environment. In particular, the importance of peace and security are a necessary prerequisite to regional integration. Mainstreaming of HIV/AIDS and the involvement of non-state actors, including local government, in the preparation and implementation of projects will also be encouraged.

Humanitarian aid

Until recently, the European Commission was only involved in humanitarian aid operations in Southern Africa in response to local disasters and on a temporary basis. One such targeted intervention was ECHO's response to the catastrophic floods in Mozambique in 2000 The notable exception to this ad hoc approach in Southern Africa is Angola. After more than 30 years of war, the need of humanitarian aid is great, despite the peace process that began in April 2002. Since 1993, ECHO has provided more than €135 Mio.

With the onset of the humanitarian crisis in Zimbabwe and neighbouring countries in 2002, ECHO has substantially expanded its assistance to the region to about €50 Mio.

Case studies

> Addressing famine and health in Zambia

Experts agree that there is a strong correlation between serious malnutrition and increased incidence of communicable diseases. One of the lessons learned from the 1992 Southern African drought is that it is important to strengthen the delivery of health services at district level in affected areas.

The EU contributes substantially to the multi-donor District Health Basket Fund. This programme has proved to be an effective way of channelling additional support to the health system in affected areas, thereby avoiding unnecessary duplication of effort. In addition, the European Commission decided to make additional funds rapidly available to provide free medical coverage to Zambians living in the famine afflicted areas. In December 2002 an additional contribution representing 17.5% of the initial agreed amount was approved for this health fund on the following basis:

- a one-off contribution of €700,000 would be disbursed immediately upon request;
- the contribution targets only districts affected by the 2002-2003 food crisis, that is about 38 districts;
- the amount compensates District Health Boards for granting medical fees exemptions for the duration of the crisis and also covers the purchase of drugs and equipment beyond the current ceilings in force.

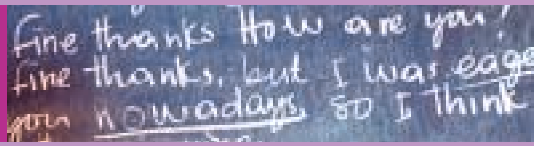
> Human rights and democracy education

The EU provides support for the Master's Degree in Human Rights and Democratisation in Africa. This degree programme educates young professionals at postgraduate level, providing academic training in standards, institutions and mechanisms for the protection and promotion of human rights and democracy. It offers the research skills and operational tools necessary to prepare graduates for work and emphasises a regional approach to human rights education.

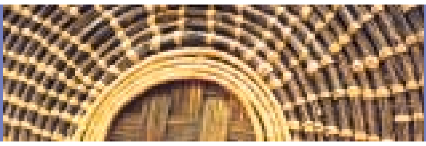
Thirty students from numerous African countries will participate, spending the first six months of the year as a group at the Centre for Human Rights in Pretoria to attend advanced lectures on human rights. They are split up into four groups that are placed with the participating universities for the last six months of the year.

Participating universities include the Centre for Human Rights at Pretoria University, Makerere University in Uganda, the University of the Western Cape (South Africa), the University of Ghana, and the Catholic University of Central Africa (Cameroon). The European Commission has allocated €1.3 Mio to this project.

Challenges and opportunities



THE BURDEN OF DEBT



The magnitude of the burden imposed by the service of external debt on many African countries hampers their development prospects. The solution of the debt crisis is a precondition for the fight against poverty and for sustainable development.

One of the proposed solutions to help relieve the debt burden of the poorest countries that make adjustment efforts was the launching of the Highly Indebted Poor Country (HIPC) initiative in September 1996. Out of the 42 countries eligible for the initiative, 34 are located in sub-Saharan Africa. This initiative represents a co-ordinated effort by all donors, including in particular multilateral creditors that normally do not provide debt relief.

Faster, deeper and broader debt relief

At the G-7 Cologne summit in July 1999, Ministers agreed to an expanded initiative that will provide 'faster, deeper and broader debt relief,' introducing the possibility of providing debt relief immediately after having entered the initiative and establishing a closer link to poverty reduction.

HIPC proved to be successful as it will reduce the stock of external debt of the 26 countries that have so far benefited from the initiative by almost half in NPV (Net Present Value) terms. In combination with the other co-ordinated debt reduction mechanisms, their debt will be reduced by about two thirds, at levels below the overall developing country average. Annual debt service ratios will be brought down by 40-45%.

The EU has contributed more than €1.275 billion to HIPC. To fulfil its obligations as a creditor, €485 Mio has been set aside. An additional €60 Mio, again as a creditor, has been earmarked for the total relief of all special loans granted to least developed ACP countries that benefit from the HIPC initiative.

As a donor, the EU has disbursed €734 Mio to the HIPC Trust Fund, which was established in 1996 to help finance multilateral banks' debt relief. The EU's contribution is mainly earmarked to assist the African Development Bank. Of this amount €680 Mio is for ACP countries and €54 Mio for Latin American and Asian countries.

Challenges ahead

The current initiative still faces some important challenges, including:

- the need to ensure it is fully financed, in particular it is crucial to ensure all creditors participate to the common effort;
- the need to maintain and strengthen the link between debt relief and nationally determined poverty reduction strategies;
- the need for African countries to receive increased technical assistance and capacity building support in the area of public expenditure and debt management.

The initiative frees national budgetary resources in the context of nationally owned poverty reduction strategies. The EU strongly supports the view that tracking of HIPC-funded expenditure should be seen as an integral part of the overall assessment of poverty related public expenditures and not as a one-off exercise.

In Monterrey (Mexico, March 2002), the international donor and creditor community acknowledged the need to ensure adequate additional external financing on concessional terms. Another broadly shared need is to collectively look deeper into the issue of maintaining debt sustainability in the long term and beyond the HIPC initiative framework.

Different constituencies, including NGOs, academics, and the AU, have repeatedly called for the extension of the debt relief to a deeper level and to larger groupings of countries, including some middle-income countries.

The Commission supports the idea of looking at the different possibilities of further initiatives and plans to fund an independent study on the matter. However the following dimensions will have to be carefully assessed:

- Aid allocation and financing: allowing middle-income countries into the picture risks diverting already scarce resources from the poorest ones. The difficulties experienced in the full financing of the current initiative should be borne in mind.
- Moral hazard: a broadening of the countries eligible could encourage others not to service their debt.
- Governance/poverty reduction effects: to ensure a real impact of this kind of support, a permanent dialogue and an effective monitoring of the results of these policies have to be established and continued.

The EU is seeking to obtain a formal, strong, political commitment from all stakeholders to continue discussions on possible ways of ensuring the long-term sustainability of external debt for all African countries.

PEACE BUILDING AND CONFLICT PREVENTION

The activities in the field of peace building, conflict prevention and resolution shall in particular include support for balancing political, economic, social and cultural opportunities among all segments of society.

The new pan-African framework for peace and security

Both AU and NEPAD have set up significant institutional schemes and operational proposals related to peace and security. In Durban in 2002, the AU leaders decided to set up a Peace and Security Council supported by the new AU Commission, a Panel of the Wise, a continental early warning system, an African stand-by force and a special Fund.

NEPAD's peace and security programme provides a conceptual framework and a set of priority actions to be implemented at both the pan-African level (AU) and the sub-regional organisations, generally called Regional Economic Communities (REC).

EU conflict prevention policy in Africa

EU policy in this domain has been framed in the Common Position on Conflict Prevention in Africa, which ties together all main instruments at the EU's disposal in Africa: development and economic co-operation, commercial and diplomatic relations, also including support to African Peace-Keeping capabilities.

Other EU related activities in this field include the establishment of the European Commission Rapid Reaction Mechanism (RRM) – €25 Mio in 2002 and €30 Mio in 2003. It has allowed the European Commission to provide immediate and concrete short-term assistance.

The EU-Africa dialogue: prospects in the field of peace and security

This area has been one of consensus building between Europeans and Africans in the course of the last two years and has been described as a 'model case' for enhanced Europe-Africa co-operation. Concrete areas of dialogue have been identified among which the establishment of an inventory of institutions and the strengthening of African capacities in the area of early warning and preventive diplomacy.

The most tangible European response to the AU's new peace and security agenda as a first contribution lies with the preparation of a programme (€12 Mio/9th EDF) to support peace building and transition activities. This programme's prime objective (€10 Mio) is to fund the operational activities of the Peace and Security Council (special envoys, mediation/facilitation activities, AU elections observations), while €2 Mio is earmarked for AU capacity building in the transition period.

This programme equally entails a dimension of regular, Addis-based dialogue and co-ordination between donors and the AU Commissioner for Peace and Security to increase the effectiveness of donor assistance, streamline donor's procedures and requirements, as well as identify gaps, needs and priorities for donor support programs. This process could be equally useful for the implementation of the G8 action plan in support of African Peace operations. It would enable donors, starting with the EU, to identify and mobilise a more sizeable support package to the new AU peace and security mechanisms.

Recent Rapid Reaction Mechanism (RRM) commitments in Africa

2002	2003
• A contribution to the UNMEE Trust Fund for de-mining	• Deployment of AU observers in Burundi in March
• A contribution to Sudan/Nuba mountains de-mining	• Support for the UNDP-led disarmament of combatants in Congo Brazzaville
• Support for ECOWAS mediation in Ivory Coast	
• Deployment of AU envoy in the Central African Republic	
• Financing of peace talks in DRC and Somalia	

HUMAN RIGHTS, DEMOCRACY AND GOOD GOVERNANCE

The EU-Africa dialogue on human rights, democracy and good governance has focused on three main areas:

- The fight against human trafficking.
- Support to African institutions.
- Good governance and fighting corruption, including the return of illegally acquired public money lodged in foreign banks.

Fight against trafficking in human beings

A draft Plan of Action was a first step forward in addressing this issue. The Plan contains general principles as well as proposals for concrete measures in the field of prevention and awareness-raising, victim protection and assistance, legislative framework, policy development, law enforcement and co-operation and on-the-spot co-ordination.

Actions developed within the plan's framework should, as far as possible, be made known to actors from law enforcement, so as to be reflected in activities supported through the existing EU funded programmes in the area of Justice and Home Affairs.

Support to African institutions

A preliminary programme for democracy, governance and human rights for the period 2002-2003 has recently been presented to the EU. This programme aims first to implement the various commitments made by AU countries in a number of legal and policy documents such as the Constitutive Act or the AU Declaration on the Principles Governing Democratic Elections in Africa.

The programme's second aim is to provide support to establishing and strengthening the institutions' dealing with democracy, governance and human rights. Strengthening institutions like the Commission on Human and Peoples' Rights and the African Court of Justice is all the more important as they are to assume greater responsibility within the framework of the African Peer Review Mechanism.

The programme received EU support at the Ouagadougou Ministerial Conference in November 2002.

The fight against corruption

The fight against corruption, investigation and return of illegally acquired public money lodged in foreign banks is part of the broader and major theme of economic governance. Since the Cairo Summit considerable efforts have been made by African states to establish a legal and policy framework (adoption by the AU of the NEPAD Declaration on Democracy, Political, Economic and Corporate Governance).

The recently adopted AU Convention against Corruption and the Algiers Convention on the Prevention and Combating of Terrorism contain provisions on the financial aspects of terrorism and provide more specific legal measures. At the same time, a number of initiatives are underway at regional level to set up and develop regional anti-money laundering initiatives linked to the work of the Financial Action Task Force (FATF).

At multilateral level, further progress is expected through the UN, which is currently preparing the UN Convention Against Corruption, which will contain a specific provision on the recovery of illicit (State) funds.

At the Ouagadougou Ministerial Conference, African states expressed 'readiness to deal with corruption' and called on the EU 'to co-operate on the implementation of the African decisions' and 'to engage in concrete co-operation action in this field and proposed specific actions.'

In view of this new legal and policy framework, the issue of illegally acquired money, estimated to equal more than half of Africa's external debt and lodged primarily in foreign banks, represents an integral part of progress to be achieved in the field of economic governance and mutual accountability. The Bi-Regional Group should take concrete steps to develop and strengthen co-operation in this field.

HUMAN AND SOCIAL DEVELOPMENT

To fight poverty in developing countries, the EU carries out a range of policy actions in relation to human and social development. The rationale behind this is that equitable access to basic social services is vital to reducing poverty.

Intervention is two-pronged: health, AIDS and population as well as education and training. Achieving gender equality is underlying the EU health and education policies. In social development, the European Commission works with the private sector and other stakeholders in the areas of corporate social responsibility and respect for core labour standards as defined by the International Labour Organization.

Health, AIDS and population

Health is a key determinant of economic growth and development; illness is both a major cause and result of poverty. The European Commission's policy document, Health and Poverty Reduction in Developing Countries, provides a single policy framework to guide the EU in its activities and investments in health in developing countries while contributing to the achievement of the Millennium Development Goals (MDGs).

The EU Programme for Accelerated Action on HIV/AIDS, malaria and tuberculosis clearly spells out policies in the areas of development co-operation, trade and research. Policy on reproductive and sexual health in developing countries is firmly based on the principles agreed at the International Conference on Population and Development (1994) and five years later at Cairo+5.

How are these policies implemented in Africa?

The EU supports health activities in Africa in several ways. First, through country and regional programmes, where financial support is channelled directly to health projects or through sector or to macroeconomic budget support. Second, specific budget lines are available including two that fund innovative initiatives on the main poverty related diseases (AIDS, malaria and tuberculosis) and in reproductive and sexual health.

In addition, the European Commission contributes to the Global Fund to fight AIDS, Tuberculosis and Malaria and is an active board member.

Education and training

The fundamental importance of education to reduce poverty is recognised by the Millennium Development Goals, which set two ambitious targets. First, the Education for All Fast Track Initiative (FTI) aims to give all children a full primary education by 2015. Second, gender disparity should be eliminated in primary and secondary education preferably by 2005, and for all levels of education by 2015 at the latest.

The EU's commitment to achieving the education MDGs is demonstrated by its strong support for the FTI. Launched by the World Bank in April 2002, it aims to help an initial group of 23 countries with sound policies to achieve the education MDGs through additional financial support and improved co-ordination amongst donors. This group includes 13 African countries: Burkina Faso, DRC, Ethiopia, the Gambia, Ghana, Guinea, Mauritania, Mozambique, Niger, Nigeria, Tanzania, Uganda and Zambia. In November 2002, donors agreed to finance the FTI proposals from a first group of seven countries, including Burkina Faso, Guinea, Mauritania and Niger. The additional funds needed to carry out the FTI proposals for these countries are estimated to be about €400 Mio between 2003 and 2005.

The EU fully supports this worldwide focus on basic education and gender equality. This is reflected in the document that defines the EU policy in the field of education and training in developing countries: a European Commission Communication on Education and Training in the Context of Poverty Reduction in Developing Countries (March 2002).

FOOD SECURITY

The EU's food security programme, which originally consisted in distributing food aid, is now focused on providing support of a more structural nature. The short-, medium- or long-term food security programmes aim at enabling countries to enhance food security in the context of their own poverty reduction strategies.

In designing its programmes, the EU takes into account the inadequate availability of food at the national level, the difficulties in acceding to food at the household level as a result of poverty, as well as nutritional inadequacy at individual level.

In those least developed African countries with a high index of food insecurity, and where food security is identified as a priority by both the government (in their Poverty Reduction Strategies) and by the EU (in its Country Strategies), food security may be supported by a number of financing instruments. These include the EDF, ECHO (in emergency situations) and the Food Security budget line.

The Food Security budget line uses a number of different instruments, including: direct structural support for governments; project financing; support to NGOs; and food aid distribution through the World Food Programme or NGOs such as EuronAid. This variety of instruments allows for measures to tackle immediate food crises, as well as link relief, rehabilitation and long-term development programmes.

The Food Security Programme

The Food Security Programme provides support to the following African countries: Angola, Burkina Faso, Cape Verde, Ethiopia, Eritrea, Guinea, Liberia, Malawi, Mali, Mauritania, Mozambique, Niger, the Democratic Republic of the Congo, Rwanda, Sierra Leone, Somalia, Sudan, Zambia, Zimbabwe and Madagascar. In other countries, the Commission provides indirect support for food security by supporting rural development programmes (Gambia, Ghana, Kenya, Namibia and Uganda) or water and sanitation (Djibouti, Lesotho, Nigeria and Chad).

The wide range of measures to support food security is adapted to local situations. These measures include: crisis prevention, the development and diversification of agricultural production, support for the marketing of food products, the reinforcement of local capacities, generating income projects for the most vulnerable people, and rehabilitation programmes.

Responding to crises

Due to severe food crises, Southern and Eastern Africa were the focus of the donor community in 2002. From the first stages of the crises, the European Commission put emergency programmes in place to help the most vulnerable groups. It also provided for massive distributions of food aid: 700,000 tonnes of food aid, equivalent to €31 Mio, was distributed between April 2002 and February 2003 in Southern and Eastern Africa.

In addition to food aid, the European Commission continues to provide institutional and sectoral medium- and long- term support. Drought exacerbates the structural problems in these regions, which include poverty, a deterioration of the economic situation, AIDS epidemics, conflicts (in Eastern Africa), and the failure of government policies in certain countries.

Food aid is limited to emergency situations and is targeted at the most vulnerable. To support local economies and respect local nutritional preferences, food aid is, whenever possible bought in the beneficiary or neighbouring countries. For example, 54% of the food aid distributed in Southern and Eastern Africa in 2002 was locally purchased.

To bring more effective solutions to these crises and to ensure donor programmes complement one another, the European Comission launched a process to improve co-ordination with EU Member States.

EU LAUNCHES WATER AND ENERGY INITIATIVES

The EU Initiatives on Energy and Water were launched in Johannesburg at the World Summit on Sustainable Development (WSSD) in September 2002. The European Commission proposal to commit €1 billion to a new EU Water Fund (April 2003) shows its determination to stick to the promises made at the WSSD summit.

The initiatives will help to raise awareness of the importance of water, sanitation and energy services as key aspects of poverty reduction strategies to support achieving the MDGs.

Endorsed by the 2002 EU/Africa Ministerial Conference in Ouagadougou, they will be developed within the context of beneficiary country led activities, thus ensuring they are demand-driven. The EIB, as well as stakeholders from private sector and civil society will also be closely associated in order to benefit from their perspectives, experience and resources. Because of the large sums required to meet the development goals, public/private partnerships will be an important element of the overall approach.

The Water for Life Initiative

The WSSD can be considered a success for the water sector. An important step was taken with the adoption of the sanitation target, complementing the Millennium Development Goal on access to drinking water. The adoption of the target to develop integrated water resources management plans is also a step forward.

Through the Water for Life Initiative, the EU is reconfirming its commitment to contribute to meeting the MDGs and targets agreed at WSSD. The initiative focuses on halving, by the year 2015, the number of people without access to safe drinking water and basic sanitation, currently estimated at about one and two billion respectively.

The second thrust of the initiative is to support the development of Integrated Water Resources Management (IWRM) and water efficiency plans by 2005, promoting the general adoption of river basin-scale policy, planning and management, particularly for trans-boundary catchments

Country-level engagement

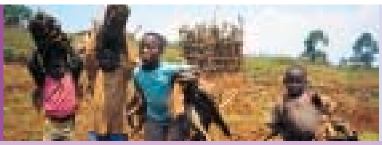
Engagement at country level needs to be an early objective, involving governments, private sector and civil society. Under the initiative, the EU will work with its partners to:

- reinforce political commitment to action and raise the impact of access to water and sanitation with view to poverty reduction;
- promote better water governance arrangements including stronger partnerships between public and private sectors and local stakeholders and build institutional capacity;
- improve co-ordination and co-operation moving towards sector wide approaches, establishing multi-stakeholder processes to reinforce partnerships for action, and promoting south-south collaboration and co-operation;
- develop regional and sub-regional co-operation by assisting in the application of integrated water resources management including trans-boundary waters to contribute to sustainable development and conflict prevention.

In addition to better co-ordination for improved efficiency of water-related activities, the Initiative will also develop innovative funding mechanisms to attract financial resources and partners. The process will involve:

- developing an overview on the situation in the different countries and regions with an analysis of the biggest gaps and financial needs;
- preparing a co-ordinated action programme with a long term financial strategy which gives concrete stepping stones until 2015;
- establishing a monitoring and reporting mechanism in order to measure progress in implementation and to steer further action.

The initiative was endorsed at the highest political level with the signature of a joint declaration for a new Africa/EU Strategic Partnership on Water Affairs and Sanitation. In a spirit of ownership, open co-ordination and in harmony with other efforts (such as NEPAD and the EU-Africa Dialogue), the EU partners are working with organisations such as the African Ministerial Council on Water (AMCOW), among others.



Energy Initiative for Poverty Eradication and Sustainable Development

Lack of access to energy services is among the key factors preventing economic and social development, slowing down poverty reduction and hindering growth. Access to energy services is inadequate in many African states, and in sub-Saharan countries in particular there is great reliance on biomass as an energy source – energy insecurity is commonplace.

Providing access to adequate energy services is one of the keys to achieving development objectives including the MDGs.

The EU Energy Initiative is also an important aspect of supporting gender equality, because women are often burdened with collection of everyday goods such as fuel and water. They also frequently suffer the health effects of indoor air pollution from the use of biomass for cooking.

Adequate, affordable, sustainable energy services

To support improved access to energy services, the EU launched the Energy Initiative for Poverty Eradication and Sustainable Development at WSSD with a particular focus on Africa. The development objectives are to facilitate the achievement of the MDGs by 2015, through the provision of adequate, affordable, sustainable energy services.

The EU is committed to delivering results through this initiative in a spirit of partnership with developing countries in close co-operation with stakeholders from private sector and civil society. The Energy Initiative will deliver results using a variety of technical and institutional instruments, including rural electrification and decentralised energy systems, cleaner more efficient fossil fuel technologies and use of locally available renewable energy, especially the improved management and use of biomass.

Commitment at country level is essential. The role of energy within partner countries' poverty reduction strategies will form the basis of dialogue. Because energy cuts across most economic and social areas, dialogue will need to be open to those in the energy sector, as well as those working in other disciplines.

Through this enhanced dialogue with developing country and regional partners, it is expected that the following broad themes will emerge:

- support for institutional capacity building, and technical assistance for countries to put in place adequate energy policies;
- market development;
- facilitating public-private partnerships and co-operation with financial institutions.

SUSTAINABLE FISHERIES

A joint commitment towards sustainable fisheries

At the World Summit on Sustainable Development representatives of the peoples of Africa, Europe and other continents, reaffirmed their commitment to achieving sustainable development of the oceans and fisheries. They agreed on the necessity to:

- maintain or restore depleted fish stocks to levels that can produce the maximum sustainable yield by 2015;
- encourage the application by 2010 of the ecosystem approach for the sustainable development of the oceans;
- facilitate partnership, scientific research and diffusion of technical knowledge; mobilise domestic, regional and international resources; and promote human and institutional capacity building, paying particular attention to the needs of developing countries.

A crucial resource at risk

Fish constitute 20% of total animal protein in diets in Africa. This contribution to food security can be very high for countries such as Angola (27%), Benin (28%), Burundi (30%), Ivory Coast (37%), DRC (49%), and Equatorial Guinea (62%). However, in Africa as a whole the per capita supply of fish is declining and in some countries the average diet contained less fish protein in the 1990s than it did during the 1970s. This situation is worrying in sub-Saharan Africa where the number of undernourished people has increased in recent years.

Aquatic resources are an important source of foreign exchange, either through the export of products or the granting of fishing rights in their Economic Exclusive Zone to foreign fleets. It is considered, for example, that distant water fishing fleets could carry out almost 50% of catches in the waters under African countries' jurisdiction.

The Food and Agriculture Organization (FAO) estimates that Africa exports fish products for a value of €3.3 billion, with imports valued at €1.2 billion. This results in a trade surplus of €2.1 billion. (Europe has a fish trade deficit of €400 Mio, with €2.2 billion of exports and €2.6 billion of imports.)

Fisheries resources are crucial, however, they are at risk. The percentage of stocks exploited at or beyond the Maximum Sustainable Yield in the marine areas surrounding Africa range from 77% for the Mediterranean to 82% for the Atlantic zones and to 90% for the West Indian Ocean zone. This situation reflects an urgent need for a better management of the resource.

A long-standing co-operation

Total funds committed to projects over the past decade reached nearly €136 Mio for fisheries development, policy and administrative management. These projects are complementary to those supported by Member States.

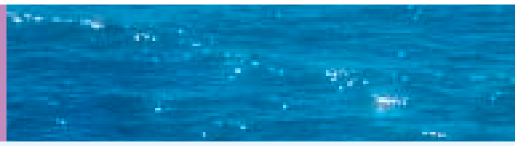
For example, the UK and France support projects involving communities depending on small-scale fisheries in West Africa. The UK supports the Sustainable Fisheries Livelihoods Programme in West Africa, while France supports the sustainable management of the fisheries sector by the Senegalese State and professional organisations. Denmark has contributed to the improvement of fish quality in Mozambique and Spain is supporting aquaculture projects in Angola.

In inland fisheries, Finland has participated to the Tanganyika Regional Fisheries Programme. Germany has been involved in the setting up of the system of control and surveillance in Mauritania. Sweden and Portugal have supported fisheries institutional capacity building in Angola and Mozambique. The Netherlands has provided bilateral funding to Ghana with the Amansuri Conservation and Integrated Development Project.

Due to the trans-boundary nature of the main fish stocks and to the high contribution of fish to regional and international trade, the European Commission and its partners have agreed to take fisheries into account within the next Regional Strategy Papers and their related RIPs. The three West, Central and Eastern African Programmes have foreseen support for the fisheries sector in various fields, such as management of the marine resources, assistance to the formulation and implementation of regional fisheries policies, support to systems of surveillance, and control of fishing activities.

The EU has recently adopted a project for ACP countries, designed to help producers of fish products comply with sanitary standards. One of the purposes is to strengthen small-scale fisheries' capacities to take better advantage of international trade. This project also assists small-scale fisheries through credit and investment in fisheries and social infrastructure.

The EU also collaborates with the Support Unit for International Fisheries and Aquatic Research and FAO in a new programme aimed at strengthening the capacities of the ACP countries to formulate regional and national fisheries policies.



A new orientation for the Common Fisheries Policy

The EU and its African partners are facing new challenges, such as resource scarcity due to over-exploitation, illegal, unreported or unregulated fishing practices, as well as the practical difficulties faced by the developing coastal states to ensure sustainable management of fish resources in its waters. As a result, the Common Fisheries Policy (CFP) is at a turning point. Radical proposals have been put forward to substantially modify its objectives and instruments, including in its international dimension.

The EU considers it essential to support the strengthening of developing coastal states' capacities to implement a sustainable fisheries policy. Appropriate measures should be taken within a new form of partnership to help the relevant authorities to manage their fisheries policy effectively, in particular in countries where the European distant waters fishing fleet is operating.

The future European bilateral and/or regional fishing relationships with third countries should result in establishing a political dialogue with the concerned countries and should be based on several principles, such as:

- respect of the ownership of the concerned country to conceive and establish its fishing policy;
- respect of the international commitments taken by the EU to promote sustainable development and in particular sustainable fishing activities;
- the involvement of public and private players with a clear division of rights and obligations;
- the coherence and complementarity with aid development activities carried out by the EU and its Member States or other donors.

Following this enhanced political dialogue, the new Fisheries Partnership Agreement should play an important role as a contributor to the overall fisheries development strategy of the coastal states.

SUSTAINABLE TRANSPORT AND URBAN DEVELOPMENT

The people of Africa, particularly the poor, need affordable access and adequate mobility. Without it, Africans will remain cut off from improvements in health, education and employment. African traders need lower transport costs if they are to compete in global markets and attract investors. African governments view transport's role in underpinning economic growth and social development as unquestionable. How the EU meets these challenges is described in its Communication on Promoting Sustainable Transport in Development Co-operation.

Transport, as one of the six priorities of the EU development policy, when linked to African aspirations for their transport networks, becomes the focal sector of development co-operation, mainly in sub-Saharan Africa. In this region almost 30 countries benefit from approximately €4 billion for transport from the current and previous EDF. Ensuring these countries reap sustainable benefits from such investments requires the EU to take a sector wide approach.

The EU's sectoral approach aims to deliver transport that meets stakeholder needs, is safe, affordable and efficient, and has minimal impact on the environment. A sectoral strategy on the main transport objectives has been developed with our partner countries in Africa. The strategy reflects the economic, financial, institutional, environmental and social realities.

Ensuring transport fully contributes to poverty reduction strategies calls for closer co-ordination by the EU on policy, strategies and plans with partner countries, Member States, World Bank, UNECA and other donors. A major forum that brings together these stakeholders is the Sub-Saharan Africa Transport Policy Programme (SSATP).

Urban development

Over the last decades, urban population has grown rapidly world-wide, mostly due to the spectacular increase of people living in poor-country's cities and towns. In sub-Saharan Africa urban dwellers have increased by ten times over the last 40 years and three-quarters of the newly urbanised land is less than one-generation old. Similarly, data from other developing regions points towards continuous urban growth in the foreseeable future.

To respond to these challenges, the EU promotes a strategic approach to urban development based on the principles of good governance and good management, as the main driving forces of sustainable urban development. Putting this approach into practice started with the publication of urban guidelines, planned for late 2003.

Road transport spearheads agricultural led development in Ethiopia

Ethiopia's Road Sector Development Programme (RSDP) launched in 1997 underpins Ethiopia's path to economic growth in the agricultural sector. Costing €1 billion, RSDP takes a new approach to road financing, a radical restructuring of government road agencies and an increased involvement of the private sector. EU support to RSDP is substantial, €360 Mio to date and €211 Mio programmed.

The 2000 Review revealed great strides in boosting institutional capacity and a new culture in road management. While on the ground the road network increased by 24% and roads in good condition increased from 14% in 1995 to 25% in 1999. Road and transport users alike are reaping benefits as traffic along the main roads increased by 20%.

Co-ordinating transport and poverty reduction strategies

SSATP believes sound policies lead to safe, reliable and cost-effective transport systems, enabling people to escape poverty and helping countries to compete internationally. Building on its successes in facilitating new approaches to financing and managing transport, SSATP is launching a new plan 2004-2007, supported by the EDF.

This will integrate the different transport modes into country poverty reduction strategies and facilitate cost-effective systems at a regional level. Ownership and linkages with NEPAD are strengthened by the expansion of programme management in country and in Regional Economic Communities.

Acronyms

ACP
African, Caribbean and Pacific countries

AGOA
African Growth and Opportunity Act (American)

AMCOW
African Ministerial Council on Water

AMU
Arab Maghreb Union

APL
Antipersonnel Landmines

ARSP
Agriculture/Livestock Research Support Programme

ASAL
Arid and Semi-Arid Lands

AU
African Union

CAR
Central African Republic

CDE
Centre for the Development of Enterprise

CEEAC
Economic Community of Central African States

CEMAC
Central African Economic Community

CEPGL
Economic Community of the Great Lakes Countries

CFP
Common Fisheries Policy

CFSP
Common Foreign and Security Policy

COMESA
Common Market for Eastern and Southern Africa

DAC
Development Assistance Committee

DDA
Doha Development Agenda

DDR
Disarmament, Demobilisation and Reintegration

DG
Directorate-General

DRC
Democratic Republic of Congo

EAC
East African Community

EBA
Everything but Arms initiative

EBAS
EU-ACP Business Assistance Scheme

EC
European Commission

ECHO
European Commission's Humanitarian Aid Office

ECOWAS
Economic Community of West African States

EDF
European Development Fund

EIB
European Investment Bank

EPA
Economic Partnership Agreement

EPRD
European Programme for Reconstruction and Development

ESA
Eastern and Southern Africa and the Indian Ocean region

ESIP
EU-SADC Investment Promotion Programme

EU
European Union

EuroMesCo
Euro-Mediterranean Study Commission

FAO
Food and Agriculture Organisation

FATF
Financial Action Task Force

FTA
Free Trade Area

FTI
Fast Track Initiative

GDP
Gross Domestic Product

GSP
Generalised System of Preferences

HDI
Human Development Index

HIPC
Highly Indebted Poor Countries

ICDCS
Permanent Inter-State Committee for Drought Control in the Sahelian Zone

ICT
Information Communication Technology

IDPs
Internally Displaced Persons

IGAD
Intergovernmental Authority on Development

IMF
International Monetary Fund

IOC
Indian Ocean Commission

IWRM
Integrated Water Resources Management

LDCs
Least Developed Countries

MDGs
Millennium Development Goals

MEDA
Euro-Mediterranean Partnership Programme

MIP
Multi-annual Indicative Programme

NEPAD
New Partnership for Africa's Development

NGO
Non-governmental organisation

NIP
National Indicative Programme

NPV
Net Present Value

NTBs
Non-tariff barriers

OAU
Organisation of African Unity

OCTs
Overseas Countries and Territories

ODA
Official Development Assistance

OHADA
Organisation for the Harmonisation of Business Law in Africa

PALOP
Portuguese Speaking African Countries

PRSP
Poverty Reduction Strategy Paper

RECs
Regional Economic Communities

RIOs
Regional Integration Organisations

RIP
Regional Indicative Programme

RRM
Rapid Reaction Mechanism

RSDP
Road Sector Development Programme

SADC
Southern African Development Community

SALW
Small Arms and Light Weapons

RSDP
Road Sector Development Programme

SIAs
Sustainability Impact Assessments

SMAP
Short- and Medium-term Action Programme for the Environment (North Africa)

SMEs
Small and Medium-sized Enterprises

SSATP
Sub-Saharan Africa Transport Policy Programme

TDCA
Trade, Development and Co-operation Agreement

TRCB
Trade-Related Capacity Building

TRIPS
Trade-Related Aspects of Intellectual Property Rights

TRTA
Trade-Related Technical Assistance

UNDP
United Nations Development Programme

UNMEE
United Nations Mission in Ethiopia and Eritrea

UON Network
Unmet Obstetric Needs Network

WAEMU
West African Economic and Monetary Union

WSSD
World Summit on Sustainable Development

WTO
Word Trade Organisation

Useful sites

African, Caribbean and Pacific Group of States (ACP Group) – General Secretariat:
http://www.acpsec.org

African Growth and Opportunity Act (AGOA):
http://www.agoa.gov

African Ministerial Conference on Water (AMCOW):
http://www.thewaterpage.com/amcow.htm

African Union (AU):
http://www.africa-union.org

Caribbean Community and Common Market (CARICOM):
http://www.caricom.org

Centre for the Development of Enterprise (CDE):
http://www.cde.int

Common Market for Eastern and Southern Africa (COMESA):
http://www.comesa.int

East African Community (EAC):
http://www.eachq.org

EU-ACP Business Assistance Scheme (EBAS):
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Southern African Development Community (SADC):
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Common Foreign and Security Policy (CFSP):
http://europa.eu.int/comm/external_relations/cfsp/intro/index.htm

DG Development:
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Publications Office:
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World Trade Organisation (WTO):
http://www.wto.org

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http://www.bmaa.gv.at

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Danish International Development Assistance (DANIDA)
http://www.um.dk/danida

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http://global.finland.fi

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http://www.afd.fr

Haut Conseil de la Coopération internationale (HCCI)
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http://www.gtz.de

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http://www.mfa.gr/english/index.html

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http://www.irlgov.ie/iveagh/irishaid

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http://www.esteri.it

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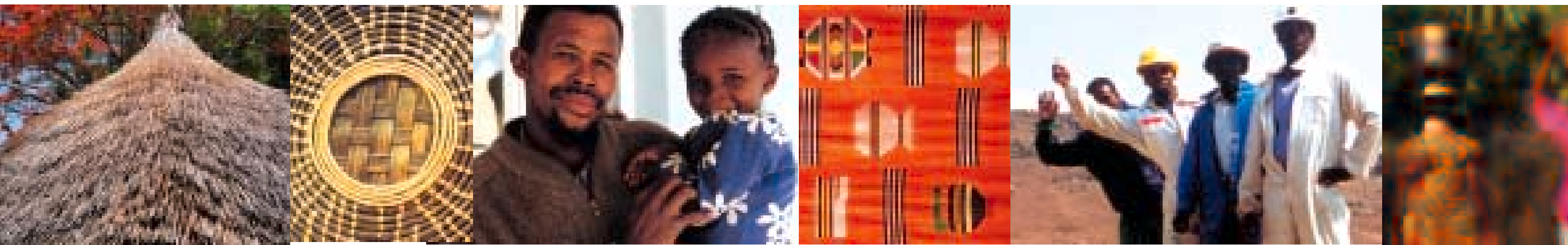

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